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Estate File No. 31-2702401

**IN THE MATTER OF THE PROPOSAL OF
RANDO DRUGS LTD.,
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

CREDITOR PACKAGE

January 15, 2021

To: Creditors of Rando Drugs Ltd. (the “Company”)

On January 7, 2021, KSV Restructuring Inc., in its capacity as receiver of the property, assets and undertaking of Rando Drugs Ltd., filed a proposal (the “Proposal”) with the Office of the Superintendent of Bankruptcy (Canada). KSV Restructuring Inc. is the Proposal Trustee (the “Proposal Trustee”) of the Company.

You are receiving this package because you are either a creditor or a potential creditor of the Company. In this regard, enclosed please find the Trustee’s Report to Creditors (“Report”), which attaches:

- a) the Proposal (Appendix “A”);
- b) a Certificate of Filing of the Proposal (Appendix “B”);
- c) the Receivership Order (Appendix “C”);
- d) the Sponsorship Agreement (Appendix “D”);
- e) the Authorization Order (Appendix “E”);
- f) a Proof of Claim Form, Proxy and Voting Letter (Appendix “F”);
- g) a Notice of Proposal to Creditors (Appendix “G”);
- h) the Statement of Affairs summary (Appendix “H”);
- i) a List of Creditors (Appendix “I”); and
- j) an extract from the Receiver’s Fourth Report.

As detailed in the Report, to vote on the Proposal, a creditor of the Company must file a proof of claim with the Proposal Trustee prior to the meeting to consider the Proposal on January 28, 2021 at 10 a.m. (Toronto Time). Creditors can vote at the meeting by attending via Zoom or by submitting a voting letter to the Proposal Trustee prior to the meeting. Creditors can also vote by way of proxy and can identify the Proposal Trustee as their proxy.

Also enclosed is a notice of the hearing for Court approval of the Proposal pursuant to Section 58(b) of the BIA if the Proposal is accepted at the creditors’ meeting.

Should you have any questions on any of the enclosed materials, please contact the undersigned.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
SOLELY IN ITS CAPACITY AS PROPOSAL TRUSTEE
OF RANDO DRUGS LTD.
AND NOT IN ITS PERSONAL CAPACITY**



**Report to Creditors of
Rando Drugs Ltd.
by KSV Restructuring Inc.
as Proposal Trustee**

January 15, 2021

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

**IN THE MATTER OF THE PROPOSAL OF
RANDO DRUGS LTD., OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

PROPOSAL TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

JANUARY 15, 2021

1.0 Introduction

1. This report ("Report") has been prepared by KSV Restructuring Inc.¹ ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with a proposal (the "Proposal") filed by Rando Drugs Ltd. ("Rando") with the Official Receiver on January 7, 2021 in accordance with Section 62(1) of the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3*, as amended (the "BIA"). The Proposal was filed by KSV in its capacity as receiver (the "Receiver") of the assets, undertaking and property of Rando. A Certificate of Filing a Proposal ("Certificate") was issued on that date by the Office of the Superintendent of Bankruptcy (Canada) (the "OSB"). Copies of the Proposal and the Certificate are attached as Appendices "A" and "B", respectively.
2. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on December 4, 2019 (the "Receivership Order"), KSV was appointed Receiver of Rando, 2345760 Ontario Inc. ("2345"), 2275518 Ontario Inc. ("2275"), M. Blacher Drugs Ltd.² ("Blacher"), 2501380 Ontario Inc. ("2501"), 2527218 Ontario Inc. ("2527"), Dumopharm Inc. ("Dumopharm") and 2527475 Ontario Inc. ("2527") (collectively, the "Rando Companies"), and of Grace Diena³, the spouse of Dani Diena, the Rando Companies' principal. A copy of the Receivership Order is attached as Appendix "C".
3. The principal purpose of these proposal proceedings is to facilitate a reorganization of Rando's share capital and subscription for new shares by the Sponsor (defined below) pursuant to a sponsorship agreement dated as of September 16, 2020 (as amended, the "Sponsorship Agreement") between the Receiver and 2775506 Ontario Inc. (the "Sponsor"). As a result of the capital injection by the Sponsor, it is proposed that Rando's unsecured creditors will receive recoveries on their claims to be paid using a portion of the sponsorship funds.

¹ Effective August 31, 2020, KSV Kofman Inc. changed its name to KSV Restructuring Inc.

² Now known as Family Health Pharmacy West Inc.

³ Ms. Diena was added to the Receivership Order pursuant to a Court order dated February 26, 2020.

4. The Sponsorship Agreement has been approved in the receivership proceedings and the Receiver has been authorized to proceed with the reorganization and the filing of the Proposal. On November 9, 2020, the Court made an Order (the “Sponsorship Agreement Authorization Order”) which, among other things:
 - a) approved the Sponsorship Agreement;
 - b) authorized the Receiver to enter into the Sponsorship Agreement and take all steps necessary to give effect to the transactions contemplated by it; and
 - c) authorized the Receiver to file a proposal on behalf of Rando and permit KSV to act as Proposal Trustee upon filing the Proposal.
5. Copies of the Sponsorship Agreement and the Sponsorship Agreement Authorization Order are attached as Appendices “D” and “E”, respectively.

1.1 Meeting to Consider the Proposal

1. The details of the creditors’ meeting to consider and vote on the Proposal to be held pursuant to Section 51(1) of the BIA (the “Meeting”) are as follows:

Date: January 28, 2021

Time: 10:00 am (EST)

Location: to be convened virtually via Zoom: at <https://zoom.us/j/93059351152?pwd=M1FoR1V1R3h6QVpqOVBV RHBnM2NjQT09>
2. As described in greater detail below, to vote on the Proposal, Rando’s creditors must file a proof of claim with the Proposal Trustee prior to the Meeting. Creditors can vote at the Meeting by attending in person or by submitting voting letters to the Proposal Trustee prior to the Meeting. Creditors can also vote by way of proxy and can identify the Proposal Trustee as their proxy.
3. A proof of claim form, proxy, voting letter and instruction letter are provided in Appendix “F”. Creditors should read the instruction letter to understand the voting procedures, including the procedure to register claims with the Proposal Trustee.
4. The Proposal Trustee’s Notice of Proposal to Creditors, a summary of Rando’s Statement of Affairs and a list of creditors are attached as Appendices “G”, “H” and “I”, respectively.

1.2 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about Rando;
 - b) summarize the key terms of the Proposal;

- c) summarize the key terms of the Sponsorship Agreement;
- d) discuss the Receiver's ability to execute the terms of the Proposal;
- e) provide the Proposal Trustee's opinion as to the reasonableness of the provision in the Proposal that sections 95 to 101 of the BIA do not apply in respect of the Proposal, as required pursuant to Section 50 (10) (b) of the BIA;
- f) compare the result for creditors under the Proposal to the result if the Proposal is not accepted and Rando is deemed to have made an assignment in bankruptcy; and
- g) provide the Proposal Trustee's recommendation on the Proposal.

1.3 Currency

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

1.4 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by Rando's representatives, Rando's books and records and discussions with Rando's representatives, particularly Mr. Diena, the President of the Rando Companies. The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on Rando's financial information should perform its own due diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever. The Proposal Trustee accepts no responsibility for any reliance placed by any party based on the information in this Report.

2.0 Background

2.1 Overview

1. As of the date of the Receivership Order, 2345 was indebted to ECN Financial Inc. ("ECN"), the Rando Companies' principal secured creditor, in the amount of approximately \$4.1 million (the "ECN Facility"), plus interest, fees and costs which continue to accrue⁴.
2. Each of Rando, 2275, Blacher, 2501, 2527218, Dumopharm, 2527475 and Ms. Diena are secured guarantors of 2345's indebtedness under the ECN Facility.

⁴ As at the date of this Report, the Receiver has made distributions totalling \$1.45 million to ECN from the proceeds of the realization of the Rando Companies' assets.

3. As at the date of the Receivership Order, Rando owned and operated the following pharmacies (“Pharmacies”) in Southwestern Ontario under the PharmaChoice banner, each of which operated as a separate division of Rando:
 - a) 6720 Hawthorne Drive, Windsor (“Pharmacy East”);
 - b) 1604 Tecumseh Road West, Windsor (“Pharmacy West”);
 - c) 785 Tecumseh Road, Unit #16, Walpole Island (“Walpole”); and
 - d) 3A-1275 Walker Road, Windsor (“Novacare”).
4. During the receivership proceedings, the Receiver marketed and sold the business and assets of Rando, including the Pharmacies, for combined total sale proceeds of approximately \$2.2 million.
5. Following the sale of the Pharmacies, Rando has no employees and does not carry on any business.
6. Pursuant to an Order made by the Court on September 3, 2020, the Receiver has made two distributions in the aggregate amount of \$1.45 million to ECN in respect of its secured claims against the Rando Companies. As at the date of this Report, the balance owing by the Rando Companies to ECN exceeds \$3 million plus interest and costs which continue to accrue.

2.2 Rando Charter

1. As a company incorporated prior to or in 1954 that carried on the business of a pharmacy at that time, Rando falls within the exemption provided under Section 142(4) (the “Exemption”) of the *Drug and Pharmacies Regulations Act* (Ontario) (“Pharmacies Act”), which allows Rando to own and operate pharmacies without it being majority owned by pharmacists.
2. Companies with Exemptions are often referred to as having a “Charter” or being a “Charter Company”. There is no formal “charter” document. Rather, it is the corporate entity itself that is entitled to the Exemption.
3. Following the sale of the Pharmacies, the most significant remaining asset of Rando is the “Charter”.
4. As discussed further in section 4 below, if the Proposal is accepted by the creditors and approved by the Court, the Sponsor has agreed to purchase newly issued common shares of Rando following a reorganization, thereby acquiring the “Charter”.
5. Further information about the Rando Companies is provided in KSV’s reports to Court in its capacity as Receiver (the “Receiver’s Reports”). The Receiver’s Reports, as well as all Court materials filed in the receivership proceedings and the proposal proceedings are available on KSV’s website at <https://www.ksvadvisory.com/insolvency-cases/case/rando-drugs-ltd>.

3.0 The Proposal

1. This section provides an overview of the terms of the Proposal. Review of this section is not a substitute for reading the Proposal. Creditors are strongly encouraged to read the Proposal in its entirety prior to voting on the Proposal. Creditors are encouraged to discuss the terms of the Proposal with their legal counsel. A copy of the Proposal is provided in Appendix "A".
2. Capitalized terms used in this section and not otherwise defined in the Report have the meaning given to them in the Proposal.

3.1 Purpose and Effect

1. The overall purpose of the Proposal is to:
 - a) give effect to a distribution of funds from the Ordinary Creditors' Pool to the Affected Creditors; and
 - b) effect releases of any and all Affected Claims.
2. Effective on the Proposal Implementation Date, all Claims of Affected Creditors shall be discharged, and Rando shall be released from all Claims of Affected Creditors, other than the obligation to make payment to the extent described in the Proposal.
3. The release of Affected Claims and implementation of the Proposal is a condition to the implementation of the reorganization contemplated by the Sponsorship Agreement. As a result of the reorganization, the Sponsor will receive new shares of Rando and will become the sole shareholder of Rando pursuant to Articles of Reorganization.

3.2 Classes of Creditors

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

3.3 Treatment of Claims

1. The Proposal is sponsored by 2775506 Ontario Inc., an arms' length party, and is being made to the holders of Affected Claims against Rando (the "Affected Creditors"). Unaffected Creditors include claims of:
 - a) ECN under its security, including borrowings by the Receiver pursuant to the Receivership Order; and
 - b) KSV, in its capacities as Receiver and Proposal Trustee, and its legal counsel.

2. Subject to the amounts required to be paid in Section 3.01 of the Proposal, being the statutory levy of 5% payable to the OSB under the BIA, the Proposal Trustee shall make one or more distributions to Ordinary Creditors of 100% of the funds from the Ordinary Creditors' Pool, representing \$125,000 to be transferred by the Receiver to the Proposal Trustee, on a pro rata basis in accordance with the proofs of claims that are filed by Ordinary Creditors and the BIA.
3. Ordinary Creditors will accept the payment from the Ordinary Creditors' Pool 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 Rando.
4. Within five (5) Business Days of the Proposal Implementation Date, Crown Claims and Preferred Claims, if any, will be paid in full by the Proposal Trustee.
5. On the Proposal Implementation Date, 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 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.

