



**Supplement to Fourth Report of
KSV Restructuring Inc.
as Receiver of the
assets, undertakings and properties of
Rando Drugs Ltd.
and Related Companies**

November 3, 2020

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COURT FILE NO.: CV-19-00632106-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

SUPPLEMENT TO FOURTH REPORT OF KSV RESTRUCTURING INC.
AS RECEIVER OF THE ASSETS, UNDERTAKINGS AND PROPERTIES OF
RANDO DRUGS LTD. AND RELATED COMPANIES

NOVEMBER 3, 2020

1.0 Introduction

1. This report (the "Supplemental Report") supplements the Fourth Report to Court dated September 23, 2020 (the "Report").
2. This Supplemental Report is subject to the restrictions and qualifications set out in the Report.
3. Defined terms in the Supplemental Report have the meanings provided to them in the Report.

1.1 Purposes of this Report

1. The purposes of this Supplemental Report are to:
 - a) summarize an "Amendment to Sponsorship Agreement" dated October 15, 2020 (the "Amendment") between the Receiver and the Sponsor; and
 - b) comment on an affidavit of Mr. Diena affirmed October 16, 2020 concerning the ownership of Rando (the "Affidavit").

2.0 Amendment

1. Pursuant to the Amendment, the Receiver and the Sponsor agreed to extend:
 - a) from October 15, 2020 to November 16, 2020 the date for the Sponsor to satisfy 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 Pharmacies Act (the “Charter Condition”); and
 - b) from December 15, 2020 to February 1, 2021 the Outside Date for implementation of the Reorganization.
2. On November 2, 2020, the Sponsor advised the Receiver that the Charter Condition had been satisfied or waived.
3. A copy of the Amendment is provided in Appendix “A”.

3.0 Affidavit

1. In the Receiver’s view, the Affidavit provides no evidence to contradict the Receiver’s findings set out in Section 4.3 of the Report. The Receiver does not believe it is necessary to comment on all the evidence provided in the Affidavit; however, it notes the following:
 - a. the Affidavit attaches a share certificate for 2345 reflecting that it owns 100 common shares of Rando, which the Receiver understands is all of the issued and outstanding shares of Rando. The ownership of Rando by 2345 is consistent with the Receiver’s understanding;
 - b. the Affidavit states that Rando owes \$1.4 million to the Trust. The Receiver notes there is no obligation owing from Rando to the Trust reflected in Rando’s financial statements for its year ended December 31, 2018 (the “2018 Financial Statements”), a copy of which is provided as Appendix “B”. The 2018 Financial Statements are Rando’s most recently prepared statements which have been reviewed by an external accountant. In any event, the Receiver is of the view that the indebtedness of Rando to the Trust (if any) is not an issue relevant to the relief sought in this motion.

The Receiver also notes that the 2018 Financial Statements state that management is responsible for the preparation and fair presentation of the financial statements:

“Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.”

3.1 Share Pledge

1. Subsequent to its review of the Report and the Affidavit, counsel to ECN provided the Receiver with a Share Pledge Agreement made as of January 15, 2016 between ECN and 2345 (“Share Pledge”).
2. The first paragraph of the Share Pledge states that “100 issued and outstanding Class “A” common shares (the “Pledged Shares”) of Rando Drugs Ltd. (hereinafter referred to as the “Guarantor”) are owned by Pledgor¹, and the Pledged Shares represent one hundred percent (100%) of the issued and outstanding shares (the “Shares”) in the capital of the Guarantor”.
3. A copy of the Share Pledge is provided in Appendix “C”.

4.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver continues to recommend that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(e) of the Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
SOLELY IN ITS CAPACITY AS RECEIVER OF
THE ASSETS, UNDERTAKINGS AND PROPERTIES OF
RANDO DRUGS LTD. AND RELATED COMPANIES
AND NOT IN ITS PERSONAL OR IN ANY OTHER CAPACITY**

¹ Being 2345.

Appendix “A”

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.

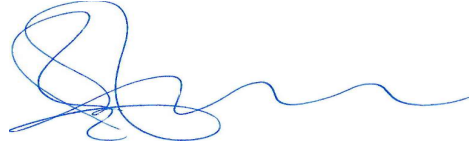
1.3 Counterparts

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.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

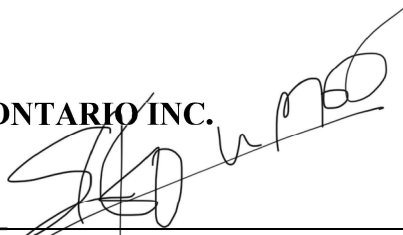
KSV RESTRUCTURING INC., solely in its capacity as Receiver of the property, assets and undertaking of RANDO DRUGS LTD., 2345760 ONTARIO INC. and related companies and not in its personal capacity



Per

Name: Bobby Kofman
Title: President

2775506 ONTARIO INC.



Per

Name:
Title:

Appendix “B”

RANDO DRUGS LTD.

Financial Statements (Prepared Without Audit)

December 31, 2018

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Bench & Donath

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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Independent Practitioner's Review Engagement Report

To the Shareholders of:

Rando Drugs Ltd.

