



**Report of
KSV Kofman Inc.
as Proposed Receiver of Rando Drugs Ltd.
and Related Companies**

December 3, 2019

Contents		Page
1.0	Introduction.....	1
1.1	Purposes of this Report.....	3
1.2	Restrictions	3
2.0	Company Background	3
3.0	ECN and the Forbearance Agreement.....	4
4.0	RSP	4
5.0	Sale Process	6
5.1	Sale Process Recommendation	8
6.0	Conclusion and Recommendation	8

Schedules and Appendices

Appendix	Tab
Forbearance Agreement.....	A
Engagement Letter	B
Consent.....	C
Corporate Organizational Chart	D
Confidential Appendix	Tab
RSP Summary.....	1



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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF s. 243 (1) of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, and s. 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

BETWEEN:

ECN FINANCIAL INC.

APPLICANT

- AND -

2345760 ONTARIO INC., RANDO DRUGS LTD., GRACE DIENA, 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.

RESPONDENT

REPORT OF
KSV KOFMAN INC.
AS PROPOSED RECEIVER

DECEMBER 3, 2019

1.0 Introduction

1. This report (the "Report") is filed by KSV Kofman Inc. ("KSV") as proposed receiver and manager of the property, assets and undertaking of 2345760 Ontario Inc ("2345"), Rando Drugs Ltd. ("Rando"), 2275518 Ontario Inc. ("2275"), M. Blacher Drugs Ltd¹. ("Blacher"), 2501380 Ontario Inc. ("2501"), 2527218 Ontario Inc. ("2527218"), Dumopharm Inc. ("Dumopharm") and 2527475 Ontario Inc. ("2527475") (collectively, the "Company"). Although Grace Diena is listed as a respondent above, KSV understands no order is being sought against her at this time.

¹ Now known as Family Health Pharmacy West Inc. This should not be confused with Family Health Pharmacy West, which is an unincorporated division of Rando.

2. As of the date of this Report, 2345 was indebted to ECN Financial Inc. (“ECN”) in the amount of approximately \$4.1 million (the “ECN Facility”). Each of Rando, 2275, Blacher, 2501, 2527218, Dumopharm and 2527475 are secured guarantors of 2345’s indebtedness under the ECN Facility.
3. Of the borrowers and guarantors under the ECN Facility, the only business is carried on by Rando, which operates four pharmacies in Southwestern Ontario under the PharmaChoice banner (the “Pharmacies”). Each pharmacy is an unincorporated division of Rando.
4. On July 17, 2019, the Company and ECN entered into a Forbearance Agreement (the “Forbearance Agreement”). ECN’s application materials will provide further background about the events of default leading up to the entry into the Forbearance Agreement. Specifically, as it pertains to KSV, pursuant to the Forbearance Agreement:
 - a) the Company agreed to retain KSV Advisory Inc.² to act as its advisor (the “Advisor”) to conduct a refinancing and sale process for the Pharmacies (the “RSP”) [section 5.1(a)]. The Forbearance Agreement originally contemplated the retention of a different advisory firm; however, 2345 and ECN agreed to retain KSV for the mandate;
 - b) the Company agreed that KSV’s appointment as Advisor did not preclude it from being appointed as receiver [section 6.2(f)]; and
 - c) the Company consented to the appointment of a receiver which consent was to be held in escrow pending the termination of the Forbearance Agreement or an “intervening event” (as defined therein) [Section 3.2(c) and Schedule G].
5. The Company entered into an engagement letter with KSV dated July 31, 2019 (the “Engagement Letter”) appointing it as Advisor as contemplated by the Forbearance Agreement. Pursuant to Section 7 of the Engagement Letter, the Company specifically consented to KSV or its affiliates acting as a court-appointed officer in any formal insolvency proceeding involving the Company.
6. Copies of the Forbearance Agreement and the Engagement Letter are attached as Appendices “A” and “B” respectively.
7. The principal purpose of the receivership proceedings is to allow the Company’s business to continue to operate on a going-concern basis while a Court-supervised sale process for the Company’s business and assets is carried out by a receiver. In its role as Advisor, KSV has already conducted an extensive RSP with respect to the Pharmacies including preparing teaser letters, confidential information memoranda and the like.

² KSV Kofman Inc. carries out all of KSV’s formal insolvency appointments. Consulting services are provided by KSV Advisory Inc.

8. KSV has consented to act as receiver. A copy of KSV's consent is attached as Appendix "C". KSV is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"). KSV is not the auditor of the Company. KSV is not subject to any of the restrictions on who may be appointed as receiver set out in section 13.3 of the BIA.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information regarding the Company;
 - b) summarize the RSP carried out by KSV as Advisor;
 - c) summarize the proposed process pursuant to which the Company's business and assets would be marketed for sale by KSV, as receiver, during the receivership proceedings (the "Sale Process"); and
 - d) recommend that the Court issue an order, among other things:
 - i. appointing KSV as receiver and manager of the Company; and
 - ii. approving the Sale Process.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon unaudited financial information prepared by the Company, the books and records of the Company and discussions with representatives of the Company. KSV has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based on the Company's representative's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV accepts no reliance for any financial disclosure provided in this Report and any party interested in the Company is encouraged to perform its own due diligence.

2.0 Company Background

1. The Pharmacies (all of which are owned by Rando) are located in Southwestern, Ontario. Each pharmacy is a separate division of Rando. Dani Diena is the President of Rando and of every other Company subject to the Application. A corporate chart is provided in Appendix "D".
2. The Pharmacies are located at the following addresses:
 - a) Family Health Pharmacy West located at 1604 Tecumseh Road West, Windsor ("Pharmacy West");

- b) Family Health Pharmacy East located at 6720 Hawthorne Drive, Windsor (“Pharmacy East”);
 - c) Novacare Pharmacy located at 3A-1275 Walker Road, Windsor; and
 - d) Family Health Pharmacy Walpole located at 785 Tecumseh Road, Walpole Island.
2. The Pharmacies largely operate independently, with minimal support from Rando. Rando provides some administrative head office functions for the Pharmacies.
 3. Excluding Mr. Diena, Rando has approximately 19 employees and 11 contractors who work in the Pharmacies. The business is also supported by a controller who works at Rando’s head office in North York, Ontario. The controller is not exclusively dedicated to Rando’s business. Rando’s workforce is not unionized, and Rando does not provide a pension plan.

3.0 ECN and the Forbearance Agreement

1. ECN is the Company’s most significant secured creditor. As at the date of this Report, ECN was owed approximately \$4.1 million. The ECN application materials provide details concerning the defaults under the ECN Facility, the circumstances of the Forbearance Agreement and the subsequent defaults leading to this Application.
2. Pursuant to the Forbearance Agreement, the Company was required to retain an advisor to conduct a process that, by November 30, 2019, would result in either:
 - a) an executed and verifiable commitment letter for a refinancing of all the ECN debt with a transaction closing date on or before December 31, 2019; or
 - b) an executed and verifiable agreement of purchase and sale in respect of the Pharmacies in an amount sufficient to pay the ECN Facility in full, with a closing date on or before December 31, 2019.