3.4 Voting on the Proposal

1. To vote at the Meeting, each Ordinary Creditor shall file a valid proof of claim with the Proposal Trustee and thereafter the Proposal Trustee shall determine the claims in accordance with the provisions of section 135 of the BIA. The proof of claim form is attached as Appendix "F".
2. In order to receive a distribution from the Proposal, an Ordinary Creditor must submit a valid proof of claim prior to the time the Trustee distributes the funds in accordance with the Proposal.
3. Holders of Unaffected Claims and Equity shall not be entitled to vote on the Proposal.

3.5 Dividend Amount

1. As at the date the Proposal was filed, Ordinary Creditors were owed approximately \$267,000. Based on the list of known creditors attached in Appendix "I", amounts payable to Ordinary Creditors under the Proposal may be up to 47¢ on the dollar; however, this amount may be reduced based on proofs of claim filed.
2. The creditors' listing reflects a balance owing to several creditors of \$1, which means that the balance is unknown.
3. As set out above, ECN is an Unaffected Creditor and is therefore not participating in the Ordinary Creditors' Pool.

4. Pursuant to a settlement among the Receiver, ECN and Ms. Diena dated November 4, 2020, Ms. Diena and all members of her family, the Grace Family Trust and any other company or entity which she may own, have a direct or indirect interest in, or of which she is an officer will not oppose, assert a claim against or in any other way participate in the Proposal.
5. Pursuant to Section 147 of the BIA, payments under the Proposal are subject to the statutory levy of 5% payable to the OSB.

3.6 Proposal Conditions

1. The implementation of the Proposal is conditional upon, among other things:
 - a) acceptance of the Proposal by the statutory majority of the Creditors as required under the BIA (described in Section 3.8 below);
 - b) the Court shall have granted: i) the Proposal Approval Order; ii) the Sponsorship Agreement Authorization Order⁵; and iii) the Reorganization Approval Order;
 - c) the Capitalization Amount (as defined below in Section 4) shall have been funded; and
 - d) all conditions precedent to the implementation of the Reorganization under the Sponsorship Agreement shall have been satisfied or waived.

3.7 Other Proposal Terms

1. At the Proposal Implementation Date, Rando, Rando'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 a Person against a Released Party.
2. The compromise and release of Affected Claims 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 in the Proposal. Additionally, the Proposal does not release or discharge any claim of ECN as against the other Rando Companies.
3. Upon written notice from the Receiver and the Sponsor to the Proposal Trustee that the conditions to Implementation set out in Section 10.03 of the Proposal have been satisfied or waived, the Proposal 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 of the Proposal have been satisfied or waived and that the Proposal Implementation Date has occurred or will occur on a future date specified in the certificate.

⁵ The Sponsorship Agreement Authorization Order was granted on November 9, 2020.

4. Sections 95 to 101 of the BIA do not apply to the Proposal or the proceedings related to the Proposal and may not be invoked or relied upon by any Affected Creditor or the Proposal Trustee. Additional details regarding this provision are provided in Section 5 below.
5. Other than a default under the Sponsorship Agreement, the non-payment of amounts in respect of preferred and ordinary claims (as set out in Article 3 of the Proposal) will constitute an event of default for the purposes of Section 62.1 of the BIA and under the Proposal.

3.8 Acceptance and Approval of the Proposal

1. In order for the Proposal to be accepted, two-thirds in dollar value and over 50% in number of the Ordinary Creditors present and voting, in person or by proxy, must vote in favour of the Proposal.
2. Rejection of the Proposal by the creditors would result in Rando being deemed to have made an assignment in bankruptcy.
3. Upon being accepted by creditors, the Proposal must be approved by the Court. If the Court fails to approve the Proposal, Rando is deemed to have made an assignment in bankruptcy.

4.0 Sponsorship Agreement⁶

1. Pursuant to the Sponsorship Agreement, the Sponsor is to provide the Receiver with \$1 million (the "Capitalization Amount") as a subscription for New Common Shares, being 1,000,000 Common Shares to be issued from the capital of Rando. The Sponsor has paid a deposit of \$150,000 to the Receiver. The balance of the Capitalization Amount is to be paid two Business Days prior to the Reorganization Implementation Date.
2. The Capitalization Amount is to be used as follows:
 - a) \$125,000 (the "Proposal Amount"), being the portion of the Capitalization Amount to be transferred by the Receiver to the Proposal Trustee to fund distributions to ordinary creditors; and
 - b) the balance to be distributed to ECN after deducting the fees and disbursements of KSV as Receiver and Proposal Trustee, including those of its legal counsel, and other amounts payable under the Proposal as determined by the Proposal Trustee and approved by the Sponsor, subject to the consent of ECN.
3. The obligation of the Sponsor to complete the Reorganization contemplated by the Sponsorship Agreement is conditional on, among other things, acceptance of the Proposal by the statutory majority of creditors at the Meeting and approval of the Proposal by the Court.

⁶ Defined terms in this section of the Report have meanings provided to them in the Sponsorship Agreement.

4. A summary of the other key terms of the Sponsorship Agreement was provided in Section 4.1 of the Receiver's Fourth Report to Court dated September 23, 2020 (the "Fourth Report"). A copy of Section 4.1 of the Fourth Report is attached as Appendix "J".

5.0 Preferences and Transfers at Undervalue

1. As part of its statutory duties under the BIA, the Proposal Trustee conducted a review of Rando's bank statements and cancelled cheques for the twelve-month period (the "Review Period") immediately preceding the commencement of the receivership proceedings to identify transactions that could be considered preferences or transfers at undervalue. The focus of the Review Period was transactions above \$10,000.
2. The Proposal Trustee's review identified one transaction in the amount of \$29,000 occurring on December 4, 2019 between Rando and Premium Canadian Pharmacy Ltd. ("Premium"), a company which the Proposal Trustee understands is owned or controlled by Mr. Diena, that could be considered a preference. The Proposal Trustee is of the view that the professional costs associated with pursuing this transaction outweigh the ultimate benefit to the creditors of Rando. The Proposal Trustee also notes that recoveries are uncertain as Mr. Diena funded certain expenses of Rando through Premium during the Review Period and an obligation to Premium may have existed on the date of the Receivership Order.
3. As described in Section 3.7 above, Article 6 of the Proposal provides that Sections 95 to 101 of the BIA, being the relevant sections under the BIA dealing with transactions that may be challenged by a Trustee, do not apply to the Proposal and may not be relied upon by the creditors or by the Proposal Trustee. Therefore, by voting in favour of the Proposal, creditors will be giving up their right to pursue any of the remedies under these sections of the BIA.
4. For the reasons referenced above, the Proposal Trustee is of the view that Article 6 of the Proposal is not unreasonable. .

6.0 Estimated Distribution in the Event of a Bankruptcy

1. As all of Rando's assets (other than the "Charter") were sold, no recoveries are expected for Rando's creditors if the Proposal is rejected and Rando is deemed to have made an assignment in bankruptcy.
2. **Absent the Sponsorship Agreement and implementation of the Proposal, there will be no recoveries for Affected Creditors.**

7.0 Conclusion and Recommendation

1. Affected Creditors will not have any opportunity for recovery should the Proposal not be accepted and approved by the Court. Payments under the Proposal could result in a recovery of up to approximately 47¢ on the dollar for the Affected Claims versus the alternative, which is a nil recovery if the Proposal is rejected and Rando becomes bankrupt. **Accordingly, the Proposal Trustee strongly recommends that Rando's creditors vote in favour of the Proposal.**
2. If the Proposal is accepted by the Affected Creditors at the Meeting, the Proposal Trustee will seek the Court's approval at a motion to be heard at 10 a.m. on February 19, 2021.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
RANDO DRUGS LTD.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

**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.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

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

Appendix “B”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2702401
Estate No. 31-2702401

In the Matter of the Proposal of:

Rando Drugs Ltd.
Debtor

KSV RESTRUCTURING INC.
Licensed Insolvency Trustee

Date of Proposal:	January 07, 2021	Security:	\$
Meeting of Creditors:	January 28, 2021, 10:00 Meeting to be held by teleconference https://zoom.us/j/93059351152 Password to be provided, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF FILING OF A PROPOSAL - Section 62

-- AMENDED --

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that:

- a proposal in respect of the aforementioned debtor was filed under section 62 of the *Bankruptcy and Insolvency Act*.

The aforementioned trustee is required:

- to provide to me, without delay, security in the aforementioned amount; and
- to send to all creditors, at least ten days prior to the meeting, a notice of a meeting of creditors, which will be held at the aforementioned time and place.

Date: January 11, 2021, 16:09

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902



Appendix “C”



Court File No. CV-19-00632106

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) WEDNESDAY, THE 4TH
JUSTICE HAINEY) DAY OF DECEMBER, 2019

BETWEEN

ECN FINANCIAL INC.

Applicant

- and -

2345760 ONTARIO INC., RANDO DRUGS LTD, 2275518 ONTARIO INC., FAMILY HEALTH PHARMACY WEST INC. formerly known as M. BLACHER DRUGS LTD., 2501380 ONTARIO INC., 2527218 ONTARIO INC., DUMOPHARM INC. and 2527475 ONTARIO INC.

Respondents

ORDER
(appointing Receiver)

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. ("**KSV**") as receiver (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of 2345760 Ontario Inc., ("**234**") Rando Drugs Ltd. ("**Rando**"), 2275518 Ontario Inc. ("**227**"), Family Health Pharmacy West Inc. Formerly known as M. Blacher Drugs Ltd. ("**West Inc.**"), 2501380 Ontario Inc. ("**250**"), 2527218 Ontario Inc. ("**25272**"), Dumopharm Inc. ("**Dumopharm**") and 2527475 Ontario Inc. ("**25274**") (together, the

“Debtors”) acquired for, or used in relation to a business carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Adam Flomen sworn December 3, 2019, the pre-filing report filed by KSV dated December 3, 2019 (the “Report”), and on hearing the submissions of counsel for the Applicant and the Respondent, and on reading the Consent executed by the Defendants to the appointment of a receiver, the Consent executed by KSV to act as the Receiver and the Affidavit of Service of Maureen McLaren sworn December 3, 2019,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record and the Report is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtors acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (the “Property”).

RECEIVER’S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtors;
- (d) to engage pharmacists, consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors, and to deposit such monies in a separate bank account controlled by the Receiver and pay such disbursements that are necessary for the continued operation of the business of the Debtors;
- (g) to settle, extend or compromise any indebtedness owing to the Debtors;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtors, for any purpose pursuant to this Order;

- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including pursuant to the Sale Process (defined below), including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (i) without the approval of this Court in respect of any transaction not exceeding \$50,000.00, provided that the aggregate consideration for all such transactions does not exceed \$100,000.00; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to summarily dispose of Property that is perishable or likely to depreciate rapidly in value;

- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the Receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtors;
- (q) to enter into agreements with any licensed insolvency trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have;
- (s) to inquire into and report to the Applicant and the Court on the financial condition of the Debtors and the Property and any material adverse developments relating to the financial condition of the Debtors and/or the Property; and
- (t) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;
- (u) and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order, including, but not limited to the Ontario College of Pharmacists, the Ministry of Health and Long-Term Care, the Ontario Drug Benefit Program and any insurance company (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any client records and prescription information ("**Client Records**"), books, documents, securities, contracts, orders, billing privileges, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall, subject to Paragraph 6A herein, provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

5A. THIS COURT ORDERS that, should the Receiver deem it necessary to seek from any insurance company or its pharmacy benefits manager personal information regarding persons covered pursuant to benefit plans which might have had claims under such plans relating to the Debtors, such information shall be sought pursuant to a

motion on notice to the insurance company and its pharmacy benefits manager. Such information shall only be released by the insurance company or its pharmacy benefits manager on the agreement of such insurance company or as provided in the Order so obtained.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

6A. THIS COURT ORDERS that in respect to the Client Records, the Receiver shall: (i) take all steps reasonably necessary to maintain the integrity of the confidential aspect of the Client Records; (ii) if necessary, appoint a pharmacist licensed and qualified to practice in the Province of Ontario to act as custodian (the "Custodian") for the Client Records; (iii) not allow anyone other than the Receiver or the Custodian to have access to the Client Records; (iv) allow the Debtors supervised access to the Client Records for any purposes required pursuant to the *Regulated Health Professions Act, 1991*, the *Pharmacy Act, 1991* or any other governing Ontario or Canadian statute, that requires the Debtors, from time to time, to perform certain obligations.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased

premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii)

prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, claims processing services, payment processing services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post

Receivership Accounts”) and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

SALE PROCESS

14A. THIS COURT ORDERS that sale process as described in Section 5 of the Report (the “Sale Process”) be and is hereby approved provided that the approval of the Sale Process shall not preclude the Receiver from entering into one or more sale transactions without conducting the Sale Process.