We have reviewed the accompanying financial statements of Rando Drugs Ltd. that comprise the balance sheet as at December 31, 2018 and the statements of retained earnings, operations, and cash flows for the year then ended, plus a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Rando Drugs Ltd. as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Toronto, Canada
July 18, 2019

Bench & Donath
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Rando Drugs Ltd.
Balance Sheet
As at December 31, 2018

(Prepared Without Audit)

	<u>2018</u>	<u>2017</u>
Assets		
Current		
Cash	\$ 8,139	\$ -
Accounts receivable	912,746	540,696
Deposits	76,795	77,450
Harmonized sales tax recoverable	109,497	23,223
Income taxes recoverable	12,800	12,800
Inventory	531,866	620,928
	<u>1,651,843</u>	<u>1,275,097</u>
Long-term		
Due from related parties (Note 5)	271,211	11,725
Property, plant, and equipment (Note 2)	79,272	92,817
	<u>\$ 2,002,326</u>	<u>\$ 1,379,639</u>
Liabilities		
Current		
Bank indebtedness (Note 3)	\$ -	\$ 140,295
Accounts payable and accrued liabilities (Note 4)	1,142,492	1,004,915
	<u>1,142,492</u>	<u>1,145,210</u>
Long-term		
Due to related parties (Note 5)	-	34,843
Due to shareholder (Note 5)	643,333	335,374
	<u>643,333</u>	<u>370,217</u>
	<u>1,785,825</u>	<u>1,515,427</u>
Shareholder's Equity		
Share capital (Note 6)	100	100
Retained earnings (deficit)	216,401	(135,888)
	<u>216,501</u>	<u>(135,788)</u>
	<u>\$ 2,002,326</u>	<u>\$ 1,379,639</u>

The accompanying notes are an integral part of these financial statements.

Rando Drugs Ltd.
Statement of Retained Earnings
For the Year Ended December 31, 2018

(Prepared Without Audit)

	<u>2018</u>	<u>2017</u>
Retained earnings, beginning of year	\$ (135,888)	\$ 67,823
Income (loss) for the year	352,289	(203,711)
Retained earnings (deficit), end of the year	\$ 216,401	\$ (135,888)

The accompanying notes are an integral part of these financial statements.

3.

Rando Drugs Ltd.
Statement of Operations
For the Year Ended December 31, 2018

(Prepared Without Audit)

	<u>2018</u>	<u>2017</u>
Revenue	\$ 7,786,215	\$ 7,643,152
Cost of Sales		
Purchases	4,980,528	4,595,575
Purchase discounts	(96,141)	(81,036)
	<u>4,884,387</u>	<u>4,514,539</u>
Gross Profit	2,901,828	3,128,613
Gain on sale of pharmacy	248,795	-
Expenses		
Salaries and wages	\$ 773,191	\$ 803,835
Consulting	720,076	1,159,639
Management fees (Note 5)	600,000	600,000
Rent	326,226	344,761
Insurance	81,650	59,638
Office and general	55,882	66,137
Employee benefits	45,667	74,616
Computer expenses	37,535	43,801
Dues and subscription	33,027	36,601
Bank charges	23,820	30,370
Telephone	18,983	24,650
Utilities	16,604	13,400
Auto and travel expenses	15,521	17,149
Advertising and promotion	10,947	9,993
Professional fees	10,000	12,344
Auto lease	7,852	5,890
Interest expense	5,489	3,321
Legal fees	850	4,033
Donation	-	580
Depreciation	13,545	28,583
	<u>2,796,865</u>	<u>3,339,341</u>
Income for the year before tax	353,758	(210,728)
Income taxes (recovery)	1,469	(7,017)
Net income (loss) for the year	\$ 352,289	\$ (203,711)

The accompanying notes are an integral part of these financial statements.

Rando Drugs Ltd.
Statement of Cash Flows
For the Year Ended December 31, 2018

(Prepared Without Audit)

	<u>2018</u>	<u>2017</u>
Operating activities		
Net income (loss) for the year	\$ 352,289	\$ (203,711)
Items not requiring cash		
Depreciation	13,545	28,583
	<u>365,834</u>	<u>(175,128)</u>
Changes in operating working capital		
Accounts receivable	(458,324)	(55,143)
Deposits	655	(15,267)
Corporate tax payable	-	(4,819)
Inventory	89,062	(46,616)
Accounts payable and accrued liabilities	137,577	729,315
	<u>(231,030)</u>	<u>607,470</u>
Increase (decrease) in cash from operating activities	134,804	432,342
Investing activities		
Purchase of property, plant and equipment	-	(27,230)
Decrease (increase) in due from related parties	(259,486)	(9,675)
Increase in cash from investing activities	(259,486)	(36,905)
Financing activities		
Proceeds from bank indebtedness	(140,295)	85,810
Increase in due to shareholder	307,959	(425,012)
Increase (decrease) in due to related parties	(34,843)	(56,235)
Increase (decrease) in cash from financing activities	132,821	(395,437)
Increase (decrease) in cash for the year	8,139	-
Cash, beginning of year	-	-
Cash, end of year	\$ 8,139	\$ -

The accompanying notes are an integral part of these financial statements.

5.

Nature of Operations

Rando Drugs Ltd. (the "Company") was incorporated October 29, 1951 under the Business Corporations Act of Ontario. The Company owns and operates pharmacies located in Ontario.