4.0 RSP

1. KSV’s mandate, as detailed in the Engagement Letter, was as follows:
 - a) identifying prospective buyers, lenders and/or investors;
 - b) assisting in preparing financial information to support due diligence and drive value;
 - c) preparing marketing materials, in cooperation with the Company, including a teaser (high-level anonymous information), and Confidential Information Memorandum (“CIM”) (more in depth based on confidential information);
 - d) preparing instructions to potential interested parties regarding the process (including draft Asset Purchase Agreement (“APA”), sale approval order, etc., as determined to be appropriate in the circumstances);

- e) marketing the Pharmacies;
- f) maintaining the virtual data room (“VDR”), as populated with the assistance of the Company;
- g) reviewing, analyzing, and recommending offers received;
- h) assisting in negotiating, finalizing and closing an offer; and
- i) performing other services as may be informed by the RSP terms agreed between the Company and ECN pursuant to the Forbearance Agreement.

2. The table below summarizes the RSP timelines:

	Date
Commencement of RSP	August 22, 2019
Preliminary Letter of Intent (“LOI”) deadline	September 20, 2019
Final LOI deadline	October 4, 2019
Target closing date deadline	October 18, 2019

- 3. The Engagement Letter permits KSV to report directly to ECN and to act as a court officer in any formal insolvency proceedings involving the Company. At the introductory meeting between representatives of KSV (Robert Kofman and Eli Brenner) and Mr. Diena, Mr. Kofman made specific reference to these provisions of the Engagement Letter.
- 4. The details of the steps taken by KSV in the RSP are outlined on Confidential Appendix “1”. KSV believes that the information set out in the confidential appendix should be sealed pending the earlier of the negotiation of a successful sale transaction or further order of the Court as it could potentially prejudice subsequent negotiations or re-engagement with potential buyers.
- 5. On November 29, 2019, KSV learned that the landlord for Pharmacy East sent a letter to Mr. Diena dated September 25, 2019 purporting to terminate the lease for Pharmacy East effective November 30, 2019. The landlord has since extended the purported termination to December 31, 2019. If this lease is terminated, it will materially affect the value of any transaction for the Pharmacies. The landlord of Pharmacy East is also the landlord of Pharmacy West. KSV was extremely surprised that Mr. Diena did not disclose to it the purported Pharmacy East lease termination at the time it occurred given the materiality of this development on the RSP. If appointed receiver, KSV intends to engage with the Pharmacy East landlord immediately following its appointment.

5.0 Sale Process

1. If appointed Receiver, KSV intends to immediately re-engage with the parties that submitted offers in the RSP. If one or more of those parties continue to have an interest in the opportunity, KSV intends to attempt to complete a binding agreement of purchase and sale with one of those parties as soon as possible. KSV will also engage with parties who expressed an interest in the opportunity during the RSP but opted not to participate in it due to their concerns about the Company's management.
2. KSV intends to have all parties requiring further due diligence sign a new confidentiality agreement, even if it signed one during the RSP process.
3. If re-engaging with the interested parties from the RSP process does not generate, or appears that it will not generate, an acceptable transaction, KSV intends to launch a new sale process commencing forthwith with offers to be submitted on or about January 17, 2020. All new offers will be required to be submitted in the form of a standard asset purchase agreement which will be prepared by the Receiver and made available in the data room. Changes to the agreement will be required to be blacklined or otherwise clearly marked. The proposed timeline is provided in the table below.

Summary of Sale Process (To be commenced after re-engaging with RSP parties.)		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Finalize materials</i>		
Update marketing materials	<ul style="list-style-type: none"> ➤ KSV to update Teaser, CIM, confidentiality agreement ("CA") and VDR used in the RSP. 	Week 1
<i>Phase 2 – Marketing</i>		
Stage 1	<ul style="list-style-type: none"> ➤ Mass market introduction, including: <ul style="list-style-type: none"> ➤ Teaser to be sent to identified prospects, including investors that own similar retail pharmacies; ➤ publication of the acquisition opportunity in <i>The Globe and Mail</i> (National Edition); ➤ telephone canvass of leading prospects; and ➤ meet with and interview bidders. 	Week of December 9 and December 16

Summary of Sale Process (To be commenced after re-engaging with RSP parties.)		
Milestone	Description of Activities	Timeline
Stage 2	<ul style="list-style-type: none"> ➤ KSV to provide detailed information to qualified prospects that sign the CA, including the CIM and access to the VDR; ➤ KSV to facilitate diligence by interested parties; ➤ KSV will prepare draft APA. 	Week of January 6
Stage 3	<ul style="list-style-type: none"> ➤ Prospective purchasers to submit APAs or other proposals. 	On or about January 17
<i>Phase 3 – Offer Review and Negotiations</i>		
	<ul style="list-style-type: none"> ➤ 2nd Round Bids and further bidding - Prospective purchasers may be asked to re-submit APAs on one or more occasions. 	Week of January 20
Selection of Successful Bids	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	Week of January 20
Sale Approval Motion and Closing	<ul style="list-style-type: none"> ➤ Motion for sale approval and close transaction. 	Approximately mid-February, subject to delays resulting from regulatory approvals/consents

2. Additional attributes of the Sale Process include:
 - a) the business and assets will be marketed on an “as is, where is” basis;
 - b) KSV will have the right to reject all offers, including the highest offer; and
 - c) any transaction will be subject to Court-approval.

3. KSV will also require flexibility in the timelines as regulatory approvals are required when selling pharmacies. KSV does not have the ability to control those timelines.

5.1 Sale Process Recommendation

1. KSV recommends that the Court issue an order approving the Sale Process for the following reasons:
 - a) KSV as Advisor has already conducted an extensive marketing of Rando's business and assets. Given the breadth of the RSP and the offers received, KSV is of the view that it may not be necessary to commence a fresh RSP. KSV only intends to conduct such a process if an acceptable transaction cannot be completed, or it appears that one may not be completed, from the bidders who participated in the RSP, or from the parties who were interested in the opportunity but opted not to participate;
 - b) the contemplated Sale Process, if required, is fair, open and transparent and will allow KSV to canvass the market broadly on an orderly basis in order to obtain the highest and best price;
 - c) there will be no delay commencing the Sale Process – KSV has significant knowledge from its role as Advisor and has already prepared marketing materials that can be quickly updated for a fresh RSP, if necessary;
 - d) the Sale Process is flexible and will allow KSV to establish procedures it believes necessary to maximize value; and
 - e) ECN supports the Sale Process.

6.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that the Court make an order granting the relief detailed in Section 1.1(1)(d) of this Report.

* * *

All of which is respectfully submitted,



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

Appendix “A”

FORBEARANCE AGREEMENT

THIS AGREEMENT is made as of this 17 day of July, 2019.

BETWEEN:

ECN FINANCIAL INC.

(hereinafter referred to as the "Lender")

- and -

2345760 ONTARIO INC.

(hereinafter referred to as the "Borrower")

- and -

GRACE DIENA, 2275518 ONTARIO INC., RANDO DRUGS LTD., 2275518 ONTARIO INC., M. BLACHER DRUGS LTD. now known as FAMILY HEALTH PHARMACY WEST INC., 2501380 ONTARIO INC., 2527218 ONTARIO INC., DUMOPHARM INC. AND 2527475 ONTARIO INC.

(collectively referred to hereafter as the "Guarantors")

RECITALS:

WHEREAS the Lender was formerly known as Element Financial Inc. and is the successor in interest to Element Financial Corporation.