14B. THIS COURT ORDERS that Confidential Appendix E to the Report be and is hereby sealed pending further Order of this Court.

PIPEDA

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “Sale”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such

information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

16. THIS COURT ORDERS that, pursuant to section 42 of the Ontario *Personal Health Information Protection Act* ("**PHIPA**"), the Receiver shall only disclose personal health information to prospective purchasers or bidders who are potential successor(s) to the pharmacy business of the Debtors (the "**Pharmacy**") as Health Information Custodian(s) (as defined in the PHIPA) for the purposes of allowing the potential successor to assess and evaluate the operations of the Pharmacy. Each potential successor to whom such personal health information is disclosed is required in advance of such disclosure to review and sign an acknowledgement of this Order indicating that it agrees to keep the information confidential and secure and not to retain any of the information longer than is necessary for the purposes of the assessment or evaluation, and if such potential successor does not complete a Sale, such potential successor shall return all such information to the Receiver, or in the alternative shall destroy all such information. Such acknowledgement shall be deemed to be an agreement between the Receiver and the potential successor for the purposes of section 42 of PHIPA.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other

contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its

legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the **"Receiver's Borrowings Charge"**) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

23. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "A"** hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

25. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.ksvadvisory.com/insolvency-cases/rando/.

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day

following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

28. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

29. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors.

30. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

31. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

32. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtors' estate with such priority and at such time as this Court may determine.

33. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

34. THIS COURT ORDERS that the Receiver, its counsel and counsel for the Applicant are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Debtors' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).



SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that KSV Kofman Inc., the Receiver (the "**Receiver**") of the assets, undertakings and properties 2345760 Ontario Inc., Rando Drugs Ltd., 2275518 Ontario Inc., Family Health Pharmacy West Inc. Formerly known as M. Blacher Drugs Ltd., 2501380 Ontario Inc., 2527218 Ontario Inc., Dumopharm Inc. and 2527475 Ontario Inc. (collectively the "**Debtors**") acquired for, or used in relation to a business carried on by the Debtors, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 4th day of December, 2019 (the "**Order**") made in an action having Court file number CV-19-00632106, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 2019.

KSV Kofman Inc., solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per
:

Name:

Title:

ECN FINANCIAL INC.
Applicant

and

2345760 ONTARIO INC., et al.
Respondents

Court File No: CV-19-00632106

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

**ORDER
(APPOINTING RECEIVER)**

MILLER THOMSON LLP

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40 King Street West, Suite 5800
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Craig A. Mills LSUC#: 40947B
Tel: 416.595.8596
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Solicitors for the Applicant

Appendix “D”

SPONSORSHIP AGREEMENT

THIS PROPOSAL SPONSORSHIP AGREEMENT (“PSA”) is made as of the 16th day of September 2020 (the “**Effective Date**”).

B E T W E E N :

KSV RESTRUCTURING INC., solely in its capacity as receiver of the property, assets and undertaking of Rando Drugs Ltd., 2345760 Ontario Inc., and related companies and not in its personal capacity

(the “**Receiver**”)

- and -

2775506 ONTARIO INC., a corporation existing under the laws of Ontario

(the “**Sponsor**”)

RECITALS:

- A.** On December 4, 2019, the Court granted an order (the “**Receivership Order**”) appointing KSV Kofman Inc. as the Receiver of the property, assets and undertaking (the “**Property**”) of, among others, Rando Drugs Ltd. (the “**Company**”) and various related entities including the Shareholder (as hereinafter defined).
- B.** Pursuant to the Receivership Order, the Receiver was authorized to conduct a sale process for the Property.
- C.** The Company is a company incorporated under the laws of the Province of Ontario pursuant to the OBCA (as hereinafter defined) on October 29, 1951 and entitled by the Ontario College of Pharmacists to continue to so operate from and after the Effective pursuant to the exemption under Section 142(4) of the *Drug and Pharmacies Regulation Act*, R.S.O. 1990, chapter H.4 (the right and entitlement of the Company to continue to so operate pursuant to this exemption is hereinafter referred to as the “**Charter**”).
- D.** The Sponsor wishes to acquire the Company and Charter.
- E.** The Sponsor has agreed to purchase newly issued Common Shares of the Company in accordance with and subject to the provisions of this PSA provided that such Common Shares are issued to the Sponsor free and clear of any and all Encumbrances (as hereinafter defined).

- F. Pursuant to Section 50(1) of the BIA, a receiver is entitled to file a proposal on behalf of the Company.
- G. The Receiver intends to file the Proposal to give effect to a distribution of certain funds to unsecured creditors of the Company and to effect a release of any and all Affected Claims including all Claims (as hereinafter defined) in respect of equity ownership in and to the Company;
- H. The Receiver, without investigation, is not aware of any Claims that may be asserted against the Company that are of the types enumerated under Section 178(1) of the BIA; and,
- I. The Receiver and the Sponsor have agreed to the terms of the Reorganization as set out herein.

THEREFORE, in consideration of the promises, mutual covenants and agreements contained in this PSA, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties (as defined below), the Parties hereby agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this PSA, the following terms have the following meanings:

- (a) “**Affected Claims**” means all Claims against the Company to be affected under the Proposal;
- (b) “**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;
- (c) “**Articles of Amendment**” means the articles of amendment of the Company to be filed in furtherance of the Reorganization on the Reorganization Implementation Date pursuant to, among other things, Section 186 of the OBCA in a form to be agreed to by the Sponsor and the Receiver acting reasonably, pursuant to which the name of the Company shall be amended to “Phillios Drugs Limited” or such other name as may be determined by the Sponsor, all issued and outstanding shares in the capital of the Company shall be consolidated such that each holder of Existing Shares shall receive 0.1 of a Common Share in the capital of the Company, and any fractional shares shall be cancelled without any repayment of capital thereof or compensation therefor;
- (d) “**Authorization Order**” has the meaning given to it in Section 6.033 hereof;
- (e) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

- (f) **“Books and Records”** means any and all books and records of, and relating to, the Company in the possession and control of the Company or the Receiver to the extent such books and records were not otherwise previously sold by the Receiver, and the Corporate Records, whether in written or electronic form;
- (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) **“Capitalization Amount”** has the meaning given to it in Section 3.01;
- (i) **“Certificate and Articles of Amendment”** means the Articles of Amendment filed with the Director appointed under the OBCA;
- (j) **“Charter”** has the meaning given to it in Recital C;
- (k) **“Claim”** or **“Claims”** 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;
- (l) **“Common Shares”** means the common shares of the Company;
- (m) **“Company”** has the meaning given to it in Recital A;
- (n) **“Communication”** means any notice, demand, request, consent, approval or other communication which is required or permitted by this PSA to be given or made by a Party.
- (o) **“Confidentiality Agreement”** means that certain confidentiality agreement entered between an affiliate of the Sponsor and the Receiver dated as of the 29th day of August, 2020.
- (p) **“Corporate Records”** means the corporate records of the Company, including (i) all articles and other constating documents and bylaws, (ii) all minutes of meetings and resolutions of shareholders and directors (and any committees), and (iii) the share certificate books, securities register, register of transfers and registers of directors and officers;
- (q) **“Court”** means the Ontario Superior Court of Justice (Commercial List);
- (r) **“Court Officer”** means KSV in its capacities as Receiver and Proposal Trustee;

- (s) **“Deposit”** means the deposit paid to the Receiver by the Sponsor as set out in Section 3.01(a);
- (t) **“ECN”** means ECN Financial Inc.;
- (u) **“ECN Distribution Amount”** has the meaning given to it in Section 3.02(b);
- (v) **“Effective Date”** means the effective date of this PSA being the date first set out above;
- (w) **“Encumbrance”** means any lien, mortgage, charge, hypothec, pledge, security interest, or other financial or monetary claim, assignment, option, warrant, lease, sublease, right to possession, trust or deemed trust (whether contractual, statutory or otherwise arising), adverse claim or joint ownership interest, grant of any exclusive licence, levy, execution, encumbrance, Claim, right or restriction which affect, by way of a conflicting ownership interest or otherwise, the right, title and/or interest in or to any particular property, or any rights and/or privileges capable of becoming any of the foregoing, whether or not same have attached, been perfected, registered or filed or secured, unsecured or otherwise;
- (x) **“Existing Common Shares”** means the 100 issued and outstanding Common Shares in the capital of the Company listed on the Company’s share register as being issued to the Shareholder;
- (y) **“Existing Equity Holders”** means any Person holding any Shares that are issued and outstanding immediately prior to the Reorganization Implementation Time, including any and all legal, registered and/or beneficial holders of such Shares;
- (z) **“Existing Share Options”** means any and all issued and outstanding options or other convertible securities of the Company entitling the holder thereof upon exercise or conversion to any Share or Shares existing immediately prior to the Reorganization Implementation Time whether known or unknown, listed on the registers of the Company, evidenced by certificates or agreements or otherwise;
- (aa) **“Existing Shares”** means any and all issued and outstanding Shares of the Company including Existing Common Shares, whether known or unknown, listed on the share register, evidenced by share certificates or otherwise;
- (bb) **“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;
- (cc) **“KSV”** means KSV Restructuring Inc. (formerly KSV Kofman Inc.);
- (dd) **“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;

- (ee) “**New Common Shares**” means the 1,000,000 Common Shares to be issued from the capital of the Company to the Sponsor pursuant to the Subscription Agreement;
- (ff) “**OBCA**” means the *Ontario Business Corporations Act*, R.S.O. 1990, c. B. 16;
- (gg) “**Outside Date**” means December 15, 2020, or such other date as the Receiver and Sponsor may mutually agree in writing;
- (hh) “**Parties**” means the Receiver and the Sponsor;
- (ii) “**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;
- (jj) “**Property**” has the meaning given to it in Recital A;
- (kk) “**Proposal**” means a proposal to be filed pursuant to Section 50 of the BIA on such terms as the Court Officer and Sponsor may agree;
- (ll) “**Proposal Amount**” means the portion of the Capitalization Amount to be transferred to the Proposal Trustee for funding under the Proposal which amount shall be determined by the Proposal Trustee and approved by the Sponsor, acting reasonably and subject to the consent of ECN;
- (mm) “**Proposal Approval Order**” means the Order of the Court approving the Proposal on the terms and as provided for in the Proposal satisfactory to the Sponsor, acting reasonably;
- (nn) “**Proposal Trustee**” means KSV in its capacity as proposal trustee;
- (oo) “**PSA**” means this proposal sponsorship agreement, together with any schedules and exhibits attached hereto and all amendments made hereto and thereto by written agreement among the Parties hereto;
- (pp) “**Receiver**” has the meaning given to it in the introduction;
- (qq) “**Receivership Proceedings**” means the receivership proceedings pursuant to the Receivership Order;
- (rr) “**Receivership Order**” has the meaning given to it in Recital A;
- (ss) “**Reorganization**” has the meaning given to in Section 2.01;
- (tt) “**Reorganization Approval Order**” has the meaning given to it in Section 6.04 hereof;
- (uu) “**Reorganization Implementation Date**” means the date on which the Reorganization is implemented pursuant to Section 7.01 hereof;

- (vv) “**Reorganization Implementation Documents**” means the Articles of Amendment, Subscription Agreement and any other documents required to complete the Reorganization;
- (ww) “**Reorganization Implementation Time**” means 12:01 am on the Reorganization Implementation Date (or such other time as the Court Officer and the Sponsor may mutually designate);
- (xx) “**Shareholder**” means the current sole shareholder of the Company as at the Effective Date, being 2345760 Ontario Inc.;
- (yy) “**Shares**” means all of the issued and outstanding shares of the Company;
- (zz) “**Sponsor**” has the meaning given to it in the introduction;
- (aaa) “**Sponsor Default**” has the meaning given to it in Section 8.01;
- (bbb) “**Subscription Agreement**” means the agreement between the Company and the Sponsor whereby the Sponsor subscribes for the New Common Shares in a form agreed on by the Receiver and the Sponsor, acting reasonably.