1. Summary of Accounting Policies

The financial statements are prepared in accordance with Canadian Accounting Standards for Private Enterprises which include the following significant accounting policies:

a) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant estimates and assumptions include those related the valuation of the useful lives of property, plant and equipment for depreciation purposes and amounts recorded as accrued liabilities.

b) Revenue recognition

Revenue from the sale of goods is recognized when there is persuasive evidence that an arrangement exists, the goods have been received by the client, the price is fixed or determinable, and collection is reasonably assured.

c) Income taxes

The Company uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period, determined in accordance with the rules established by taxation authorities.

Rando Drugs Ltd.

Notes to Financial Statements

For the Year Ended December 31, 2018

(Prepared Without Audit)

d) Financial instruments

The Company's financial instruments are initially measured at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument. Changes in fair value are recognized in income in the period.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

e) Inventory

Inventory consist of prescription and over-the-counter medications and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Prescription medications are returnable to the Company's vendor and fully refundable before six months of expiration, and any remaining expired medication is relieved from inventory on a quarterly basis.

f) Property, plant and equipment

Property, plant and equipment are accounted for at cost and amortized on the basis of their useful life using the following methods and rates.

Asset	Rate	Method
Computer hardware	30%	Declining balance
Computer software	100%	Declining balance
Furniture and equipment	20%	Declining balance
Leasehold improvement	20%	Declining balance

g) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which they carrying amount of the long-lived asset exceeds its fair value.

Rando Drugs Ltd.
Notes to Financial Statements
For the Year Ended December 31, 2018

(Prepared Without Audit)

h) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are amortized on a straight-line basis over the term of the lease to rental expense. At the inception of a capital lease, an assets and an obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

2. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

2018	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	\$ 36,855	\$ 18,716	\$ 18,139
Computer software	4,690	4,690	-
Furniture and equipment	30,835	13,071	17,764
Leasehold improvement	149,829	106,460	43,369
	\$ 222,209	\$ 142,937	\$ 79,272

2017	Cost	Accumulated Depreciation	Net Book Value
Computer hardware	\$ 36,855	\$ 16,889	\$ 19,966
Computer software	4,690	4,690	-
Furniture and equipment	33,085	8,067	25,018
Leasehold improvement	147,579	99,746	47,833
	\$ 222,209	\$ 129,392	\$ 92,817

Rando Drugs Ltd.
Notes to Financial Statements
For the Year Ended December 31, 2018

(Prepared Without Audit)

3. Cash (Bank Indebtedness)

	<u>2018</u>	<u>2017</u>
Cash (bank indebtedness)	\$ 34,103	\$ (70,204)
Less: Cheques issued and outstanding	25,964	70,091
	<u>\$ 8,139</u>	<u>\$ (140,295)</u>

The Company has bank overdraft of \$3,500 on each of its account amounting to \$21,000 in total.

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is a payable of \$600,000 (2017 - \$482,200) to 1735490 Ontario Inc. which is related to the Company via common control.

5. Related Party Transactions

a) Transactions

The related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

- During the year, a management fee of \$600,000 (2017 - \$600,000) was paid to 1735490 Ontario Inc. which is related to the Company via common control.

Rando Drugs Ltd.
Notes to Financial Statements
For the Year Ended December 31, 2018

(Prepared Without Audit)

b) Amount due from related parties

The following entities are related to the company by way of common control. The advances from the following related parties are unsecured, and due on demand. The company does not expect these loans to be demanded or repaid within the year.

	<u>2018</u>	<u>2017</u>
2275518 Ontario Inc. o/a Abira Healthcare	\$ 61,652	\$ -
Premium Canadian Pharmacy	209,559	11,725
	<u>\$ 271,211</u>	<u>\$ 11,725</u>

c) Amount due to related parties

The following entities are related to the company by way of common control. The advances to the following related parties are unsecured and due on demand. The company does not expect to repay these loans within the next year.

	<u>2018</u>	<u>2017</u>
2275518 Ontario Inc. o/a Abira Healthcare	\$ -	\$ 34,843

d) Amount due to shareholders

An amount totaling \$643,333 (2017 - \$335,374) is due to shareholders of the company. The balance is non-interest bearing, unsecured and is due on demand.

6. Share Capital

	<u>2018</u>	<u>2017</u>
Issued: 100 Common shares	\$ 100	\$ 100

7. Contractual Obligations

The Company leases premises for its pharmacies under a separate lease agreement for each pharmacy with expiry dates ranging from December 31, 2019 to September 30, 2025. The future minimum lease payments required under operating leases are as follows:

2019	\$ 260,753
2020	225,150
2021	174,000
2022	174,000
2023	<u>174,000</u>
	<u>\$1,007,903</u>

8. Income Tax Losses

The company accumulated operating tax losses of \$21,010 which can be used to reduce taxable income in future years.

9. Financial Instrument and Risk Management

The Company's operations are subject to a number of risks and uncertainties, including, but not limit to, risks associated with general economic conditions, the availability and cost of financing and fluctuations in interest rates. The Company does not acquire, hold or issue derivative financial instruments for trading purposes. The Company is exposed to the following risks related to financial assets and liabilities.

a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Company's exposure to liquidity risk is dependent on the sale of inventory and collection of accounts receivable. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of the available operating line of credit. The Company's primary lender is a single federally regulated Canadian financial institution. There has been no change in risk exposure from 2017.

Rando Drugs Ltd.