AND WHEREAS the Borrower is indebted to the Lender with regard to amounts owing pursuant to five (5) Promissory Notes described in **Schedule A** (collectively, the "Promissory Notes") in the aggregate amount of \$4,321,226.47 as at July 15, 2019, inclusive of principal and accrued interest (the "Indebtedness").

AND WHEREAS as security for the Indebtedness and for other monies advanced and for all other present and future indebtedness, fees, expenses and other liabilities due by the Borrower to the Lender (collectively, the "Obligations"), the Borrower executed the General Security Agreements and Pledge Agreements described in **Schedule A** (the "Borrower's Security"), pursuant to which it granted security in favour of the Lender.

AND WHEREAS the Guarantors executed guarantees (collectively, the "Guarantees") in which they jointly and severally guaranteed the Obligations and executed the General Security Agreements and Pledge Agreements described in **Schedule A** (collectively, the "Guarantors' Security" and, with the Borrower's Security, collectively referred to as the "Security") pursuant to which they granted security in favour of the Lender.

AND WHEREAS the maturity dates under the Promissory Notes bearing Contract Nos. BA07475A-001 and BA07475A-002 (the "Matured Contracts") occurred on March 15, 2018, and the final balloon payments that were to have been paid under each (\$730,615.47 and

\$553,896.01, respectively, for a total of \$1,284,511.48) (collectively, the "**Balloon Payments**") are outstanding and have not been paid by the Obligors.

AND WHEREAS the failure to pay any Obligations when due, including, but not limited to the Balloon Payments, constitutes an event of default under all of the Promissory Notes and the Security.

AND WHEREAS, in light of these continuing events of default (collectively, the "**Defaults**"), the Lender issued demand letters to the Borrower and the Guarantors on June 15, 2018, October 18, 2018 and May 17, 2019 in which it demanded payment of the Obligations. The Lender has also issued Notices of Intention to Enforce Security dated October 18, 2018 and May 17, 2019 (collectively, the "**NITES**").

AND WHEREAS the Borrower and the Guarantors have advised the Lender that they are currently unable to repay the Obligations.

AND WHEREAS the Borrower had advised the Lender that Rando Drugs Ltd. ("**Rando**"), one of the Guarantors, had entered into an agreement of purchase and sale dated June 23, 2018 relating to the sale of four (4) pharmacies (the details of which are listed in **Schedule B**) (collectively, the "**Pharmacies**") in the amount of \$8,000,000 (the "**Rando APS**"), which was to close on or about August 15, 2018.

AND WHEREAS the purchase price under the Rando APS was subsequently amended to \$8,200,000 and the closing date was extended on several occasions to April 30, 2019.

AND WHEREAS the Borrower subsequently advised the Lender on May 7, 2019 that the Rando APS did not close.

AND WHEREAS the Borrower has indicated to the Lender that it is continuing to pursue other opportunities to sell the Pharmacies and/or related assets, including, but not limited to the assets of Rando and/or the Borrower (the "**Pharmacies and Related Assets**") and, alternatively, to pursue various refinancing alternatives;

AND WHEREAS the Borrower and the Guarantors have requested that the Lender forbear from enforcing its remedies under the Security; and

AND WHEREAS the Lender has agreed to provide the Borrower and the Guarantors with additional time to repay the Obligations, subject to the terms and conditions contained herein.

NOW THEREFORE, in consideration of the mutual covenants of the parties hereto as herein contained, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Gender and Number

Words importing the singular include the plural and vice versa and words importing gender include all genders.

1.2 Severability

Each of the provisions contained in this Agreement is distinct and severable, and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Agreement.

1.3 Headings

The division of this Agreement into articles, sections and clauses, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

1.5 Attornment

The parties hereto irrevocably submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario for all matters arising out of or in connection with this Agreement, the Promissory Notes, the Guarantees and the Security.

ARTICLE 2 ACKNOWLEDGEMENTS IN RESPECT OF CERTAIN EVENTS OF DEFAULT

2.1 Acknowledgement of Defaults

Each of the Borrower and the Guarantors (collectively, the "Obligors") hereby acknowledge and agree that: (a) the facts set out in the Recitals to this Agreement are accurate; (b) the Promissory Notes, the Security and the Guarantees are valid and jointly and severally enforceable in accordance with their terms and remain in full force and effect; (c) multiple events of default have occurred and are continuing pursuant to the provisions of the Promissory Notes, the Guarantees and the Security (any and all such defaults as may be existing and known to Lender as of the date hereof being referred to as the "Existing Defaults"); (d) the Lender has issued demand letters in respect of the Existing Defaults dated June 15, 2018, October 18, 2018, May 17, 2019 and the NITES to the Obligors; (e) the Lender is, by reason of the Existing Defaults (each being sufficient reason), entitled to exercise its rights and remedies under the Promissory Notes, the Guarantees and the Security without further notice, except as expressly provided in this Agreement; (f) the Existing Defaults have occurred and are continuing as of the date of this Agreement (g) the amount of the Indebtedness is correctly stated; (h) they have and

shall raise no defences, counterclaims or rights of set-off in respect to the Existing Defaults or their respective joint and several liability to pay the Obligations; (i) except as expressly provided in this Agreement, the Lender has not made any promises, nor has it taken any action or omitted to take any action, that would constitute a waiver of its rights to enforce the Promissory Notes, the Guarantees and the Security and pursue its remedies in respect of the Obligations without notice, or that would estop it from so doing; (j) they have not transferred any of their property, whether real or personal, in whole or in part, to any other person or entity which, if such transfer were known to the Lender, might reasonably be expected to deter the Lender from entering into this Agreement; and (k) no other person, other than the Obligors, has any legal or beneficial interest in any of the property secured by the Obligors in favour of the Lender.

The Obligors further acknowledge that as of the date hereof, the Lender has not waived, and does not intend to waive, such Existing Defaults, and nothing contained herein or the transactions contemplated hereby shall be deemed to constitute any such waiver.

ARTICLE 3 CONDITIONS PRECEDENT

3.1 Effectiveness of Agreement

This Agreement shall become effective upon the date (the "**Agreement Effective Date**") upon which the Lender is in receipt of a fully executed copy of this Agreement, fully executed by each of the Obligors.

3.2 Conditions Precedent to the Effectiveness of the Forbearance

The Lender's agreement to forbear shall only become effective on the date (the "**Forbearance Effective Date**") upon which the Lender is in receipt of all of the following items:

- (a) a fully executed irrevocable direction in the form attached as **Schedule E** as required under section 5.5(l) of this Agreement;
- (b) certificates of insurance in respect to each of the Pharmacies confirming that: (i) a policy of insurance (the "**Policy**") as required under the terms of the Security remains in full force and effect; and (ii) the Lender is named as an additional insured and as a first loss payee under the Policy. In addition, a copy of the Policy for each of the Pharmacies shall be provided; and
- (c) a consent executed by the Obligors to an order appointing a court-appointed receiver over the assets and property of the Obligors ("**Consent Receivership Order**") in the form attached hereto as **Schedule "G"**, which shall be held in escrow until the termination of this Agreement or the occurrence of an Intervening Event, as defined below.