1.02 Headings

The division of this PSA, 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 PSA.

1.03 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.

ARTICLE 2– TRANSACTIONS

2.01 Reorganization

Subject to the terms and conditions set out herein, the Receiver and the Sponsor covenant and agree to undertake the following steps (the “**Reorganization**”):

- (a) Implement the terms of this PSA providing for the injection of Capitalization Amount by way of subscription by the Sponsor for New Common Shares of the Company to be used to compromise and repay certain debts of the Company in accordance with the terms of this PSA and the Proposal;
- (b) Seek approval of the Court of the Authorization Order;
- (c) Develop and seek creditor and Court approval of the Proposal;
- (d) Seek approval of the Court of the Reorganization Approval Order and the Proposal Approval Order; and

- (e) Implement the Reorganization Implementation Date transactions set out in Section 7.01 and the release of all Affected Claims and any Claims of ECN against the Company and New Common Shares.

ARTICLE 3– CAPITALIZATION AND USE OF FUNDS

3.01 Delivery of Capitalization Amount

The Sponsor agrees to pay to the Receiver \$1 million (the “**Capitalization Amount**”) in consideration and full satisfaction of a subscription for the New Common Shares of the Company in accordance with the provisions of the Subscription Agreement. The Capitalization Amount shall be paid to and held by the Receiver in trust in accordance with the provisions of this PSA, as follows:

- (a) Upon execution of this PSA, \$150,000 as an initial deposit (the “**Deposit**”) by electronic wire transfer, receipt of which is hereby acknowledged by the Receiver; and
- (b) balance to be paid by Sponsor by electronic wire transfer to Receiver in trust 2 Business Days prior to the Reorganization Implementation Date; and
- (c) the Capitalization Amount shall be held in trust by the Receiver until the Reorganization Implementation Time at which point it shall be released and used solely and strictly in accordance with the terms of this PSA and the Proposal.

3.02 Use of Funds

The Capitalization Amount shall be disbursed by the Receiver in accordance with provisions of ARTICLE 7 hereof and used solely and strictly as follows:

- (a) The Proposal Amount will be transferred to the Proposal Trustee to fund a pool for distribution to unsecured creditors of the Company under the Proposal and other amounts payable under the Proposal; and
- (b) The balance will be distributed to ECN after deduction of the Court Officer’s fees and disbursements (including those of its legal counsel) (the “**ECN Distribution Amount**”).

The time and method for transfer of the Capitalization Amount set out in Section 3.02(a) and (b) above shall be in accordance with ARTICLE 7 hereof.

ARTICLE 4- REORGANIZATION OF THE COMPANY

4.01 Reorganized Company

Effective as at the Reorganization Implementation Time, and at the time and method set out in ARTICLE 7 below:

- (a) The Company (by the Receiver) shall deliver a Certificate and Articles of Amendment issued by the Director (as defined in the OBCA) as of the time on the Reorganization Implementation Date specified in Section 7.01(a)(vi) below.
- (b) The Company (by the Receiver) shall deliver to the Sponsor a share certificate representing New Common Shares of the Company in accordance with the Subscription Agreement, free and clear of any and all Encumbrances.

4.02 Fractional Interests

In accordance with the Articles of Amendment, no fractional Shares shall be allocated or issued under this PSA, and any fractional share interests shall not entitle the owner thereof to vote, or to any rights of a shareholder of the Company, and shall be cancelled without consideration or compensation of any nature or kind whatsoever to the holder(s) thereof in accordance therewith effective as at the Reorganization Implementation Time.

4.03 New Board

The Sponsor shall nominate and elect new member(s) to the board of directors of the Company provided that such nominations shall be in compliance with Section 142(1) of the *Drug and Pharmacies Regulation Act*, R.S.O. 1990, chapter H.4. The name or names of the new nominee(s) shall be inserted in the Articles of Amendment of the Company.

ARTICLE 5- CORPORATE AUTHORIZATION

5.01 Corporate Authorizations

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this PSA involving corporate action of the Company will occur and be effective as of the Reorganization Implementation Date, and will be authorized and approved under this PSA and by the Court, where appropriate, as part of the Authorization Order, Proposal Approval Order and the Reorganization Approval Order (including, without limitation, authorizing the Receiver to take all steps in the Reorganization on behalf of the Company and the board of directors as necessary or appropriate), in all respects and for all purposes without any requirement of further action by any shareholders, directors or officers of the Company. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of the Company, as applicable, including the deemed passing by any class of shareholders of any resolution or special resolution and no shareholders' agreement or agreement between a shareholder and another Person limiting in any way the right to vote shares held by such shareholder or shareholders with respect to any of the steps contemplated by this PSA shall be deemed to be effective and no such agreement shall have any force or effect.

ARTICLE 6 – CONDITIONS PRECEDENT

6.01 Conditions to Reorganization

The implementation of the Reorganization contemplated by this PSA shall be conditional upon the fulfillment, satisfaction or waiver by both the Sponsor and the Receiver of the following conditions, which are for the mutual benefit of the Sponsor and the Receiver:

- (a) the Court shall have granted the Authorization Order, the operation and effect of which shall not have been stayed, reversed or amended, in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;
- (b) the Proposal shall have been approved by the required majority at the meeting of creditors both as contemplated by the BIA and the Proposal;
- (c) the Court shall have granted the Proposal Approval Order and the Reorganization Approval Order, the operation and effect of which shall not have been stayed, reversed or amended, and the time to appeal or seek leave to appeal shall have expired, or in the event of an appeal or application for leave to appeal, final determination shall have been made by the applicable appellate court;
- (d) the Receiver shall have sold or otherwise disposed of all of the remaining Property of the Company, if any, including, without limitation, all issued and outstanding shares and other securities of any subsidiary, or of any entity, owned by the Company;
- (e) the Company shall have no remaining employees;
- (f) ECN shall have agreed to release its Claims against the Company and New Common Shares effective upon the release to it of the ECN Distribution Amount and shall have provided a full and final release and discharge agreement, satisfactory to the Sponsor acting reasonably, to become effective immediately upon release of the ECN Distribution Amount;
- (g) no Applicable Law shall have been passed and become effective, the effect of which makes the consummation of this PSA or any provision of it illegal or otherwise prohibited in whole or part;
- (h) all necessary judicial consents and any other necessary or desirable third-party consents, if any, to deliver and implement all matters related to this PSA shall have been obtained;
- (i) all documents necessary to give effect to all material provisions of this PSA (including the Proposal Approval Order, the Articles of Amendment, the cancellation of the Existing Shares without payment of any compensation or consideration and the issuance of the New Common Shares to be issued under the Proposal to the Sponsor free and clear of any and all Encumbrances) shall have been executed and/or delivered by all relevant Persons;

- (j) 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;
- (k) the Receiver shall deliver to the Sponsor a certificate of status with respect to the Company issued by the Director (as defined in the OBCA);
- (l) the Capitalization Amount shall have been received by the Receiver;
- (m) the members of the new board of directors of the Company shall have been selected in accordance with Section 4.03 of this PSA (and the existing board of directors and existing officers shall have resigned or deemed under the Reorganization Approval Order to have resigned or removed by Court order);
- (n) the Articles of Amendment shall have been issued by the Director (as that term is defined in the OBCA) and filed in the record books in the Company's record office maintained pursuant to the OBCA;
- (o) a share certificate representing the New Common Shares of the Company shall have been issued to the Sponsor (or as it may otherwise direct in writing) in accordance with the Subscription Agreement; and
- (p) the Reorganization Implementation Date occurs on or before the Outside Date.

6.02 Conditions in favour of the Sponsor

The obligation of the Sponsor to complete the Reorganization contemplated by this PSA shall be conditional upon the fulfillment, satisfaction or waiver by the Sponsor of the following conditions:

- (a) by no later than October 15, 2020, the Sponsor shall have satisfied itself, in its sole and unfettered discretion, that the Company has been since a date prior to 1954 a corporation permitted by the Ontario College of Pharmacists to operate pursuant to the exemption under Section 142(4) of the *Drug and Pharmacies Regulation Act*, R.S.O. 1990, chapter H.4;
- (b) the Sponsor is satisfied, acting reasonably, that the New Common Shares are free and clear of any and all Encumbrances; and,
- (c) the Company continues to be on the Reorganization Implementation Date a corporation permitted by the Ontario College of Pharmacists to operate pursuant to the exemption under Section 142(4) of the *Drug and Pharmacies Regulation Act*, R.S.O. 1990, chapter H.4.

The foregoing conditions are for the exclusive benefit of the Sponsor. Any condition may be waived by the Sponsor in whole or in part. Any such waiver will be binding on the Sponsor only if made in writing.

6.03 Authorization Order

Subject to Court availability, within 10 Business Days of the execution of this PSA, the Receiver shall bring a motion within the Receivership Proceedings seeking an order (the “**Authorization Order**”) for, among other things:

- (a) Permitting KSV to act as the proposal trustee for the purposes of the Proposal;
- (b) Application of the Receiver’s Charge (as defined in the Receivership Order) to the Administration Fees and Expenses;
- (c) Approval of this PSA;
- (d) Authorization of the Receiver to enter into the PSA and take all steps necessary to give effect to the transactions contemplated by the PSA including executing any and all documents necessary on behalf of the Company or its board of directors.

6.04 Reorganization Approval Order

The Receiver shall bring a motion within the Receivership Proceedings and the Proposal Proceedings returnable on the same date as the Proposal Approval Motion seeking an order (the “**Reorganization Approval Order**”), in form and content agreeable to the Sponsor, for, among other things:

- (a) Declaring that the Reorganization constitutes a reorganization within the meaning of Section 186(1) of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended;
- (b) Approval of the Reorganization and all of the Reorganization Implementation Documents;
- (c) Approval of the Articles of Amendment including all changes to the name and share structure of the Company and removal (or resignation) of all existing officers and directors of the Company and appointment of new directors contemplated thereby in accordance with Section 59(4) of the BIA;
- (d) Approval of the ECN Distribution Amount;
- (e) Discharge of KSV as the Receiver of the Company and termination of the Receivership Proceedings as it relates to the Company to be effective upon Reorganization Implementation Date; and
- (f) Such other relief as may be necessary to complete the Reorganization and related transactions.

6.05 Waiver of Conditions

A Party for whose benefit a condition is inserted may (but shall not be obligated to) at any time and from time to time waive the fulfillment or satisfaction, in whole or in part, of the conditions set out herein, to the extent and on such terms as such Parties may agree to, provided however, that the conditions set out in Sections 6.01(b) and (c) cannot be waived.

6.06 Outside Date and Return of Deposit

In the event that the Reorganization and related transactions are not completed as a result of one or more of the conditions not being fulfilled, satisfied or waived (a) on or prior to October 15, 2020 with respect to the condition set out in Section 6.02(b); and (b) on or prior to the Outside Date with respect to all other conditions, then the Party for whose benefit a condition is inserted may, on written notice to the other Party, at any time after the applicable deadline, elect to terminate this PSA and the Deposit shall be returned to the Sponsor without interest or deduction, and all further obligations of the Parties hereunder shall terminate and this PSA shall become null and void and of no further force and effect. Notwithstanding the forgoing, the right to terminate this PSA under this Section 6.06 shall not be available to a Party whose default, breach or failure to fulfill any covenant or agreement under this PSA has been the cause of, or resulted in the failure of, the Reorganization and related transactions to be completed on or prior to the Outside Date.