Notes to Financial Statements

For the Year Ended December 31, 2018

(Prepared Without Audit)

b) Credit risk

Credit risk is the risk of an unexpected loss if an insurance provider fails to meet its contractual obligations. The insurance providers are medium to large corporate entities, many of which are public companies. There has been no change in risk exposure from 2017.

c) Interest rate risk

The bank indebtedness subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing bank prime lending rate. The Company did not employ interest rate hedging activities during the year, allowing outstanding bank debt to generally float at short-term market rates of interest. There has been no change in risk exposure from 2017.

Rando Drugs Ltd.
Schedule - Operations by Pharmacy
For the Year Ended December 31, 2018

(Prepared Without Audit)

	<u>Windsor East</u>	<u>Windsor West</u>	<u>Walpole</u>	<u>Novacare</u>	<u>Other</u>	<u>Total</u>
Revenues						
Services		\$ 7,593,641			\$ 192,574	\$ 7,786,215
Cost of Sales						
Purchases		4,693,809			286,719	4,980,528
Purchase discounts		(93,875)			(2,266)	(96,141)
		4,599,934			284,453	4,884,387
Gross Profit		2,993,707			(91,879)	2,901,828
Expenses						
Consulting		\$ 719,852			\$ 224	\$ 720,076
Salaries and wages		561,918			211,273	773,191
Rent		279,405			46,821	326,226
Insurance		37,484			44,166	81,650
Dues and subscription		30,741			2,286	33,027
Employee benefits		30,365			15,302	45,667
Office and general		29,769			26,113	55,882
Computer and Internet		23,959			13,576	37,535
Bank charges		11,680			12,140	23,820
Telephone		10,703			8,280	18,983
Utilities		9,644			6,960	16,604
Advertising and promotion		7,457			3,490	10,947
Auto and travel expenses		1,954			13,567	15,521
Legal fees		45			805	850
Management fees (Note 5)		-			600,000	600,000
Professional fees		-			10,000	10,000
Interest expense		-			5,489	5,489
Auto lease		-			7,852	7,852
Depreciation		-			13,545	13,545
		1,754,976			1,041,889	2,796,865
Income (loss) for the year		\$ 1,238,731			\$ (1,133,768)	\$ 104,963

The accompanying notes are an integral part of these financial statements.

Rando Drugs Ltd.
Schedule - Operations by Pharmacy
For the Year Ended December 31, 2017

(Prepared Without Audit)

	<u>Windsor East</u>	<u>Windsor West</u>	<u>Walpole</u>	<u>Novacare</u>	<u>Other</u>	<u>Total</u>
Revenues						
Services		\$ 7,557,407			\$ 85,745	\$ 7,643,152
Cost of Sales						
Purchases		4,408,120			187,454	4,595,574
Purchase discounts		(61,701)			(19,333)	(81,034)
		4,408,120			168,121	4,514,540
Gross Profit		3,149,287			(82,376)	3,128,612
Expenses						
Consulting		\$ 674,875			\$ 484,763	\$ 1,159,638
Salaries and wages		630,964			172,872	803,836
Rent		252,795			91,966	344,761
Employee benefits		44,435			30,179	74,614
Office and general		36,717			29,419	66,136
Dues and subscription		23,048			13,553	36,601
Computer and Internet		21,231			22,569	43,800
Insurance		17,155			42,483	59,638
Telephone		15,756			8,894	24,650
Bank charges		14,922			15,448	30,370
Utilities		8,974			4,426	13,400
Advertising and promotion		5,893			4,100	9,993
Legal fees		3,752			281	4,033
Donation		580			-	580
Management fees (Note 5)		-			600,000	600,000
Auto and travel expenses		-			17,149	17,149
Professional fees		-			12,344	12,344
Auto lease		-			5,890	5,890
Interest expense		-			3,321	3,321
Depreciation		-			28,583	28,583
		1,751,097			1,588,240	3,339,337
Income (loss) for the year		\$ 1,398,190			\$ (1,670,616)	\$ (210,725)

The accompanying notes are an integral part of these financial statements.

Appendix “C”

SHARE PLEDGE AGREEMENT

THIS AGREEMENT made as of the 15th day of January, 2016.

BETWEEN:

2345760 Ontario Inc.
a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the "Pledgor")

- and -

ELEMENT FINANCIAL INC
a corporation incorporated under the laws of the
Province of Ontario

(hereinafter referred to as the "Secured Party")

WHEREAS 100 issued and outstanding Class "A" common shares (the "Pledged Shares") of **Rando Drugs Ltd.** (hereinafter referred to as the "Guarantor") are owned by Pledgor, and the Pledged Shares represent one hundred per cent] (100%) of the issued and outstanding shares (the "Shares") in the capital of the Guarantor;

AND WHEREAS the Pledgor is indebted to the Secured Party in the amount of i) Seven Hundred, Twenty-five Thousand, Eight Hundred, Forty-Seven Dollars, Fifty Cents (\$725,847.50) under the terms of a promissory note issued by the Pledgor in favour of the Secured Party, bearing even date with the date of this Agreement and ii) One Million, One Hundred, Fifty Thousand Dollars (\$1,150,000.00) under the terms of a promissory note issued by the Pledgor on February 25, 2013 in favour of Element Financial Corporation, as assigned to the Secured Party on January 1, 2016 (the "Indebtedness") (together the "Promissory Notes");

AND WHEREAS the Pledgor has agreed to pledge the Pledged Shares to and in favour of the Secured Party as collateral security for the Indebtedness;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor and the Secured Party agree as follows:

ARTICLE 1.00 - INTERPRETATION

1.1 External Meanings

In this Agreement, words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine, and neuter genders.