ARTICLE 4 FORBEARANCE

4.1 Forbearance

In reliance upon the representations, warranties and covenants of the Obligors contained in this Agreement and in the Promissory Notes, Guarantees and Security and subject to the terms and conditions of this Agreement and the terms and conditions the Promissory Notes, the Guarantees and the Security, as modified hereby, and any documents executed in connection herewith, the Lender agrees, subject to Section 3.2 and this Section 4.1, to forbear from exercising its rights and remedies under the Promissory Notes, the Guarantees, the Security and under applicable law in respect of or arising out of any Existing Default for the period commencing on the Forbearance Effective Date and ending on the earliest of:

- (a) November 30, 2019, unless, prior to this date, the Obligors present evidence of:
 - (i) an executed and verifiable commitment letter for a refinancing of all Obligations due and owing, which transaction will close on or before December 31, 2019; or
 - (ii) an executed and verifiable agreement of purchase and sale in respect to the Pharmacies in an amount sufficient to pay the Obligations in full with a closing date on or before December 31, 2019.

Upon receipt of either of the transactional documents as noted in Section 4.1(a) above, the Lender will advise the Obligors in writing whether it, in its sole discretion, will agree to extend the Forbearance Period to December 31, 2019;

- (b) the date upon which the Obligations are paid in full; or
- (c) the occurrence of any Intervening Event as hereinafter defined,
(the "**Forbearance Period**").
- (d) Upon the expiration or termination of the Forbearance Period, the agreement of the Lender to forbear shall automatically and without further action terminate and be of no further force and effect, it being expressly agreed that the effect of such termination will be to permit the Lender to exercise its rights and remedies without limitation, including taking steps to issue the Consent Receivership Order granted in accordance with this Agreement.

4.2 No Other Waivers; Reservation of Rights

- (a) The Lender has not waived, and is not by this Agreement waiving, and has no intention of waiving, any Event of Default, each of which are continuing on the

date hereof, or any Intervening Event which may occur after the date hereof (whether the same as or similar to the Existing Defaults or otherwise).

- (b) Subject to Section 4.1 of this Agreement, the Lender reserves the right, in its sole discretion only, to exercise any or all of its rights or remedies under any of the Promissory Notes, the Security and the Guarantees or other applicable law as a result of any Event of Default, each of which is continuing on the date hereof or any Intervening Event which may occur after the date hereof, and the Lender has not waived any such rights or remedies, and nothing in this Agreement and no delay on the part of the Lender in exercising any such rights or remedies, shall be construed as a waiver of any such rights or remedies.

4.3 Tolling

- (a) As of the date hereof and continuing until the expiry of or termination of the Forbearance Period, as applicable, the Lender and the Obligors hereby agree to toll and suspend the running of the applicable statutes of limitations, laches and other doctrines related to the passage of time in relation to the Obligations, the Promissory Notes, the Security and the Guarantees and any entitlements arising from the Obligations, the Promissory Notes, the Security and the Guarantees and any related matters, and each of the parties confirms that this Agreement is intended to be an agreement to suspend or extend the basic limitation period, provided by section 4 of the *Limitations Act, 2002*, S.O. 2002, c. 24, Sched B. (the "**Limitations Act**") as well as the ultimate limitation period provided by section 15 of the *Limitations Act* in accordance with the provisions of section 22(2) of the *Limitations Act* and as a business agreement in accordance with the provisions of section 22(5) of the *Limitations Act* and any contractual time limitations on the commencement of proceedings, any claims or defences based upon such application of statute of limitations, contractual limitations or any time-related doctrine including waiver, estoppel or laches;
- (b) The tolling provisions of this Agreement will terminate upon any of its parties providing the others with 60 days' prior written notice of an intention to terminate the tolling provisions hereof, and upon the expiry of such 60 days' notice, any time provided for under the statute of limitations, laches, or any other doctrine related to the passage of time in relation to the Obligations, the Promissory Notes, the Security and the Guarantees or any claims thereunder, will recommence running as of such date, and for greater certainty the time during which the parties agree to the suspension of the limitation period pursuant to the tolling provisions of this Agreement shall not be included in the computation of any limitation period.

ARTICLE 5
ADDITIONAL OBLIGATIONS OF THE OBLIGORS DURING FORBEARANCE PERIOD

5.1 Appointment of Refinancing and Sale Advisor

- (a) the Obligors shall agree to engage KPMG as sole and exclusive refinancing and sales advisor (the "**Refinancing and Sales Advisor**") on behalf of the Obligors for the purposes of developing, administering and conducting a refinancing or sale process (the "**RSP**"), with the assistance of the Obligors, in respect to the Pharmacies and Related Assets on the principal terms and conditions ("**Terms and Conditions**") attached at **Schedule C**, and in accordance with the timeline (the "**Timeline**") attached at **Schedule D**.
- (b) The Obligors agree that, throughout the RSP, they will:
 - (i) fully cooperate with KPMG, including providing unfettered access to all Pharmacies and Related Assets and all requested information pertaining thereto, including, but not limited to, the books and records of the Obligors, lease agreements pertaining to each of the Pharmacies and adjudication reports, in order to assist with the RSP for the purposes of concluding a transaction, either by way of refinancing arrangements or a sale of the Pharmacies ("**RSP Transaction**");
 - (ii) adhere to and abide by the Terms and Conditions and the Timeline;
 - (iii) be solely responsible for KPMG's fees, including the timely payment of any required retainer and periodically submitted invoices for services rendered in respect to the monitoring and the RSP.
- (c) For clarity, the Obligors acknowledge that KPMG will act solely as Refinancing and Sales Advisor to the Obligors and it will take no part in the management of or have any control over the Obligors' business or affairs, the sole responsibility for which remains with the Obligors. However, KPMG will have the authority to report directly to Lender.

5.2 Payments

The Obligors agree to make the following payments during the Forbearance Period:

- (a) all required payments under the Promissory Notes bearing Contract Nos. BA07475A-003, BA07475A-005 and BA07475A-006 in accordance with their terms (the "**Contract Payments**");
- (b) in respect to the Matured Contracts, the Obligors will deliver monthly payments of \$10,000, which will applied as follows:

- (i) firstly, in respect to interest accruing on the Matured Contracts, calculated at the regular rate of interest stipulated in each of the Matured Contracts¹; and
- (ii) secondly, the remaining balance will be applied to the principal owing under the Matured Contracts;
- (c) payment of the Lender's accrued legal fees in the amount of \$70,707.53, payable within 30 days from the Agreement Effective Date; and
- (d) payment of the Lender's legal fees going forward within 15 days from the date of the monthly statement to be delivered to the Obligors by the Lender.

The Obligors are at liberty to make any additional payments to be applied toward the Obligations at any time. The payments noted in Section 5.2(b) above shall be paid by way of wire transfer payable to "ECN Financial Inc." pursuant to the Lender's wire transfer instructions set forth in **Schedule F**, or such other payment method as may be agreed upon by the Lender.

5.3 Assignment of Lease Agreements

In respect to all real property lease agreements relating to the Pharmacies (the "**Leases**"), the Obligors will use all best efforts to provide the Lender with an assignment of the Leases by way of security, in a form acceptable to the Lender.