ARTICLE 7 - IMPLEMENTATION

7.01 Implementation Date Transactions

Commencing at the Reorganization Implementation Time, on a date to be agreed upon by the Receiver, the Court Officer and the Sponsor, the following events or actions will occur, or be deemed to have occurred and be taken and effected, in the following order in five minute intervals and at the times set out in this Section 7.01 (or at such other times, intervals, or order as the Court Officer and the Sponsor may agree), without any further act or formality required on the part of any Person, except as may be expressly provided herein:

- (a) The following shall occur concurrently:
 - (i) any Common Shares of the Company held in treasury by the Company shall be cancelled and shall be deemed to be cancelled without payment of any compensation or consideration of any nature or kind whatsoever therefor;
 - (ii) any Existing Share Options and any agreements relating thereto shall be deemed to be cancelled and terminated without any payment or compensation of any nature or kind whatsoever therefor and shall cease to be of any further force or effect;
 - (iii) any existing shareholder agreements shall and shall be deemed to be cancelled and terminated without any payment or compensation of any nature or kind whatsoever therefor and shall cease to be of any further force or effect;

- (iv) all Affected Claims under the Proposal shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred with recourse solely limited as may be provided for in the Proposal;
 - (v) Any Existing Shares other than the Existing Common Shares shall be deemed cancelled and terminated without any payment or compensation of any nature or kind whatsoever therefor; and
 - (vi) A filed copy of the Certificate and Articles of Amendment shall be issued by the Director (as defined in the OBCA) and any and all share certificates representing the Shares held by an Existing Equity Holder, including, without limitation, the Shareholder, shall be deemed to be cancelled without payment of any compensation or consideration of any nature or kind whatsoever therefor and shall be marked cancelled;
- (b) The Subscription Agreement shall be executed and delivered by the Company (by the Receiver) and the Sponsor, and the Capitalization Amount may be released and used in accordance with this PSA and the Proposal as provided for in Article 3.02;
 - (c) The Proposal Trustee shall give the certificate in accordance with Section 65.3 of the BIA to the Sponsor, and the releases and injunctions referred to in Article 7 of the Proposal shall become effective;
 - (d) A directors' resolution of the Company (by the Receiver) shall be executed and delivered ratifying and approving the Subscription Agreement, a specimen share certificate for the Common Shares and all required updates and filings to the Company's corporate records;
 - (e) A new share certificate representing the New Common Shares shall be executed and delivered by the Company to the Sponsor (or as it may direct in writing) as fully paid and non-assessable shares in the capital of the Company, free and clear of any and all Encumbrances of any nature or kind whatsoever; and,
 - (f) the Receiver shall deliver to the Sponsor, all of the Books and Records to the extent in the possession or control of the Receiver, provided that the Receiver shall be permitted to make copies and to retain accounting records and books and records required by Applicable Law to be retained by the Receiver, provided further that all original documents shall be retained by the Company and delivered to the Sponsor.

ARTICLE 8- SPONSOR EVENTS OF DEFAULT

8.01 Sponsor Defaults

The following shall constitute events of default of the Sponsor (each a “**Sponsor Default**”) under this PSA:

- (a) Failure of the Sponsor to execute and deliver to the Receiver any of the Reorganization Implementation Documents in form and content agreed to by the Sponsor under the provisions of this PSA that are required to be signed by the Sponsor or its nominees within the timeframes contemplated by this PSA ;
- (b) Failure of the Sponsor to pay the Capitalization Amount as set out herein unless such failure is remedied within two (2) Business Days of the Sponsor’s receipt of written notice of the default, or such other time as the Sponsor and Receiver may mutually agree in writing; and
- (c) Any breach by the Sponsor of any of the material terms of this PSA unless such breach is remedied by the Sponsor within ten (10) Business Days of the Sponsor’s receipt of written notice of such breach, or such other time as the Sponsor and Receiver may mutually agree in writing.

8.02 Remedies

In the event of a Sponsor Default which is not remedied within the time provided for in Section 8.01 above, the Receiver shall be entitled to terminate this PSA by written notice to the Sponsor and the Deposit will be forfeited to the Receiver on account of its liquidated damages in full and final satisfaction thereof, and all further obligations of the Sponsor hereunder shall terminate and this PSA shall become null and void and of no further force and effect. In all other circumstances, the provisions of Section 6.06 above shall apply.

ARTICLE 9- MISCELLANEOUS

9.01 Confidentiality

This PSA and all information exchanged between the Receiver and the Sponsor in connection with this PSA, the Reorganization and the Proposal will be considered Information pursuant to the Confidentiality Agreement and shall not be disclosed by either Party except as contemplated under the Confidentiality Agreement. Any publicity relating to this PSA and the Reorganization and the manner of releasing any information will be mutually agreed upon by the Receiver and the Sponsor, both Parties acting reasonably provided that the Receiver shall be entitled to disclose information, in its discretion, regarding the PSA and the Reorganization in connection with seeking the Authorization Order and the Reorganization Approval Order.

9.02 Costs and Expenses

Except as otherwise specified in this PSA, all costs and expenses (including the fees and disbursements of accountants, legal counsel and other professional advisers) incurred in connection with this PSA and the transactions contemplated herein are to be paid by the Party incurring those costs and expenses.

9.03 Time of Essence

Time is of the essence in all respects of this PSA.

9.04 Notices

Any Communication must be in writing and either:

- 1.1.1 personally delivered;
- 1.1.2 sent by prepaid registered mail; or
- 1.1.3 sent by email or functionally equivalent electronic means of communication, charges (if any) prepaid.

Any Communication must be sent to the intended recipient at its address as follows:

to the Receiver at:

KSV Restructuring Inc. in its capacity as receiver of
the property, assets and undertaking of
Rando Drugs Ltd., et. al.
150 King Street West
Suite 2308, Box 42
Toronto, Ontario, M5H 1J9

Attention: Bobby Kofman/Mitch Vininsky
Email: bkofman@ksvadvisory.com/ mvininsky@ksvadvisory.com

with a copy to:

Norton Rose Fulbright Canada LLP
222 Bay Street, Suite 3000
Toronto, ON M5K 1E7

Attention: Jennifer Stam
Email: jennifer.stam@nortonrosefulbright.com

to the Sponsor at:

c/o WeirFoulds LLP
66 Wellington Street West, Suite 4100
P.O. Box 35, TD Bank Tower

Toronto, Ontario M5K 1B7

Attention: Steven Rukavina/Philip Cho
Email: rukavina@weirfoulds.com/pcho@weirfoulds.com

or at any other address that any Party may from time to time advise the other by Communication given in accordance with this Section 9.04. Any Communication delivered to the Party to whom it is addressed will be deemed to have been given and received on the day it is delivered at that Party's address, provided that if that day is not a Business Day then the Communication will be deemed to have been given and received on the next Business Day. Any Communication transmitted by PDF or other form of electronic communication will be deemed to have been given and received on the day on which it was transmitted (but if the Communication is transmitted on a day which is not a Business Day or after 3:00 p.m. (local time in the City of Toronto, Province of Ontario), the Communication will be deemed to have been received on the next Business Day). Any Communication given by registered mail will be deemed to have been received on the fifth (5th) Business Day after which it is so mailed. If a strike or lockout of postal employees is then in effect, or generally known to be impending, every Communication must be effected by personal delivery or by PDF or other form of electronic communication.

9.05 Further Assurances

Each Party will, at the requesting Party's cost, execute and deliver all further agreements and documents and provide all further assurances as may be reasonably required by the other Party to give effect to this PSA and, without limiting the generality of the foregoing, will do or cause to be done all acts and things, execute and deliver or cause to be executed and delivered all agreements and documents and provide all assurances, undertakings and information as may be required from time to time by all regulatory or governmental bodies.

9.06 Amendment and Waiver

No supplement, modification, amendment, waiver, discharge or termination of this PSA is binding unless it is executed in writing by the Party to be bound. No waiver of, failure to exercise or delay in exercising, any provision of this PSA constitutes a waiver of any other provision (whether or not similar) nor does such waiver constitute a continuing waiver unless otherwise expressly provided.

9.07 Submission to Jurisdiction

Without prejudice to the ability of any Party to enforce this PSA in any other proper jurisdiction, each of the Parties irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario to determine all issues, whether at law or in equity arising from this PSA. To the extent permitted by applicable law, each of the Parties irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this PSA in the courts of that Province or that the subject matter of this PSA may not be enforced in the courts and irrevocably agrees not to seek, and waives any right to, judicial review by any court which may be called upon to enforce the judgment of the courts referred to in this Section 9.07, of the substantive merits of any such suit, action or proceeding. To the extent a Party has or hereafter may acquire any

immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, that Party irrevocably waives that immunity in respect of its obligations under this PSA.

9.08 Capacity of Receiver

The Sponsor acknowledges and agrees that the Receiver is entering into this PSA solely in its capacity as court-appointed receiver pursuant to the Receivership Order and not in its personal capacity and in no circumstance shall have any personal liability hereunder.

9.09 Assignment and Enurement

Neither this PSA nor any right or obligation under this PSA may be assigned by either Party without the prior consent of the other Party, not to be unreasonably withheld or delayed, provided that the Sponsor shall be entitled to provide written direction that title to New Common Shares be issued to any other Person. This PSA enures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

9.10 Severability

Each provision of this PSA is distinct and severable. If any provision of this PSA, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction by a court of competent jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect: the legality, validity or enforceability of the remaining provisions of this PSA; or the legality, validity or enforceability of that provision in any other jurisdiction.

9.11 Counterparts

This PSA may be executed and delivered by the Parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

Dated effective as of the Effective Date.

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



Per: _____

Name:

Title:

2775506 ONTARIO INC.

Per: _____

Name:

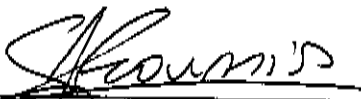
Title:

Dated effective as of the Effective Date.

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

Per: _____
Name:
Title:

2775506 ONTARIO INC.

Per: 
Name: SPURGEON GOUSSARD
Title: PRESIDENT

AMENDMENT TO SPONSORSHIP AGREEMENT

THIS AMENDMENT dated as of October 15, 2020 to the **SPONSORSHIP AGREEMENT** dated as of September 16, 2020 (the “**Sponsorship Agreement**”)

B E T W E E N :

KSV RESTRUCTURING INC., solely in its capacity as receiver of the property, assets and undertaking of Rando Drugs Ltd. (the “**Debtor**”), 2345760 Ontario Inc. and related companies, and not in its personal capacity

(the “**Receiver**”)

- and -

2775506 ONTARIO INC. a corporation existing under the laws of Ontario

(the “**Sponsor**”)

CONTEXT:

- A.** On December 4, 2019, the Ontario Superior Court of Justice (the “**Court**”) granted an order (the “**Appointment Order**”) appointing KSV Restructuring Inc. (formerly KSV Kofman Inc.) as the Receiver of the property, assets and undertaking of the Debtor and related companies.
- B.** The Receiver and the Sponsor entered into a Sponsorship Agreement dated as of September 16, 2020, whereby the parties have agreed to a reorganization of the Debtor, the issuance and acquisition by the Sponsor of certain common shares of the Debtor, and the making of a proposal by the Receiver to the Debtor’s creditors.
- C.** The parties wish to agree to certain amendments to the Sponsorship Agreement as set out below.
- D.** Capitalized terms used herein and not otherwise defined have the meaning given to them in the Sponsorship Agreement.

THEREFORE, in consideration of the promises, mutual covenants and agreements contained in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties (as defined below), the Parties agree as follows:

ARTICLE 1

1.1 Amendments to Sponsorship Agreement

The Sponsorship Agreement is hereby amended as follows:

- (a) Section 1.01(gg) – in the definition of “Outside Date”, reference to “December 15, 2020” is hereby replaced with “February 1, 2021”; and
- (b) Section 6.02(a) – reference to “October 15, 2020” is hereby replaced with “November 16, 2020”.

1.2 Remainder of Agreement

Other than as set out herein, all other terms and conditions of the Sponsorship Agreement shall remain unchanged and in full force and effect.

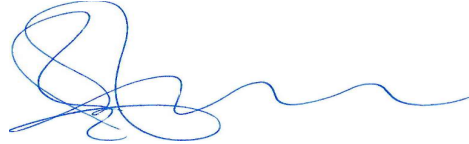
1.3 Counterparts

This Amendment may be executed and delivered by the Parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

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Each of the Parties has executed and delivered this Amendment, as of the date noted at the beginning of the Amendment.