Section and Article headings are inserted for convenience of reference only and are not to be considered part of this Agreement or to be full or accurate descriptions of the contents of such sections and Articles.

ARTICLE 2.00 - GRANT OF SECURITY

2.1 Grant of Security

The Pledgor hereby assigns, pledges and hypothecates to the Secured Party, and grants

to the Secured Party a first security interest in the Pledged Shares, whether now or in the future issued and outstanding, and the certificates representing such shares and all proceeds thereof including dividends, cash and other property from time to time received or receivable or any other distribution in respect of or in exchange for any or all of the Pledged Shares (collectively the "**Pledged Collateral**"), to be held by the Secured Party on and subject to the terms of this Agreement as collateral security for the payment of all Indebtedness.

2.2 **Possession of Shares**

The Pledgor shall deposit with the Secured Party the certificates representing the Pledged Shares. All certificates deposited pursuant to this Section 2.2 shall, unless all necessary consents and approvals are obtained, not contain any reference to restrictions on the transfer of the securities represented thereby and shall be duly endorsed in blank for transfer or shall be attached to duly executed powers of attorney or forms of transfer; provided, however, that the Secured Party shall have the right, at its option at any time, to transfer the Pledged Shares or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof. In the event that the Secured Party elects to have the Pledged Shares registered in its own name, the Secured Party agrees that prior to the Secured Party making a demand for payment upon the Pledgor under the Promissory Notes, the Secured Party shall deliver promptly to the Pledgor all notices, statements or other communications received by it or its nominee as such registered owner, and upon demand and receipt of payment of necessary expenses thereof, shall give to the Pledgor or its designee a proxy or proxies to vote and take all action with respect to such property. At any time following the demand for payment upon the Pledgor under the Promissory Notes by the Secured Party, the Pledgor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner, and agrees that no proxy or proxies given by the Secured Party to the Pledgor or its designee as aforesaid shall thereafter be effective.

2.3 **Continuing Security**

The security granted to the Secured Party under this Agreement shall be a continuing security and the pledge constituted hereby shall not be released, discharged or in any way affected by:

- (a) any increase or decrease in the amount of the Indebtedness;
- (b) an extension of time for payment of the Indebtedness;
- (c) any modification of any of the Indebtedness;
- (d) any change in the name or constitution of the Pledgor or the Guarantor, as applicable; or
- (e) any forbearance whatsoever whether as to time, performance or otherwise, or any compromise, arrangement or plan or reorganization affecting the Pledgor or the Guarantor.

2.4 **Additional Shares**

If any additional Shares are issued after the date of this Agreement by the Guarantor to the Pledgor (whether as a result of a consolidation, subdivision, conversion, or exchange of shares or otherwise), such additional Shares shall be beneficially owned only by the Pledgor and shall forthwith upon issuance or acquisition become part of the Pledged Collateral and shall be assigned, pledged, and hypothecated with and to the Secured Party under this Agreement, in each case in the same manner as

the Pledged Shares that are issued and outstanding on the date of this Agreement. Prior to the transfer, registration, and delivery of such additional Shares and share certificates representing such additional Shares as provided for above, all such additional Shares and share certificates and all dividends, cash, or other property from time to time received in respect thereof shall be held by the Pledgor in trust for the Secured Party, segregated from the other property and funds of the Pledgor, and shall be immediately delivered over to the Secured Party on demand.

2.5 **Security Purposes of Pledge**

The assignment, pledge, and hypothecation of the Pledged Collateral provided for in this Agreement are intended solely for security purposes and upon payment in full of the Indebtedness and the termination of any and all commitments of the Secured Party relating thereto, the Secured Party shall, at the request and cost of the Pledgor, re-transfer or cause the re-transfer to the Pledgor at such time of the Pledged Collateral and the Secured Party or its agents shall, at the cost and expense of the Pledgor, register financing change statements evidencing the discharge of any registrations filed in connection herewith.

2.6 **Attachment**

The parties intend the security interest to attach on the date of this Agreement in the case of Pledged Collateral in which the Pledgor has an interest on such date and immediately upon the Pledgor obtaining any interest in the case of Pledged Collateral acquired by the Pledgor after the date of this Agreement.

ARTICLE 3.00 - DEALING WITH THE PLEDGED SHARES BEFORE DEFAULT

3.1 **Voting Rights**

So long as the Secured Party has not made any demand for payment upon the Pledgor under the Promissory Notes, the Pledgor shall be entitled to exercise any and all voting rights pertaining to the Pledged Shares for any purpose not inconsistent with the terms of this Agreement provided that the Pledgor shall not exercise or refrain from exercising any such right if, in the Secured Party's judgment, acting reasonably, such action would have a material adverse effect on the value of the Pledged Collateral.

3.2 **Dividends**

After the Secured Party has made a demand for payment upon the Pledgor under the Promissory Notes, all dividends and other distributions paid or payable in respect of the Pledged Shares shall be payable to the Secured Party and shall be credited to the Indebtedness, and shall, if received by the Pledgor, be received in trust for the benefit of the Secured Party, be segregated from the other property and funds of the Pledgor, and be forthwith delivered to the Secured Party in the same form as received (with any necessary endorsement).