5.4 Balance of Obligations

The balance of the Obligations, in addition to any accrued interest and outstanding fees and costs, including, without limiting the generality of the foregoing, all legal fees and disbursements incurred by the Lender in respect of or in any way related to the Promissory Notes, Guarantees and Security or this Agreement, all of which will be due and payable in full and in cash upon the earlier of: (i) the expiry of the Forbearance Period; or (ii) the occurrence of an Intervening Event as provided in Section 7.1 below. ECN will provide an updated calculation of the Obligations upon request.

5.5 Other Obligations

The Obligors agree to:

- (a) conduct and operate their businesses, including the Pharmacies, at all times, in the ordinary course of business;
- (b) commit, at all times, to ensuring that the bank account currently established in respect to the pre-authorized payments in respect to the Promissory Notes will have sufficient funds to cover all anticipated payments during the Forbearance Period;

¹ In respect to Contract No. BA07475A-001, the contract rate of interest is 8.5 % per annum. The contract rate of interest in respect to Contract No. BA07475A-002 is 6.5% per annum. For clarity, the Lender does not waive its right to calculate interest at the default rate should the Obligors default in respect to these payments.

- (c) provide on-line, read only access to the Lender to all bank accounts of the Obligors;
- (d) deliver to the Lender in respect to each of the Pharmacies: (i) copies of weekly adjudication reports; and (ii) copies of all submissions by for reimbursement to the Ontario Drug Benefit program and to any insurance companies;
- (e) assist KPMG in keeping the Lender apprised, either orally or in writing, of all developments relating to the Obligors' efforts to refinance or sell any of the Obligors' assets or businesses on a regular basis, including, but not limited to, when a refinancing proposal sufficient to fully pay the Obligations or an agreement of purchase and sale is entered into by the Obligors in respect to the Pharmacies. The reporting from KPMG and the Obligors shall include, but is not limited to, copies of any financing proposals and/or commitment letters, purchase agreements, statements of adjustment and other associated documents. The Obligors authorize the Refinancing and Sales Advisor to communicate with and provide periodic updates to the Lender and its professional advisors as requested by the Lender;
- (f) adhere to all existing financial and other covenants in the Promissory Notes, the Guarantees, the Security and this Agreement;
- (g) keep current at all times, all remittances required to be made by the Obligors for taxes owed to federal, provincial and municipal governments, including, without limitation, realty taxes, business taxes, monies owed in respect of source deductions for contributions pursuant to the *Canada Pension Plan, Employment Insurance Act (Canada)* and *Income Tax Act (Canada)*, and in respect of Harmonized Sales Tax, Goods and Services Tax and Retail Sales Tax and each of them shall provide, upon the Lender's request thereof, evidence in writing of such payments, satisfactory to the Lender;
- (h) maintain in full force and effect, adequate insurance coverage, acceptable to the Lender, on all assets owned by them against which the Lender has security, showing the interest of the Lender on the insurance as loss payee/additional insured and providing that the coverage cannot be cancelled by the insurer without at least ten (10) business days' prior written notice to the Lender from the insurer;
- (i) any financial statements or other financial information required from time to time in respect to the Obligors, within five (5) business days of the Lender's request;
- (j) permit the Lender and/or its authorized agents to examine the Obligors' and the Pharmacies' books of account and other financial records on the Lender's reasonable request;
- (k) permit the Lender and/or its authorized agents to inspect, at its discretion, the Pharmacies on a weekly basis; and
- (l) execute an irrevocable direction (the "**Direction**") in respect to any funds or proceeds generated through a RSP Transaction and any other proceeds arising from the sale of the Obligors' assets and property, attached as **Schedule "E"**.

ARTICLE 6 COVENANTS

6.1 Bankruptcy

The Obligors hereby covenant and agree not to make an assignment in bankruptcy, file a Notice of Intention to Make a Proposal pursuant to the *Bankruptcy and Insolvency Act* or commence proceedings under the *Companies' Creditors Arrangement Act* at any time during the Forbearance Period.

6.2 Additional Covenants

- (a) The Obligors represent, warrant, covenant and agree that all business in the nature of or related to the business transacted by the Obligors prior to the date hereof, including, without limitation, the Pharmacies, shall continue to be transacted in the nature of and for the account of the Obligors. In particular, no such business or transaction shall be performed in the name of, or recorded or applied for the benefit of any person, firm or corporation other than the Obligors. For greater certainty, this will include a restriction on payment of amounts owing for management fees and similar related party compensation, notwithstanding that such payments may have been made historically. The Obligors acknowledge and agree that they shall deposit all revenues, collections or accounts receivable and any other income generated by the Obligors only to their current bank accounts. The Obligors agree that they shall not, without the prior written consent of the Lender, compromise the amount of any accounts receivable payable to the Obligors or otherwise compromise or reduce any amount owing to any of the Obligors by a third party;
- (b) The Obligors confirm to and in favour of the Lender that all assets secured by the Lender's security are in existence, in the possession and control of the Obligors and have not been transferred, sold, encumbered or impaired in any manner which would deteriorate from or adversely affect the value of same excluding inventory which is being sold in the ordinary course of business;
- (c) The Obligors confirm that the financial and other information in respect to the Obligors provided to the Lender by email on May 22, 2019 is accurate and, in respect to the financial information, has been prepared in accordance with generally accepted accounting principles;
- (d) The Obligors confirm to and in favour of the Lender that the Pharmacies are operating and conduct business in the normal course and are in compliance with all applicable laws and regulations;
- (e) The Obligors confirm to the Lender that all real property lease agreements (the "**Pharmacy Leases**") in respect to the Pharmacies are in full force and effect, current and are not in default. In particular, no landlord has terminated any of the Pharmacy Leases, exercised rights of distraint or commenced enforcement proceedings;

- (f) The Obligors agree that KPMG's appointment as Refinancing and Sales Officer does not preclude it from being appointed as a court-appointed receiver of the assets and property of the Obligors pursuant to the Consent or otherwise;
- (g) The Obligors covenant and agree that, except as expressly permitted in this Agreement, they will not grant any further security on any of their property, assets or undertakings without the prior written consent of the Lender, which may be withheld by the Lender in its sole discretion;
- (h) The Obligors acknowledge and agree that there will be no change of ownership or control of those Obligors consisting as business organizations, unless and until the Obligations have been repaid or with the prior written consent of the Lender, which may be withheld by the Lender in its sole discretion;
- (i) The Obligors may not pay to their shareholders or any party related within the meaning of the *Business Corporations Act* of Ontario, or any shareholders of any related party, any amount outside the ordinary course of business, dividend or any repayment of loan, without the prior written consent of the Lender, which may be withheld by the Lender in its sole discretion;
- (j) The Obligors acknowledge and agree that any existing shareholder loans will not be repaid by the Obligors without the Lender's written consent and the Obligors will not grant any loan to any officer or director of the Obligors or any other related party as defined above until such time as the Obligations are repaid in full and in cash;
- (k) The Obligors represent, warrant, covenant and agree that there are no claims, liens, lawsuits, tax reassessments or other actions in existence or anticipated in respect of the Lender's collateral pursuant to the Security; and
- (l) The Obligors will not loan funds, make equity investments or provide financial assistance to any third party by way of a guarantee, suretyship, or otherwise until such time as the Obligations have been repaid in full and in cash.