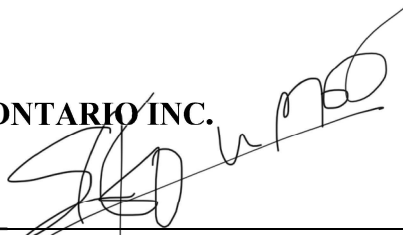
KSV RESTRUCTURING INC., solely in its capacity as Receiver of the property, assets and undertaking of RANDO DRUGS LTD., 2345760 ONTARIO INC. and related companies and not in its personal capacity



Per _____

Name: Bobby Kofman
Title: President

2775506 ONTARIO INC.



Per _____

Name:
Title:

SECOND AMENDMENT TO SPONSORSHIP AGREEMENT

THIS SECOND AMENDMENT dated as of December 31, 2020 to that certain sponsorship agreement dated as of September 16, 2020 (the “**Original Sponsorship Agreement**”), as amended by the first amendment to the Original Sponsorship Agreement dated as of October 15, 2020 (the “**First Amendment**”)

B E T W E E N :

KSV RESTRUCTURING INC., solely in its capacity as receiver of the property, assets and undertaking of Rando Drugs Ltd., 2345760 Ontario Inc. and related companies and not in its personal capacity

(the “**Receiver**”)

- and -

2775506 ONTARIO INC., a corporation existing under the laws of Ontario

(the “**Sponsor**”)

CONTEXT:

- A.** On December 4, 2019, the Ontario Superior Court of Justice (the “**Court**”) granted an order (the “**Appointment Order**”) appointing KSV Restructuring Inc. (formerly KSV Kofman Inc.) as the Receiver of the property, assets and undertaking of the Debtor.
- B.** Pursuant to the Appointment Order, the Court approved a sale process to be conducted by the Receiver.
- C.** The Receiver and the Sponsor entered into the Original Sponsorship Agreement effective as of September 16, 2020.
- D.** Pursuant to the First Amendment effective as of October 15, 2020, the Parties agreed to certain amendments to the Original Sponsorship Agreement including amending the definition of Outside Date to be February 1, 2021.
- E.** The Original Sponsorship Agreement, as amended by the First Amendment, shall hereinafter be referred to as the “**Sponsorship Agreement**”.
- F.** The Receiver and Sponsor have agreed to certain additional amendments to the Sponsorship Agreement, all as more particularly set out below.

- G.** Unless otherwise defined herein, all capitalized terms used or referred to herein and defined in the Sponsorship Agreement shall have the same meanings herein as given to them in the Sponsorship Agreement.

THEREFORE, in consideration of the promises, mutual covenants and agreements contained in this Second Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties (as defined below), the Parties agree as follows:

ARTICLE 1

1.1 Amendments to Sponsorship Agreement

The Sponsorship Agreement is hereby amended as follows:

- (a) Section 1.01(ff) – the definition of “Outside Date” – the reference to “February 1, 2021” is hereby replaced with “March 5, 2021”;
- (b) All references therein to “Articles of Amendment” shall be replaced with “Articles of Reorganization”;
- (c) Section 7.01(c) – is hereby deleted in its entirety and replaced with the following:
“(c) The Proposal Trustee shall deliver a certificate to the Sponsor evidencing implementation of the Proposal, and the releases and injunctions referred to in Article 7 of the Proposal shall become effective.”; and
- (d) The following is hereby added as new Section 7.02 to the Sponsorship Agreement:

“7.02 Tax Matters

For the purposes of this Section 7.02, the following words have the following meanings, respectively:

“Indemnified Taxes” means any and all Taxes of the Company relating to or attributable to the Stub Period, including any and all Taxes due as reflected in the Tax Returns prepared by the Receiver for the Company for the Stub Period under subsection 7.02(a) and for any Taxes that may become due and payable by the Company after the Reorganization Implementation Date relating to the Stub Period, including in connection with any Tax audit, assessment, re-assessment or other proceeding relating to Taxes for the Stub Period, if not compromised pursuant to the Proposal;

“Stub Period” means the period of time commencing on January 1, 2021 and ending upon the later of: (i) the Reorganization Implementation Date; and (ii) the

deemed year-end of the Company for Tax purposes that will arise upon the consummation of the transactions contemplated by the Reorganization and the change of control of the Company resulting therefrom;

“**Tax**” and “**Taxes**” means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any governmental authority, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers’ compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any governmental authority on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other person or as a result of being a transferee or successor in interest to any party; and

“**Tax Returns**” means all reports, elections, notices, forms, designations, filings, returns and other documents filed or required to be filed in respect of Taxes;

- (a) The Receiver shall prepare or cause to be prepared, all Tax Returns of the Company for the Stub Period which are required to be filed by the Company after the Reorganization Implementation Date (however, for greater certainty, any such Tax Return of the Company relating to the Stub Period but filed after the Reorganization Implementation Date will be signed by a person authorized by the Sponsor to represent the Company with respect to Tax matters). Such returns shall be prepared and filed on a basis consistent with applicable laws. The Receiver will use its best efforts to cause drafts of such Tax Returns to be prepared within thirty (30) days of the Reorganization Implementation Date. Prior to the filing any of such Tax Returns, the Receiver shall provide the Sponsor and its representatives with drafts of the Tax Returns for the Sponsor’s review and approval. The Receiver shall incorporate into the relevant Tax Return any reasonable comments of the Sponsor or its representatives with respect to such items set forth in such Tax Return, provided, however, that the Receiver shall include all comments of the Sponsor or its representatives that are required by applicable law.

- (b) The Company shall be responsible for filing the Tax Returns and a duly authorized representative of the Company shall execute them. In the event that any of the said Tax Returns are not filed within the time prescribed by applicable law, as a result of the delay of the Receiver, and there is additional interest and penalties involved, such interest and penalties shall be paid by the Company and the Receiver shall be responsible to reimburse and indemnify the Company for same and the same shall be included in the definition of “Indemnified Taxes”. In the event that any interest or penalties accrue as a result of the Company’s failure to file the Tax Returns (and not as a result of the delay or inaction of the Receiver), any such liability shall be solely of the Company and shall not be included in “Indemnified Taxes”.
- (c) To the extent not compromised pursuant to the Proposal, the Receiver (and not the Company) shall be solely liable and responsible for and shall pay to the Company for timely remittance to the appropriate taxing authority all Taxes payable in accordance with the Tax Returns of the Company for the Stub Period, which Taxes shall be included in the definition of “Indemnified Taxes.” The Company shall remit all amounts on account of such Taxes received from the Receiver hereunder to the appropriate taxing authority as soon as reasonably possible after its receipt of same from the Receiver.
- (d) The Receiver, solely in its capacity as Receiver and not in its personal capacity, hereby agrees to indemnify and defend the Sponsor and the Company against and shall hold each of them harmless from, against and in respect of and shall pay and reimburse each of them for, any and all Indemnified Taxes incurred or sustained by, or imposed upon, or required to be paid by, directly or indirectly, any of them, and for this purpose, the Receiver shall hold back no less than \$20,000.00 of the Capitalization Amount, or such greater amount as may be mutually agreed to between the Receiver and the Sponsor (the “**Holdback Amount**”), each acting reasonably and having due regard to the Books and Records of the Company and for any circumstances or events that may give rise to any income being earned by the Company during the Stub Period, pending the earlier of (a) 60 days following the receipt by the Company of the assessment for the Stub Period issued by the applicable governmental authority; and (b) eighteen (18) months after the Reorganization Implementation Date. Recourse of the Sponsor and the Company on the indemnity provided for herein shall be limited to funds in the Receiver’s account (including the Holdback Amount) but nothing herein shall limit the Receiver’s ability to distribute receivership funds in accordance with the Order of the Court made on September 3, 2020, provided that no such distribution to ECN shall include any portion of the Proposal Amount (which shall be distributed in accordance with the Proposal) nor the Holdback Amount and understanding further that the ECN Distribution Amount shall be distributed as contemplated by the PSA.
- (e) For greater clarity and certainty, the Receiver shall not file or cause to be filed any Tax Return of the Company in respect of the Stub Period, or amend any Tax Return

previously filed on behalf of the Company or make any claim for any refund or rebate of Taxes with respect to or for or on behalf of the Company, except with the written consent of the Company, not to be unreasonably withheld.

- (f) In addition to and without derogation from the obligations of the Parties to provide the further assurances contemplated under section 9.05 hereof, each of the Receiver and the Sponsor shall cooperate with and provide to the other such information, as and to the extent reasonably requested by the other, in connection with the preparation and filing of Tax Returns for the Stub Period, determining liability for Taxes, and any audit or other legal proceeding with respect to Taxes of the Company for the Stub Period. Such cooperation shall include the provision of records and information reasonably relevant to any such Tax Returns, Tax liability, or audit or other legal proceeding. Each of the Receiver and the Sponsor shall make its appropriate personnel reasonably available on a mutually convenient basis to provide explanation of any documents or information so provided.
- (f) For greater certainty, the obligations of the Parties in this Section 7.02 shall survive, and shall not merge upon, the Reorganization Implementation Date.”

(e) The following is hereby added as new Section 7.03 to the Sponsorship Agreement:

The Sponsor and Company each acknowledge that to the extent that monies actually received by the Company on or prior to June 30, 2022 in respect of any receivables, refunds, rebates or other amounts owing to the Company that relate to and accrued during the period prior to the Reorganization Implementation Time, including any monies actually received by the Company during such period in respect of sales tax refunds and rebates from PharmaChoice, such monies so received by the Company net of any Taxes that the Company is liable for with respect to its receipt of any such monies (as determined by the Company, acting reasonably based on professional advice and not arbitrarily), are funds of the receivership and shall as soon as reasonably possible be paid over by the Company to the Receiver or as the Receiver may direct without set-off of any kind, save and except for any Indemnified Taxes due to the Company pursuant to Section 7.02 of this PSA that remains unpaid at such time. The obligations set out in this Section 7.03 shall survive, and shall not merge upon, the Reorganization Implementation Date for a period up to and including June 30, 2022, at which time all obligations under this Section 7.03 shall terminate and be of no further force or effect.

1.2 Remainder of Agreement

Other than as set out herein, all other terms and conditions of the Sponsorship Agreement shall remain unchanged and in full force and effect.

1.3 Counterparts

This Second Amendment may be executed and delivered by the Parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Each of the Parties has duly executed and delivered this Second Amendment, effective as of the date noted at the beginning of this Second Amendment.

KSV RESTRUCTURING INC., solely in its capacity as Receiver of the property, assets and undertaking of RANDO DRUGS LTD., 2345760 ONTARIO INC. and related companies and not in its personal capacity



Per _____

Name: Mitch Vininsky

Title: Managing Director

2775506 ONTARIO INC.

Per _____

Name: Spiridon Goussios

Title: President

Each of the Parties has duly executed and delivered this Second Amendment, effective as of the date noted at the beginning of this Second Amendment.

KSV RESTRUCTURING INC., solely in its capacity as Receiver of the property, assets and undertaking of RANDO DRUGS LTD., 2345760 ONTARIO INC. and related companies and not in its personal capacity

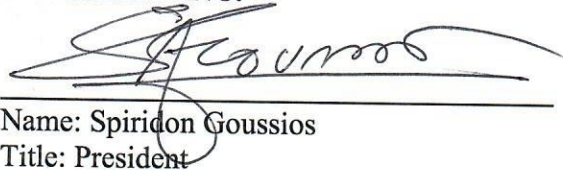
Per _____

Name: Mitch Vininsky

Title: Managing Director

2775506 ONTARIO INC.

Per _____


Name: Spiridon Goussios

Title: President

Appendix “E”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

MONDAY, THE 9th

JUSTICE HAINEY

DAY OF NOVEMBER, 2020

BETWEEN:

ECN FINANCIAL INC.