ARTICLE 4.00 - DEALING WITH THE SHARES AFTER DEMAND

4.1 **Voting and Dividends**

After the Secured Party has demanded payment by the Pledgor of the Indebtedness:

- (a) all rights of the Pledgor to exercise the voting and other consensual rights which the Pledgor would otherwise be entitled to exercise cease; and

(b) all such rights shall immediately be vested in the Secured Party which shall have the sole right to exercise such voting and other consensual rights.

(c) the Secured Party shall continue to be entitled to receive all dividends and other distributions payable in respect of any Pledged Shares as described in Section 3.2 hereof, and any such dividends and distributions shall, if received by the Pledgor, be received in trust for the benefit of the Secured Party, be segregated from the other property and funds of the Pledgor, and be forthwith delivered to the Secured Party in the same form as received (with any necessary endorsement).

4.2

Remedies on Default

After the Secured Party has demanded payment by the Pledgor of the Indebtedness, the Secured Party shall have, without obligation to resort to other security or to take recourse against any guarantor or other party liable, the right at any time and from time to time to sell, resell, assign, and deliver all or any of the Pledged Collateral or any part thereof in Canada or elsewhere, in one or more parcels, at the same or different times, and all right, title, interest, claim, and demand therein and right of redemption thereof, at public or private sale, for cash, upon credit or for immediate or future delivery, and at such price or prices and on such terms as the Secured Party may determine, the Pledgor hereby agreeing that upon any such sale any and all equity and right of redemption shall be automatically waived and released without any further action on the part of the Pledgor, and in connection therewith the Secured Party may grant options, all without any demand, advertisement or notice, all of which are hereby expressly waived by the Pledgor. Until payment in full of the Indebtedness the Secured Party may, in its discretion, retain the Pledged Collateral or any part thereof as continuing collateral security as provided herein. The Secured Party may, in its own right, purchase all or any of the Pledged Collateral being sold, free of any equity or right of redemption. Any cash held by the Secured Party as Pledged Collateral and all proceeds of each such sale may at the discretion of the Secured Party be held as collateral for, or applied to the payment of, all costs and expenses referred to in section 6.4, and after deducting such costs and expenses, any residue may be held as collateral security for or be applied in payment of the Indebtedness in such order as the Secured Party may deem fit, with the Pledgor remaining liable for any deficiency. The balance, if any, remaining after payment in full of the Indebtedness shall be paid over the Pledgor, or to whomever else may be entitled to such balance by law. Notwithstanding the foregoing provisions of this section, the Secured Party shall not in any event be under any duty to do any of the foregoing. The Pledgor hereby ratifies all that the Secured Party shall do by virtue of the foregoing authority.

4.3

Exclusion from Liability

In realizing upon the Pledged Collateral, the Secured Party shall not be responsible for any loss occasioned by any sale or other realization thereof or for the failure to sell or otherwise dispose of the Pledged Collateral, and the Secured Party shall not be bound to protect the Pledged Collateral from depreciating in value.

4.4

Remedies Cumulative

The rights, powers, and remedies of the Secured Party under this Agreement shall not be deemed exclusive, but shall be cumulative with and in addition to all other rights, powers, and remedies existing at law, in equity, under statute, by agreement, or otherwise, including without limitation any right of the Secured Party to retain the Pledged Collateral pursuant to the *Personal Property Security Act* (Ontario).

ARTICLE 5.00 – REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PLEDGOR

5.1 **Representations, Warranties, and Covenants of the Pledgor**

The Pledgor represents, warrants, and covenants to and in favour of the Secured Party that:

(a) The Pledged Collateral is validly pledged under this Agreement in accordance with law, and the Pledgor warrant and covenant to defend the Secured Party's right, security interest, and special property in and to the Pledged Collateral against the claims and demands of all persons whomsoever;

(b) The Pledgor is the exclusive legal and beneficial owner of, and have good title to, all of the Pledged Collateral free and clear of all claims, liens, security interests, and other encumbrances (except for the security interests created by this Agreement and other security in favour of the Secured Party) and the Pledgor has the unfettered legal right to pledge and assign the Pledged Collateral in accordance with the terms and conditions of this Agreement;

(c) The Shares constitute one hundred per cent (100%) of the voting shares in the capital of the Guarantor; and

(d) No person, firm, or corporation has any right to acquire or cause to be issued to them any of the Pledged Collateral and the Pledgor shall not, while any Indebtedness is outstanding, without the prior written consent of the Secured Party:

(i) transfer, sell, or otherwise dispose of, or enter into any agreement to transfer, sell, or otherwise dispose of, or grant any option respecting, any of the Pledged Collateral; or

(ii) cause or permit to be issued any further Shares (except for Shares issued to the Pledgor which are pledged to the Secured Party pursuant to the terms of this Agreement).

All of the foregoing representations, warranties, and agreements made in this Agreement shall survive the execution and delivery of this Agreement and shall be deemed to be continuously made under this Agreement so long as any of the Indebtedness remains outstanding.

ARTICLE 6.00 - GENERAL

6.1 **Additional Security**

The security in respect of the Pledged Collateral provided for under this Agreement is in addition to and not in substitution for any other security now or hereafter held by the Secured Party in relation to the Indebtedness.