ARTICLE 7 INTERVENING EVENTS

7.1 Intervening Events

The Forbearance Period shall forthwith terminate upon the happening of any one of the following events (each an "Intervening Event"):

- (a) failure by the Obligors or any of them to comply with the terms and conditions of this Agreement, the Promissory Notes, the Guarantees or the Security and delivery by Lender to the Obligors of written notice of such failure, which default is not cured within two (2) Business Days of such notice, which notice shall be sent to the Obligors' lawyer, Jerome Stanleigh at jerome@stanleigh.com or by fax at 416.924.2887;

- (b) Failure by the Obligors or any of them to make any of the payments set out in Sections 5.1(b)(iii) and 5.2 hereof by the dates stipulated in those subsections or as otherwise required;
- (c) Failure by the Obligors or any of them to cooperate with, failing to assist the Refinancing and Sales Advisor in achieving any of the RSP milestones as set out in the Timeline (at Schedule E), make timely payment to KPMG in respect of its invoices for services
- (d) Failure by the Obligors or any of them to produce by no later than October 31, 2019 verifiable commitments with respect to concluding an RSP Transaction in accordance with Section 4.1(a) of this Agreement;
- (e) the occurrence of an Event of Default pursuant to the Promissory Notes, the Guarantees or the Security, other than the Existing Defaults, after the date hereof;
- (f) the Lender becoming aware that any of the representations of the Obligors in this Agreement are or were untrue;
- (g) the Obligors breach any of the covenants set out in this Agreement;
- (h) a judgment, penalty, fine or other monetary obligation being rendered against the Obligors or any of them in excess of \$20,000;
- (i) the Lender's receipt from the Obligors of a written notice of an intention to terminate the tolling provisions pursuant to Section 4.3(b) above;
- (j) the expiry of the Forbearance Period;
- (k) the Lender determining in its absolute discretion that continuing with the forbearance will negatively impact its priority position in respect of the Security or its ability to maximize its realization with respect to any Security;
- (l) any of the Obligors are declared bankrupt, or file for any protection under the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act*;
- (m) any of the Obligors disposing or attempting to dispose of their property (other than in the ordinary course of business of the Obligors to *bona fide* third parties for good and valuable consideration) without the Lender's prior written consent, which may be withheld at its sole discretion; or
- (n) the collateral secured by the Security is at risk due to lack of adequate insurance or the Lender is not named as the additional insured and first loss payee in respect of the collateral under existing insurance.

ARTICLE 8 GENERAL PROVISIONS

8.1 Effect of this Agreement

Except as modified pursuant hereto, no other changes or modifications to the terms of the Promissory Notes, Guarantees or the Security are implied and in all other respects of the terms of the Promissory Notes, Guarantees and the Security are confirmed.

8.2 Further Assurances

The parties hereto shall execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable to give effect to the provisions and purposes of this Agreement all at the expense of the Obligors.

8.3 Binding Effect

This Agreement shall be binding upon and enure to the benefit of all of the parties hereto and their respective successors, permitted assigns, heirs and executors.

8.4 Representation and Warranty

The Obligors further represent and warrant to the Lender that the Obligors:

(a) understand fully the terms of this Agreement and all Schedules to this Agreement and the consequences of the execution and delivery of this Agreement and all Schedules to this Agreement;

(b) have been afforded an opportunity to review and discuss this Agreement and all Schedules thereto (along with all documents executed in connection therewith) with legal counsel and financial advisors; and

(c) have entered into this Agreement and any documents contemplated to be executed and delivered pursuant to this Agreement freely and without threat, duress or other coercion of any kind by the Lender or by any other person.

8.5 Survival of Representations and Warranties


All representations and warranties made in this Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Agreement and such other document.

8.6 Release

The Obligors, upon the execution of this Agreement, hereby irrevocably and absolutely release and discharge the Lender and its affiliates and their respective directors, officers, employees, agents and assigns (the "**Released Parties**"), from and against any and all claims, liabilities, causes of action (whether at law, in equity or otherwise), set-offs, counterclaims, and damages and demands, whether known or unknown, whether liquidated or unliquidated, matured or unmatured, fixed or contingent, that they may have against the Released Parties or any of them resulting from or related to any act or omission of the Released

2345760 ONTARIO INC.

Per:

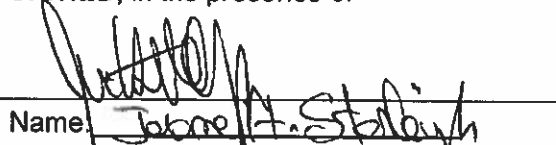


Name: D. DIENNA

Title: PRESIDENT

I/We have the authority to bind the corporation

SIGNED, in the presence of



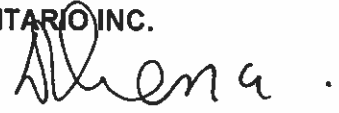
Name: Joseph A. Stobay
A Notary Public in and for the Province of Ontario



GRACE DIENNA

2275518 ONTARIO INC.

Per:



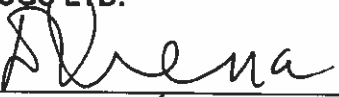
Name: D. DIENNA

Title: PRESIDENT

I/We have the authority to bind the corporation

RANDO DRUGS LTD.

Per:




Name: D. DIENNA

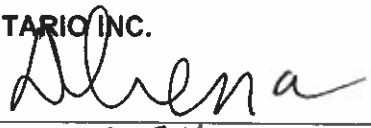
Title: PRESIDENT

I/We have the authority to bind the corporation

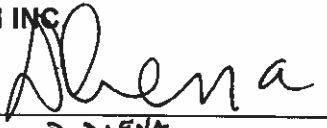
)
) **FAMILY HEALTH PHARMACY WEST**
) **INC., formerly known as M. BLACHER**
) **DRUGS LTD.**
)

) Per: 
) Name: **D D I G N A**
) Title: **President**
) I/We have the authority to bind the
) corporation

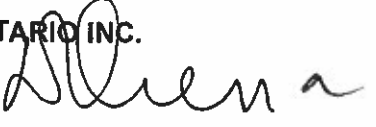
)
) **2527218 ONTARIO INC.**
)

) Per: 
) Name: **D D I E N A**
) Title: **PRESIDENT**
) I/We have the authority to bind the
) corporation

)
) **DUMOPHARM INC**
)

) Per: 
) Name: **D D I E N A**
) Title: **PRESIDENT**
) I/We have the authority to bind the
) corporation

)
) **2527475 ONTARIO INC.**
)

) Per: 
) Name: **D D I E N A**
) Title: **PRESIDENT**
) I/We have the authority to bind the
) corporation

SCHEDULE A

DETAILS OF PROMISSORY NOTES AND SECURITY AGREEMENTS

Promissory Notes

Debtor Name	Contract	Principal Amount	Date	PN Borrower
2345760 Ontario Inc.	BA07475A-001	\$1,150,000.00	2/25/2013	2345760 Ontario Inc.
2345760 Ontario Inc.	BA07475A-002	\$725,000.00	1/15/2016	2345760 Ontario Inc.
2345760 Ontario Inc.	BA07475A-003	\$1,752,750.00	2/26/2016	2345760 Ontario Inc.
2345760 Ontario Inc.	BA07475A-005	\$180,000.00	9/12/2016	2345760 Ontario Inc.
2345760 Ontario Inc.	BA07475A-006	\$181,500.00	3/31/2017	2345760 Ontario Inc.