Applicant

- and -

**2345760 ONTARIO INC., RANDO DRUGS LTD., 2275518 ONTARIO INC., FAMILY HEALTH
PHARMACY WEST INC. formerly known as M. BLACHER DRUGS LTD., 2501380
ONTARIO INC., 2527218 ONTARIO INC., DUMOPHARM INC., 2527475 ONTARIO INC. and
GRACE DIENA**

Respondents

**ORDER
(Sponsorship Agreement Authorization Order)**

THIS MOTION, made by KSV Restructuring Inc. ("**KSV**") in its capacity as the Court-appointed receiver (in such capacity, the "**Receiver**") of the property, assets and undertaking of Rando Drugs Ltd. ("**Rando**"), 2345760 Ontario Inc. and the other Respondents listed above (collectively, the "**Debtors**") for orders, among other things:

- a) approving the sponsorship agreement dated September 16, 2020 (the "**Sponsorship Agreement**") between the Receiver and 2775506 Ontario Inc. (the "**Sponsor**");
- b) authorizing the Receiver to enter into the Sponsorship Agreement and take all steps necessary to give effect to the transactions contemplated by it, including executing any and all documents on behalf of Rando or its board of directors in furtherance of the Proposal;
- c) authorizing the Receiver to make and file a proposal (a "**Proposal**") pursuant to Sections 50 and 62 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3



(the “**BIA**”) on behalf of Rando and permitting KSV to act as proposal trustee (in such capacity, the “**Proposal Trustee**”) upon the filing of the Proposal;

- d) declaring that the Receiver’s Charge as defined in the order of the Ontario Superior Court of Justice (Commercial List) made on December 4, 2019 (the “**Receivership Order**”) applies to the fees and expenses of KSV in its capacity as Proposal Trustee, as well to the fees and expenses of the Proposal Trustee’s counsel; and
- e) sealing the confidential appendices to the Fourth Report pending further Order of the Court,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Receiver’s Motion Record, including the Notice of Motion, the Fourth Report of the Receiver dated September 23, 2020 (the “**Fourth Report**”), and on hearing the submissions of counsel for the Receiver and those other parties present, no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service of Gianni Bianchi sworn and filed on September 24, 2020:

NOTICE AND SERVICE

- 1. **THIS COURT ORDERS** that the time for service of the Motion Record in respect of this motion and the Fourth Report is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

SPONSORSHIP AGREEMENT

- 2. **THIS COURT ORDERS** that the Sponsorship Agreement between the Receiver and the Sponsor is hereby approved.
- 3. **THIS COURT ORDERS** that the Receiver is hereby authorized to enter into the Sponsorship Agreement and take all steps necessary to give effect to the transactions and reorganization contemplated by it.
- 4. **THIS COURT ORDERS** that in addition to the powers and authorities provided to the Receiver in the BIA and the Receivership Order, the Receiver be and is hereby authorized to

execute any and all documents on behalf of Rando or its board of directors in furtherance of the Sponsorship Agreement, the Proposal and the reorganization contemplated thereunder.

5. **THIS COURT ORDERS** that the Receiver is hereby authorized to file a Proposal on behalf of Rando.

6. **THIS COURT ORDERS** that KSV shall be permitted to act as Proposal Trustee pursuant to the Proposal.

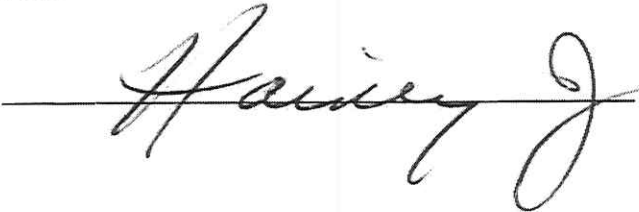
7. **THIS COURT ORDERS AND DECLARES** that the Receiver's Charge as defined in the order of the Receivership Order be and hereby applies to the fees and expenses of KSV in its capacity as Proposal Trustee including the fees and expenses of the Proposal Trustee's counsel.

SEALING

8. **THIS COURT ORDERS** the confidential appendices to the Fourth Report be and are hereby sealed pending further Order of the Court.


MISCELLANEOUS

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

NOV 09 2020

- 3 - PER / PAR: 

ECN FINANCIAL INC. and 2345760 ONTARIO INC., et al.
Applicant Respondents

Court File No.: CV-19-632106-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**ORDER
(Sponsorship Agreement Authorization Order)**

NORTON ROSE FULBRIGHT CANADA LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, ON M5K 1E7

Jennifer Stam (LSO# 46735J)

Tel: 416-202-6707

Fax: 416-216-3930

Email: Jennifer.stam@nortonrosefulbright.com

Lawyers for the Receiver, KSV Restructuring Inc.

Appendix “F”



Bankruptcy and Insolvency Act ("Act")

Proof of Claim

(Section 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1), and Paragraphs 51(1)(e) and 66.14(b) of the Act)

All notices or correspondence regarding this claim must be forwarded to the following address:

Creditor Name: _____ Telephone: _____
 Address: _____ Fax: _____
 _____ Email: _____
 Account No.: _____

In the matter of the bankruptcy (or the proposal, or the receivership) of _____ (name of debtor) of _____ (city and province) and the claim of _____, creditor.

I, _____ (name of creditor or representative of the creditor), of _____ (city and province), do hereby certify:

1. That I am a creditor of the above-named debtor (or that I am _____ (state position or title) of _____ (name of creditor)).
2. That I have knowledge of all the circumstances connected with the claim referred to below.
3. That the debtor was, at the date of bankruptcy, (or the date of the receivership, or in the case of a proposal, the date of the notice of intention or of the proposal, *if no notice of intention was filed*), namely the _____ day of _____, _____, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. *(The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)*
4. *(Check and complete appropriate category.)*
 - A. UNSECURED CLAIM OF \$ _____**
(other than as a customer contemplated by Section 262 of the Act)
 That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)
 - Regarding the amount of \$ _____, I do not claim a right to a priority.
 - Regarding the amount of \$ _____, I claim a right to a priority under Section 136 of the Act.
(Set out on an attached sheet details to support priority claim.)
 - B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ _____**
 That I hereby make a claim under Subsection 65.2(4) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)
 - C. SECURED CLAIM OF \$ _____**
 That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows:
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)
 - D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ _____**
 That I hereby make a claim under Subsection 81.2(1) of the Act for the unpaid amount of \$ _____ *(Attach a copy of sales agreement and delivery receipts.)*
 - E. CLAIM BY WAGE EARNER OF \$ _____**
 - That I hereby make a claim under Subsection 81.3(8) of the Act in the amount of \$ _____
 - That I hereby make a claim under Subsection 81.4(8) of the Act in the amount of \$ _____
 - F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ _____**
 - That I hereby make a claim under Subsection 81.5 of the Act in the amount of \$ _____
 - That I hereby make a claim under Subsection 81.6 of the Act in the amount of \$ _____
 - G. CLAIM AGAINST DIRECTOR \$ _____**
(To be completed when a proposal provides for the compromise of claims against directors.)
 That I hereby make a claim under Subsection 50(13) of the Act, particulars of which are set out on the attached sheet(s). *(Give full particulars of the claim, including the calculations upon which the claim is based.)*
 - H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____**
 That I hereby make a claim as a customer for net equity as contemplated by Section 262 of the Act, particulars of which are set out on the attached sheet(s).
(Give full particulars of the claim, including the calculations upon which the claim is based.)

Bankruptcy and Insolvency Act ("Act")

Proof of Claim

(Section 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1), and Paragraphs 51(1)(e) and 66.14(b) of the Act)

- 5. That, to the best of my knowledge, I am (or the above-named creditor is) (or am not or is not) related to the debtor within the meaning of Section 4 of the Act, and have (or has) (or have not or has not) dealt with the debtor in a non-arm's-length manner.
6. That the following are the payments that I have received from, the credits that I have allowed to, and the transfers at undervalue within the meaning of Subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of Section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Subsection 2(1) of the Act: (Provide details of payments, credits and transfers at undervalue.)
7. (Applicable only in the case of the bankruptcy of an individual.)
[] Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under Section 68 of the Act, I request to be informed, pursuant to Paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
[] I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to Subsection 170(1) of the Act be sent to the above address.

Dated at _____, this _____ day of _____, _____

Witness

Creditor

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.
WARNINGS: A trustee may, pursuant to Subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor. Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

DIRECTIONS FOR COMPLETION OF THIS FORM ARE ON THE REVERSE SIDE

GENERAL PROXY

(Paragraphs 51(1)(e) and 66.15(3)(b) and Subsection 102(2))

In the matter of the bankruptcy) (or proposal) of _____ a bankrupt (or an insolvent)
I (or We), _____ (name of creditor), of _____ (name of city, town or village), a creditor in the above matter, hereby appoint _____, of _____, to be my (or our) general proxy in the above matter except as to the receipt of dividends, with (or without) power to appoint another general proxy in his or her place.

DATED AT _____ this _____ day of _____, _____

Witness

Individual Creditor OR Name of Corporate Creditor

Per:

Witness

Name and Title of Signing Officer

CHECKLIST FOR PROOF OF CLAIM

This checklist is provided to assist you in preparing the accompanying proof of claim form and, where required, proxy form in a complete and accurate manner. Please specifically check each requirement.

Under Section 109 of the Bankruptcy and Insolvency Act only those creditors who have filed their claims in the proper form with the trustee, before the time appointed for the meeting, are entitled to vote at the meeting.

Section 124 states that every creditor shall prove his claim and the creditor who does not prove his claim is not entitled to share in any distribution that may be made.

General

- The signature of a witness is required;
- The claim must be signed personally by the individual completing this declaration;
- Provide the complete address where all notices or correspondence are to be forwarded;
- The amount of the statement of account must correspond to the amount indicated on the proof of claim.

Notes:

- It is permissible to file a proof of claim by fax.
- A creditor may vote either in person or by proxy at any meeting of creditors if the proof of claim is filed with the trustee prior to the time appointed for the meeting.
- A quorum at any meeting of creditors consists of at least one creditor with a valid proof of claim in attendance in person or by proxy.
- A corporation may vote through an authorized agent or mandatary at meetings of creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.
- A creditor who is participating in any distribution from an estate must have filed a proof of claim prior to the distribution being declared.
- In the case of an individual bankrupt, by checking the appropriate box or boxes at the bottom of the proof of claim form, you may request that the trustee advise you of any material change in the financial situation of the bankrupt or the amount the bankrupt is required to pay into the bankruptcy, and a copy of the trustee's report on the discharge of the bankrupt.

Paragraph 1

- Creditor must state full and complete legal name of company or firm;
- If the individual completing the proof of claim is not the creditor himself, he/she must state his/her position or title.

Paragraph 3

- The amount owing must be set out in paragraph 3.
- A detailed statement of account must be attached to the proof of claim and must show the date, the number and the amount of all the invoices or charges, together with the date, the number and the amount of all credits or payments. A statement of account is not complete if it begins with an amount brought forward.

Paragraph 4

- **Paragraph A** applies to *ordinary unsecured claims*. In addition to recording the amount of the claim, please indicate whether the claim has a priority pursuant to Section 136 of the Act.
- **Paragraph B** applies to lessor claims in a commercial proposal. Please ensure that the claim applies to a commercial proposal and, if so, include the full particulars of the claim.
- **Paragraph C** applies to *secured claims*. Please indicate the dollar value of the security and attach copies of the security document. In addition, please attach copies of the security registration documents, where appropriate.
- **Paragraph D** applies to *inventory claims of farmers, fishermen and aquaculturists*. Please note that such claims apply only to inventory supplied from farmers, fishermen and aquaculturists within 15 (fifteen) days of the date of bankruptcy. In addition, please attach copies of any applicable sales agreements and delivery slips.
- **Paragraph E** applies to *claims by wage earners*. Please note that such claims apply only for unpaid wages owed upon the bankruptcy of an employer or when the employer becomes subject to a receivership.
- **Paragraph F** applies to *claims by employees for unpaid amounts regarding pension plans*. Please note that such claims apply only to unremitted pension contributions outstanding when the sponsoring employer becomes bankrupt or is subject to a receivership.
- **Paragraph G** applies to *claims against directors*. Please note that such claims apply only to directors of corporations that have filed a commercial proposal to creditors that includes a compromise of statutory claims against directors.
- **Paragraph H** applies to *claims of customers of a bankrupt securities firm*. Please ensure that the claim of the customer is for net equity and, if so, include the full particulars of the claim, including the calculations upon which the claim is based.

Paragraph 5

- All claimants must indicate whether or not they are related to the debtor, as defined in Section 4 of the Act, or dealt with the debtor in a non-arm's-length manner.

Paragraph 6

- All claimants must attach a detailed list of all payments or credits received or granted, as follows:
 - a) Within the three (3) months preceding the initial bankruptcy event (including the bankruptcy or the proposal), in the case where the claimant and the debtor are not related;
 - b) Within the twelve (12) months preceding the initial bankruptcy event (including the bankruptcy or the proposal), in the case where the claimant and the debtor were not dealing at arm's length.

APPOINTING PROXY

Note: The Act permits a proof of claim to be made by a duly authorized representative of a creditor but, in the absence of a properly executed proxy, does not give such an individual the power to vote at the first meeting of creditors nor to act as the proxyholder of the creditors.

General

- In order for duly authorized persons to have a right to vote, they must themselves be creditors or be the holders of a properly executed proxy. The name of the creditor must appear in the proxy.