6.2 **Further Assurances, Immunities, etc.**

The Pledgor agrees to do, file, record, make, execute, and deliver all such acts, deeds, things, notices, and instruments as may be necessary or desirable in the opinion of the Secured Party to vest more fully in and assure to the Secured Party the security interests in the Pledged Collateral created by this Agreement or intended to be so created, and the enforcement and full realization of the rights, remedies, and powers of the Secured Party under this Agreement relating to the Pledged Collateral.

Without limitation, if at any time after the date of this Agreement, whether or not due to any change in circumstances (including, without limitation, any change in applicable law), it is, in the opinion of counsel for the Secured Party necessary or desirable to file or record this Agreement or any financing statement or other instrument relating to this Agreement, the Pledgor agrees to pay all fees, costs, and expenses of such recording or filing and to execute and deliver any instruments which may be necessary or appropriate to make such filing or recording effective. The Pledgor irrevocably appoints the Secured Party as its attorney-in-fact to perform, in the name of the Pledgor, or otherwise, any and all acts and to execute any instruments which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (including, without limitation, the signing and filing of financing statements and amendments to such financing statements, which the Secured Party may deem necessary or appropriate to effect and continue perfection of the security interests created or intended to be created by this Agreement) but nothing in this Agreement or otherwise shall require the Secured Party to take any such action.

6.3 **Duty of the Secured Party**

The duty of the Secured Party, with respect to the Pledged Collateral shall be confined to one of reasonable care in the custody thereof so long as the Pledged Collateral is in the custody of the Secured Party. Without limitation, and except as specifically provided for in this Agreement, the Secured Party shall have no duty to send any notices, perform any services, vote, pay for or renew any insurance, exercise any options or make any elections with respect to, or pay any taxes or charges associated with, or otherwise take any other action of any kind with respect to the Pledged Collateral. In addition, the Secured Party shall not have any obligation to take any steps, and the Pledgor shall in each case duly take all steps, necessary to perfect and otherwise preserve against all other parties (including without limitation other shareholders) the rights of the Pledgor and those of the Secured Party in the Pledged Collateral and each and every one of the Pledged Shares.

6.4 **Expenses**

The Pledgor agrees that the Pledged Collateral secures, in addition to the Indebtedness, and agrees to pay on demand, all reasonable expenses (including but not limited to reasonable agents fees and legal fees and expenses), of, or incidental to, the custody, care, sale, or realization of the Pledged Collateral or part of the Pledged Collateral or in any way relating to the preparation, execution, or delivery of this Agreement or the enforcement or protection of the rights of the Secured Party under this Agreement.

6.5 **No Merger**

The Pledged Collateral shall not operate by way of merger of the Indebtedness or any indebtedness or liability of any other person or persons to the Secured Party and no judgment recovered by the Secured Party shall operate by way of merger of or in any way affect the security of the Pledged Collateral provided for under this Agreement.

6.6 **Extensions**

The Secured Party may grant extensions of time or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Pledgor and other parties, sureties, guarantors, or securities as the Secured Party may see fit without prejudice to the liability of the Pledgor or the rights of the Secured Party in respect of the Pledged Collateral.

6.7 **No Waiver**

No failure or delay on the part of the Secured Party in exercising any of its options, powers, and rights, and no partial or single exercise thereof, shall constitute a waiver thereof of or any other option, power or right.

6.8 **Indemnity**

The Pledgor shall be liable for, and shall indemnify and save the Secured Party harmless of and from all manner of action, causes of action, demands, claims, losses, costs, damages, and expenses of any and every nature whatsoever which the Secured Party may sustain, pay, or incur in respect of or in connection with :

- (a) any and all actions of the Pledgor pursuant to the exercise by the Pledgor of any voting or other rights respecting any of the Pledged Shares; or
- (b) the lawful and proper exercise or performance by the Secured Party of any of its rights and powers as authorized under this Agreement.

6.9 **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario and shall be treated in all respect as an Ontario contract.

6.10 **Notices**

Unless otherwise provided for in this Agreement, any and all written notices or other communications (a "**Communication**") to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, telecopier transmissions, electronic communication, or by mailing by registered mail with postage thereon, fully prepaid, in a sealed envelope addressed to the intended recipient as follows:

- (a) to the Pledgor at: 2345760 Ontario Inc.
200-4256 Bathurst St.
Toronto, Ontario M3H 5Y8

Email: Telecopier No.: 647-351-5300
ddiena@abira.ca
- (b) to the Secured Party at: 4 Robert Speck Pkwy, Suite 900
Mississauga, Ontario
L4Z 1S1
Attention: Chief Credit Officer
Telecopier No.: (866)797-8488

or to such other addresses, telecopier number or individual as may be designated by a Communication given by a party to the other parties as aforesaid. Any Communication given by personal delivery shall be conclusively deemed to have been given and received on the date it is so delivered at such address provided that such date is a "**business day**" (a day other than a Saturday, Sunday, or statutory holding in

Ontario) and otherwise on the first business day following its receipt, and if given by registered mail, on the third business day following the deposit thereof in the mail and if given by telecopier transmission or electronic communication, on the date on which it was telecopied or received provided such day is a business day, failing which, on the next following business day. If the party giving any Communication knows or reasonably ought to know of any difficulties with the postal system which might affect the delivery of mail, any such Communication shall not be mailed but shall be given by personal deliver, by telecopier transmission or by electronic communication.