Guarantees

Guarantor	Date
Grace Diena	Mar 3/13
2275518 Ontario Inc.	Feb 28/13
Rando Drugs Ltd.	Mar 3/13
2275518 Ontario Inc.	Jan 15/16
Rando Drugs Ltd.	Jan 15/16
Grace Diena	Jan 15/16
2275518 Ontario Inc.	Feb 29/16
Rando Drugs Ltd.	Feb 29/16
M. Blacher Drugs Ltd.	Feb 29/16
2501380 Ontario Inc.	Feb 29/16
Grace Diena	Feb 29/16
2527218 Ontario Inc.	Sept 12/16
Dumopharm Inc.	Sept 12/16
Rando Drugs Ltd.	Sept 12/16
Grace Diena	Sept 12/16
2527475 Ontario Inc.	Sept 12/16

2345760 Ontario Inc.	
2275518 Ontario Inc.	Mar 29/17
Dumopharm Inc.	Mar 29/17
Rando Drugs Ltd.	Mar 27/17
Grace Diena	Mar 27/17

Security Agreements

Name	Date
2345760 Ontario Inc.	Feb 28/13
Grace Diena	Feb 28/13
2275518 Ontario Inc.	Feb 28/13
Rando Drugs Ltd.	Feb 28/13
2345760 Ontario Inc.	Jan 15/16
2275518 Ontario Inc.	Jan 15/16
Rando Drugs Ltd.	Jan 15/16
Grace Diena	Jan 15/16
2345760 Ontario Inc.	Feb 29/16
2275518 Ontario Inc.	Feb 29/16
Rando Drugs Ltd.	Feb 29/16
M. Blacher Drugs Ltd.	Feb 29/16
2501380 Ontario Inc.	Feb 29/16
Grace Diena	Feb 29/16
2527218 Ontario Inc.	Sept 12/16
2345760 Ontario Inc.	Sept 15/16
2275518 Ontario Inc.	Sept 12/16
Dumopharm Inc.	Sept 12/16
Rando Drugs Ltd.	Sept 12/16
Grace Diena	Sept 12/16
2527475 Ontario Inc.	Sept 12/16
2345760 Ontario Inc.	Mar 29/17
2275518 Ontario Inc.	Mar 29/17
Dumopharm Inc.	Mar 29/17
Rando Drugs Ltd.	Mar 29/17
Grace Diena	Mar 29/17

Pledge Agreements

Pledgor	Date	Shares Pledged
2345760 Ontario	Jan 15/16	Rando Drugs Ltd.
2345760 Ontario	Feb 29/16	M Blacher Drugs Ltd.
2501380 Ontario	Feb 29/16	M Blacher Drugs Ltd.
2527475 Ontario	Sept 12/16	Dumopharm Inc.

Schedule B

List of Rando Pharmacies

1. **Family Health Pharmacy**
6720 Hawthorne Dr.
Windsor, ON N8T 1J9
2. **Family Health Pharmacy West**
1604 Tecumseh Rd. W
Windsor, ON N9B 1T8
3. **Family Health Pharmacy Novacare**
3A-1275 Walker Rd.
Windsor, ON N8Y 4X9
4. **Family Health Pharmacy Walpole Island**
85 Tecumseh Rd. RR3
Wallaceburg, ON N8A 4K9

Schedule C
Summary/Indicative Terms and Conditions (re RSP)

RSP Mandate

- Identify prospective buyers/lenders/investors
- Assist in preparing financial information to support diligence and drive value
- Preparing marketing materials, in cooperation with the Obligors, including a teaser (high-level, anonymous information), and CIM (more in-depth based on confidential information)
- Prepare instructions to potential interested parties regarding the process (including draft APA, sale approval order, etc. as is determined to be appropriate in the circumstances)
- Market the Pharmacies
- Maintain data room, as populated with the assistance of the Obligors
- Review, analysis, and recommendations on offers received
- Assist in negotiating, finalizing, closing offer
- Other as may be informed by the RSP terms agreed to between the Obligors and their Lender, ECN, pursuant to the Forbearance Agreement
-
-

**Schedule D
Timeline for RSP**

Preparation of Marketing Materials – 3 weeks from date of RSP Engagement:

- Preparation of refinancing and marketing materials including refinancing and sale process documentation, non-disclosure agreements, teaser, Confidential Information Memoranda, lender list, buyer list, draft asset purchase agreement, data room population

Marketing the business to potential lenders and buyers – 4 weeks from Preparation of Marketing Materials above:

- Commence process of marketing business for refinance or sale

Final LOI Deadlines - 2 weeks from completion of Marketing Activities above:

- Final refinance and/or bid deadlines
- Selection of winning lender or asset purchaser

Closing - 2 weeks from above:

- Preparation of Court materials and approval application if a formal process is required to execute a sale
- Execution of loan and security documents required to refinance

* The above-noted timelines are subject to adjustment at the discretion of the Refinancing and Sales Advisor

Schedule E

IRREVOCABLE DIRECTION REGARDING FUNDS

TO: JEROME STANLEIGH, BARRISTER AND SOLICITOR

AND TO: MILLER THOMSON LLP

RE: TRANSACTION(S) IN RESPECT TO THE SALE OF THE PHARMACIES OWNED BY RANDO DRUGS LTD. OR ALTERNATIVELY, REFINANCING THE OBLIGATIONS OF THE OBLIGORS (COLLECTIVELY, THE "TRANSACTIONS")

WHEREAS ECN Financial Inc. (the "Lender") and 2345760 Ontario Inc. (the "Borrower"), Grace Diena, 2275518 Ontario Inc., Rando Drugs Ltd., M. Blacher Drugs Ltd. now known as Family Health Pharmacy West Inc., 2501380 Ontario Inc., 2527218 Ontario Inc., Dumopharm Inc. and 2527475 Ontario Inc. (collectively, the "Obligors") have executed a Forbearance Agreement dated July --, 2019 ("**Forbearance Agreement**") in respect to certain obligations (the "**Obligations**") owed to the Lender as a result of various Existing Defaults, as particularized in the Forbearance Agreement;

AND WHEREAS, pursuant to the terms of the Forbearance Agreement, the Lender has agreed to forbear for the period stated in the Forbearance Agreement from enforcing the Obligations in return for, among other things, an irrevocable direction being provided with respect to any amounts arising from a RSP Transaction, as described in the Forbearance Agreement;

NOW THEREFORE, IN CONSIDERATION OF the Lender forbearing from enforcing the Obligations for the period stated in the Forbearance Agreement, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the undersigned:

The undersigned hereby irrevocably authorize and direct Jerome Stanleigh, in his capacity as the lawyer for the Obligors, or any lawyers appointed to act on behalf of the Obligors in respect to the RSP Transactions, to pay any amounts arising from the RSP Transactions (which, for clarity, includes, but is not limited to, a sale of the Pharmacies or a refinancing of the Obligations) to the Lender in respect to all amounts owing under the Promissory Notes and the Guarantees executed by the Obligors in favour of the Lender and this shall be your good and sufficient authority for so doing.

All capitalized terms used but not otherwise defined in this Direction have the respective meanings defined in the Forbearance Agreement.

DATED this 17th day of July, 2019

[signatures to follow on the following page]

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)
2345760 ONTARIO INC.