Notes:

- A creditor may vote either in person or by proxyholder.
- A proxy may be filed at any time prior to a vote at a meeting of creditors.
- A proxy can be filed with the trustee in person, by mail or by any form of telecommunication.
- A proxy does not have to be under the seal of a corporation unless required by its incorporating documents or its bylaws.
- The individual designated in a proxy cannot be substituted unless the proxy provides for a power of substitution.
- Bankrupts/debtors may not be appointed as proxyholders to vote at any meeting of their creditors.
- The trustee may be appointed as a proxyholder for any creditor.
- A corporation cannot be designated as a proxyholder.

IN THE MATTER OF THE PROPOSAL OF
RAN DO DRUGS LTD.,
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO

Form 37

VOTING LETTER
(Paragraph 51(1)(f) of the *Bankruptcy and Insolvency Act.*)

I/we, _____, creditor,

of _____,

a creditor in the above matter for the sum of \$ _____, hereby request the trustee acting with respect to the Proposal of Rando Drugs Ltd. to record my vote:

PLEASE TICK OFF OR INDICATE YOUR VOTE AS FOLLOWS:

- FOR** the acceptance of the Proposal, as made on the 7th day of January, 2021.
- AGAINST** the acceptance of the Proposal, as made on the 7th day of January, 2021.

DATED at _____, this _____ day of _____, 2021.

Signature of Witness

Signature of individual creditor or person signing on behalf of corporate creditor

Print name of Witness

Print name of individual creditor or name and title of person signing on behalf of corporate creditor

Appendix “G”



ksv advisory inc.

150 King Street West, Suite 2308

Toronto, Ontario, M5H 1J9

T +1 416 932 6262

F +1 416 932 6266

ksvadvisory.com

Estate File No: 31-2702401

**IN THE MATTER OF THE PROPOSAL OF
RAN DO DRUGS LTD.,
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**NOTICE OF PROPOSAL TO CREDITORS
(Subsection 51)**

Take notice that:

1. KSV Restructuring Inc., in its capacity as receiver of the property, assets and undertaking of Rando Drugs Ltd. (the "Company") has lodged with KSV Restructuring Inc. (the "Proposal Trustee") a Proposal pursuant to the *Bankruptcy and Insolvency Act*.
2. A general meeting of creditors to consider the Proposal will be held on the 28th day of January, 2021 at 10 a.m., to be convened via Zoom at:
<https://zoom.us/j/93059351152?pwd=M1FoR1V1R3h6QVpqOVbVRHBnM2NjQT09>
3. Enclosed are copies of:
 - The Proposal;
 - A condensed statement of the Company's assets and liabilities;
 - A list of the creditors affected by the Proposal whose claims amount to \$250 or more;
 - A Proof of Claim form and proxy; and
 - A voting letter.
4. To be entitled to vote at the meeting, proofs of claim, proxies (where necessary) and voting letters intended to be used at the meeting must be lodged with the Proposal Trustee prior to the commencement of the meeting.
5. Creditors must prove their claims against the Company in order to share in any distribution of the proceeds realized from the estate.

DATED at Toronto, Ontario, this 15th day of January, 2021.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
LICENSED INSOLVENCY TRUSTEE**

Appendix “H”

District of: Ontario
 Division No. 09 - Toronto
 Court No.
 Estate No.

Original Amended

- Form 78 -
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Rando Drugs Ltd.
 of the City of North York, in the Province of Ontario

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 7th day of January 2021. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

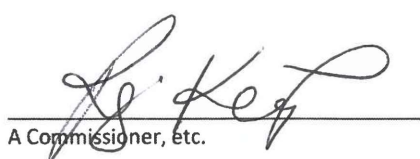
LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	267,080.02	1. Inventory	0.00
Balance of secured claims as per list "B"	3,534,914.00	2. Trade fixtures, etc.	0.00
Total unsecured creditors	3,801,994.02	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B"	117,901.00	Good	0.00
3. Preferred creditors as per list "C"	0.00	Doubtful	0.00
4. Contingent, trust claims or other liabilities as per list "D" estimated to be reclaimable for	0.00	Bad	0.00
Total liabilities	3,919,895.02	Estimated to produce	0.00
Surplus	NIL	4. Bills of exchange, promissory note, etc., as per list "F" ...	0.00
		5. Deposits in financial institutions	0.00
		6. Cash	117,901.00
		7. Livestock	0.00
		8. Machinery, equipment and plant	0.00
		9. Real property or immovable as per list "G"	0.00
		10. Furniture	0.00
		11. RRSPs, RRFs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	0.00
		Amount paid on capital	0.00
		Balance subscribed and unpaid	0.00
		Estimated to produce	0.00
		Total assets	117,901.00
		Deficiency	3,801,994.02

KSV Restructuring Inc., Court-appointed Receiver of Rando Drugs Ltd., does swear (or solemnly declare) that the above statement and the attached lists are to the best of our knowledge, based on the information available to us, a full, true and complete statement of the affairs of Rando Drugs Ltd. on January 7, 2021, and fully disclose all of its property of every description in its possession or that may devolve on it in accordance with Section 67 of the Bankruptcy and Insolvency Act.

Sworn (or solemnly declared) before me at)
 the City of Ontario, in the Province of Ontario,)
 this 7th day of January 2021.)
)
)
)
)
)
)



 KSV Restructuring Inc., Court-appointed Receiver of the
 property, assets and undertaking of Rando Drugs Ltd.



A Commissioner, etc.

Rajinder Kashyap, a Commissioner, etc.,
 Province of Ontario, for KSV Kofman Inc.
 Expires January 22, 2021.

Appendix “I”

Rando Drugs Ltd.
Creditors List - Proposal
(\$; unaudited)

Creditor	Amount*
BCI Networks	314.14
Blue Chip Leasing Corporation	1.00
Canada Revenue Agency - Account: 134268929	1.00
Cedar Springs	14.63
CIT Financial Ltd.	1.00
Commercial Laset Technologies	1,488.25
CWB National Leasing Inc. c/o Garfin Zeidenberg LLP,	251,040.99
Dex Medical Disribution Inc	3,395.30
Dowler-Karn	210.91
DPI Dynamic Productions Inc	342.45
Ford Credit Canada Limited	1.00
Jones Packaging Inc	2,737.37
Mark Haditaghi	5,000.00
Michael Blacher	1.00
Primo Investments (Lauzon) Ltd. c/o Jack Berkow,	1.00
Shred-It	328.40
Staples	777.90
Steven A. Strauss & Associates	1.00
Thinking Capital	1.00
Wolff Adar IT Solutions	1,421.68
Total	267,080.02

*An amount of \$1.00 means that the balance is unknown.

Appendix “J”

4.1 Sponsorship Agreement⁷

1. Pursuant to the Sponsorship Agreement, the Sponsor is to provide the Receiver with capital (the “Capitalization Amount”) as a subscription for New Common Shares of Rando in accordance with the Subscription Agreement. The key terms of the Sponsorship Agreement are:
 - a) The Capitalization Amount. This is to be used as follows:
 - i. The Proposal Amount, being the portion of the Capitalization Amount to be transferred to the Proposal Trustee to fund distributions to ordinary creditors and other amounts payable under the Proposal as determined by the Proposal Trustee and approved by the Sponsor, subject to the consent of ECN; and
 - ii. The balance, to be distributed to ECN after deducting the fees and disbursements of KSV as Receiver and Proposal Trustee, including those of its legal counsel (the “ECN Distribution Amount”).
 - b) Deposit. The Sponsor paid a deposit to the Receiver. The amount of the deposit has been redacted but is included in Confidential Appendix “2”. The balance of the Capitalization Amount is to be paid two Business Days prior to the Reorganization Implementation Date.
 - c) Reorganization. At the Reorganization Implementation Time, and as further set out in Article 7 of the Sponsorship Agreement:
 - i. any Common Shares of Rando held in treasury by Rando and any Existing Share Options and any agreements relating thereto shall be cancelled and shall be deemed to be cancelled;
 - ii. any existing shareholder agreements shall and shall be deemed to be cancelled and terminated;
 - iii. all Affected Claims under the Proposal shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred with recourse solely limited as may be provided for in the Proposal;
 - iv. a filed copy of the Certificate and Articles of Amendment shall be issued by the Director (as defined in the OBCA) and any and all share certificates representing the Shares held by an Existing Equity Holder, including, without limitation, the Shareholder, shall be deemed to be cancelled without payment of any compensation or consideration of any nature or kind whatsoever therefor and shall be marked cancelled;

⁷ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the Sponsorship Agreement. The summary provided in this section is for information purposes only. Readers are encouraged to refer to the Sponsorship Agreement for complete terms and conditions.

- v. a Subscription Agreement shall be executed and delivered by the Receiver, on behalf of Rando, and the Sponsor, and the Capitalization Amount may be released and used in accordance with the Sponsorship Agreement and the Proposal as provided for in Article 3.02 of the Sponsorship Agreement;
 - vi. the Proposal Trustee shall give to the Sponsor the certificate in accordance with Section 65.3 of the BIA, and the releases and injunctions referred to in Article 7 of the Proposal shall become effective;
 - vii. a directors' resolution of Rando (by the Receiver) shall be executed and delivered ratifying and approving the Subscription Agreement, a specimen share certificate for the Common Shares and all required updates and filings to Rando's corporate records;
 - viii. a new share certificate representing the New Common Shares shall be executed and delivered by Rando to the Sponsor (or as it may direct in writing) as fully paid and non-assessable shares in the capital of Rando, free and clear of any and all Encumbrances of any nature or kind whatsoever; and
 - ix. the Receiver shall deliver to the Sponsor, all of the Books and Records to the extent in the possession or control of the Receiver, provided that the Receiver shall be permitted to make copies and to retain accounting records and books and records required by Applicable Law to be retained by the Receiver, provided that all original documents shall be retained by Rando and delivered to the Sponsor.
- d) Directors. The Sponsor is to nominate new member(s) to Rando's board of directors provided that such nominations shall comply with Section 142(1) of the Pharmacies Act. The name or names of the new nominee(s) shall be inserted in Rando's Articles of Amendment.
- e) Conditions. The obligation of the Sponsor to complete the Reorganization contemplated by the Sponsorship Agreement is subject to the following conditions:
- i. by no later than October 15, 2020, the Sponsor shall have satisfied itself that the Company has been since a date prior to 1954 a corporation permitted by the Ontario College of Pharmacists to operate pursuant to the exemption under Section 142(4) of the Pharmacies Act;
 - ii. the Sponsor is satisfied, acting reasonably, that the New Common Shares are free and clear of any and all Encumbrances other than any Encumbrances which may be permitted under the Proposal; and
 - iii. Rando continues to be on the Reorganization Implementation Date a corporation permitted by the Ontario College of Pharmacists to operate pursuant to the exemption under Section 142(4) of the Pharmacies Act.

Implementation of the Reorganization contemplated by the Sponsorship Agreement is conditional on, among other things, the following:

- i. the Court shall have granted an Order:
 - appointing KSV as the proposal trustee for the purposes of the Proposal;
 - confirmation that the Receiver's Charge (as defined in the Receivership Order) applies to the Administration Fees and Expenses;
 - approving the Sponsorship Agreement; and
 - authorizing the Receiver to enter into the Sponsorship Agreement and take all steps necessary to give effect to the transactions contemplated by the Sponsorship Agreement, including executing any and all documents necessary on behalf of Rando or its board of directors;
- ii. the Proposal shall have been approved by the Required Majority at the Meeting;
- iii. the Court shall have granted the Proposal Approval Order and the Reorganization Approval Order;
- iv. the Receiver shall have sold or otherwise disposed of all of Rando's remaining Property, if any, including, without limitation, all issued and outstanding shares and other securities of any subsidiary, or of any entity, owned by Rando⁸;
- v. Rando shall have no remaining employees;
- vi. ECN shall have agreed to release its claims against Rando upon receipt of the ECN Distribution Amount and shall have provided a release and discharge agreement effective upon receipt of the ECN Distribution Amount;
- vii. the Capitalization Amount shall have been received by the Receiver;
- viii. the members of the new board of directors shall have been selected in accordance with Section 4.03 of the Sponsorship Agreement; and
- ix. the Articles of Amendment shall have been deposited and filed in the record books in Rando's record office maintained pursuant to the *Business Corporations Act* (Ontario).

⁸ There is a 2013 reference in Rando's minute book to a wholly-owned subsidiary of Rando Drugs, being 813866 Ontario Limited. Mr. Diena has advised the Receiver that Rando has no subsidiaries and he is reviewing records in storage to confirm the ownership of this entity.