6.11 **Entire Agreement, Amendments etc.**

This agreement and the agreements referred to herein constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof. No amendment, supplement, modification, waiver, or termination of this Agreement shall be binding unless executed in writing by the party or parties to be bound thereby.

6.12 **Binding Nature**

This Agreement shall be binding upon and enure to the benefit of and be enforceable by the parties to this Agreement and their respective successors and permitted assigns. The Secured Party may assign its rights under this Agreement without the consent of the Pledgor. The Pledgor may not assign its rights under this Agreement without the prior written consent of the Secured Party.

6.13 **Severability**

Any provisions of this Agreement which is prohibited or unenforceable in any applicable jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of such provision in any other jurisdiction.

7.00 - EXECUTION

7.1 **Counterpart**

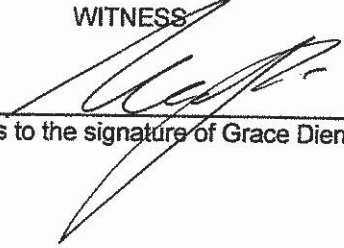
This Agreement may be executed in counterparts and each such counterpart shall for all purposes constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the same counterpart, provided that each party has signed at least one counterpart.

7.2 **Signature by Fax**

Execution of this Agreement by facsimile transmission or by PDF copy shall be binding upon each party hereto and upon the party so signing by facsimile transmission or by PDF copy.

[Signature to follow]

WITNESS



as to the signature of Grace Diena

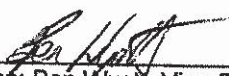
2345760 Ontario Inc.

Per: 

Name: Grace Diena

ELEMENT FINANCIAL INC

Per:



Name: Ben Wyatt, Vice-President, Operations
I have authority to bind the Corporation

Spriet, Helena

From: Jerome Stanleigh <jerome.lawoffice@stanleigh.com>
Sent: February-17-16 7:06 PM
To: Spriet, Helena
Subject: Re: Rando Drugs

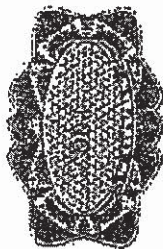
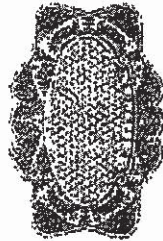
Helen

My client tells me that he does not have any original shares as the company was incorporated in 1954 and he does not know if any exist beyond what he gave over to me and which I forwarded to you.

Jerome Stanleigh

INCORPORATED UNDER THE LAW OF THE PROVINCE OF
ONTARIO

Common



This is to Certify that 2345760 ONTARIO INC. is the owner
of One Hundred (100) fully paid
and non-assessable Common shares of RANDO DRUGS LTD.

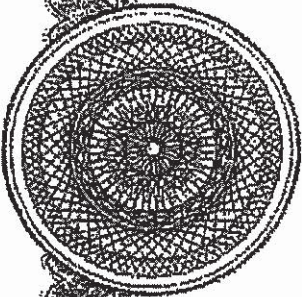
The shares represented by this Certificate have rights, privileges, restrictions or conditions attached thereto and the Corporation will refrain to a shareholder, on demand and without charge, a full copy of the text of such rights, privileges, restrictions or conditions attached to the share and to each class of shares authorized to be issued by the Corporation and the authority of the Directors to fix the rights, privileges, restrictions and conditions of subsequent issues, if applicable.

The shares represented by this certificate are subject to the restrictions on their transfer as prescribed by the articles of the Corporation. A copy of the full text thereof is obtainable by a shareholder on demand and without charge from the Corporation.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the seal of the Corporation this 28th day of February, 2013

PRESIDENT

SECRETARY



CERT. NO.	A1-1	FROM WHOM TRANSFERRED	
FOR	1,000 SHARES	TREASURY	
ISSUED TO		Dated	
GRACE DIENA		No. Original Cert.	
DATED		No. Original Shares	
September 27th, 2013		No. of Shares Transferred	
		1,000	

NO. A1-1

INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO
Subject to the Business Corporations Act (Ontario)

1,000 SHARES

2345760 ONTARIO INC.

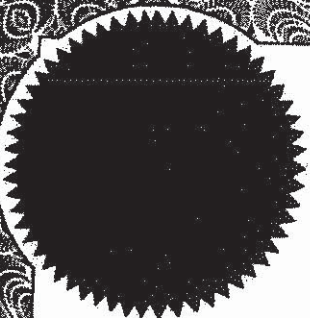
GRACE DIENA

This is to Certify that
 is the registered holder of one thousand
 Class A1 Fixed Value Special Shares (Voting) in the capital of
 2345760 ONTARIO INC.

The class or series of shares represented by this Certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to a shareholder, on demand and without charge, a full copy of the text of:

- (i) the rights, privileges, restrictions and conditions attached to the shares represented by this certificate and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors; and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

The Corporation has a lien on the shares represented by this Certificate for the indebtedness of the shareholder to the Corporation.
 The right of the shareholder to transfer the shares represented by this Certificate is subject to restrictions.



IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers.
 DATED this 27th day of September, 2013
 President (Grace Diema)

[Signature]
 Secretary (Grace Diema)