Per: *D. Diana*

Name: D DIENA

Title: PRESIDENT

I/We have the authority to bind the corporation

Page 2

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)
RAN DO DRUGS LTD.

Per: *D. Diana*

Name: D DIENA

Title: PRESIDENT

I/We have the authority to bind the corporation

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)
2275518 ONTARIO INC.

Per: *D. Diana*

Name: D. DIENA

Title: PRESIDENT

I/We have the authority to bind the corporation

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2275518 ONTARIO INC.

Per: *D. Diana*

Name:

Title:

I/We have the authority to bind the corporation

Page 2 of 4

)
) **FAMILY HEALTH PHARMACY WEST**
) **INC., formerly known as M. BLACHER**
) **DRUGS LTD.**

)
) Per: _____
)



Name: **DIENA**

Title: **PRESIDENT**

I/We have the authority to bind the
corporation



GRACE DIENA

**Schedule F
Wire Transfer Information**



EFFECTIVE OCTOBER 3, 2016

Wire instructions for ECN Financial Inc.:

Beneficiary account information:

Bank of Montreal

Bank Code #: 0001

Swift: BOFMCAM2

Account: 0002-1869-653

Transit: 00022

Currency: CAD

Bank address:

Bank of Montreal

First Canadian Place

100 King Street West, 11th Floor

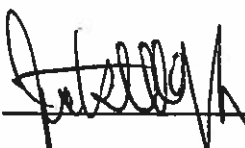
Toronto, Ontario

M5X 1A3

Schedule G
Consent to Receivership Order

THE PARTIES LISTED BELOW, by their lawyers, consent to an order appointing a Court-Appointed Receiver in the form attached hereto, and certify that no party to this proceeding is under any legal disability.

Date: July 1st, 2019



Jerome H. Stanleigh
Barrister & Solicitor

Lawyer for 2345760 Ontario Inc., 2275518 Ontario Inc., Rando Drugs Ltd., 2275518 Ontario Inc., M. Blacher Drugs Ltd. now known as Family Health Pharmacy West Inc., 2501380 Ontario Inc., 2527218 Ontario Inc., Dumopharm Inc., 2527475 Ontario Inc. and Grace Diena

Miller Thomson LLP

per: Craig A. Mills

Lawyers for ECN Financial Inc.

Appendix “B”



Bobby Kofman

ksv advisory inc.

150 King Street West, Suite 2308

Toronto, Ontario, M5H 1J9

T +1 416 932 6228

F +1 416 932 6266

ksvadvisory.com

bkofman@ksvadvisory.com

July 31, 2019

DELIVERED BY EMAIL

Rando Drugs Inc.
4256 Bathurst Street, Suite 200
North York, ON M3H 5Y8

Attention: Dani Diena, President

Dear Dani:

Re: Rando Drugs Inc. (the "Company")

1. Introduction

We understand that the Company wishes to engage KSV Advisory Inc. ("KSV") as its Refinancing and Sale Advisor to assist with its refinancing and sale process ("RSP"). This letter sets out the terms of KSV's engagement.

2. Mandate Overview

Our mandate is based on the services outlined on Schedule C of the forbearance agreement between ECN Financial Inc. ("ECN") and 2345760 Ontario Inc. dated July 18, 2019 (the "Forbearance Agreement"). These services will likely include:

- a) identifying prospective buyers/lenders/investors;
- b) assisting in preparing financial information to support diligence and drive value;
- c) preparing marketing materials, in cooperation with the Company, including a teaser (high-level, anonymous information), and Confidential Information Memorandum ("CIM") (more in-depth based on confidential information);
- d) preparing instructions to potential interested parties regarding the process (including draft APA, sale approval order, etc., as is determined to be appropriate in the circumstances);
- e) marketing the pharmacies;
- f) maintaining the data room, as populated with the assistance of the Company;
- g) reviewing, analyzing, and recommending offers received;
- h) assisting in negotiating, finalizing and closing offer; and
- i) performing other services as may be informed by the RSP terms agreed between the Company and its lender, ECN, pursuant to the Forbearance Agreement.

3. Timeline for RSP

The anticipated timeline to complete the RSP, based on Schedule D of the Forbearance Agreement, is as follows:

- 1) Preparation of marketing materials: three weeks from date of RSP engagement.
 - Preparation of refinancing and marketing materials, including refinancing and sale process documentation, non-disclosure agreements, teaser, CIM, lender list, buyer list, draft asset purchase agreement, data room population.
- 2) Marketing the business to potential lenders and buyers: four weeks from preparation of marketing materials above
 - Commence process of marketing business for refinance or sale
- 3) Final LOI deadlines: two weeks from completion of marketing materials above
 - Final refinance and/or bid deadlines.
 - Selection of winning lender or asset purchaser.
- 4) Closing: two weeks from above
 - Preparation of Court materials and approval application if a formal process is required to execute a sale
 - Execution of loan and security documents required to refinance

The above-noted timelines are subject to adjustment at the discretion of KSV.

4. Terms of Engagement

- a) We will neither have any decision-making authority or responsibilities at the Company, nor will we have any management capacity whatsoever.
- b) Except to the extent necessary in the context of any judicial process, our work product pursuant to this engagement is not intended for general circulation or publication and should not be reproduced, relied upon by any party other than the Company or used for any purpose other than for consideration by the Company, unless otherwise agreed by us.
- c) In order for us to perform our mandate, we will require access to the Company's personnel, books and records;
- d) Our mandate will not be performed to audit standards;
- e) Without the prior approval of the Company, none of our reports, memoranda, emails or letters prepared in performing this mandate will be provided to any third parties;
- f) Any and all written reports, memoranda, emails and/or other work that we prepare in connection with this engagement will be maintained in accordance with our document retention procedures;
- g) We shall neither incur any liability nor obligation as a result of carrying out this mandate, except in the event of our gross negligence or wilful misconduct;

- h) Absent the Company's consent and/or unless otherwise required in any materials to be filed in any Court proceeding, any and all of the Company's information that comes to our attention during our engagement will be kept confidential, except for information already publicly available or which becomes publicly available during our engagement through no fault of KSV; and
- i) The Company has the right to terminate this engagement letter as described herein at any time upon written notice to us. In such circumstances, the Company undertakes to pay any and all fees owing to us up to the date the engagement terminates.

5. Fees

Our fees for the mandate will be based on our standard hourly rates for the individuals involved, plus actual out-of-pocket disbursements (to the extent reasonable and documented), without mark-up. Fees and disbursements are subject to Harmonized Sales Tax, to the extent applicable. A summary of our hourly rates is as follows:

Managing Directors	\$575 to \$725
Senior Managers	\$400
Associates	\$325

We estimate that our fees to complete the services outlined above will be in the range of \$150,000 to \$175,000 plus HST and disbursements. Our total fees will not exceed \$175,000 plus HST and disbursements.

In order to commence the mandate, we will require a retainer of \$25,000 plus HST. We will issue invoices on no less than a monthly basis. Our invoices are due upon receipt. We will require that our retainer be topped-up once our fees equate to the amount of the retainer. Any remaining retainer after payment of our final invoice will be paid to the Company. Our wire instructions are attached.

6. Conflicts of Interest

We are not aware of any conflicts of interest or relationships that would preclude us from performing the above work for you. We will advise the Company as promptly as possible of any matters which would create a potential conflict of interest, should we become aware of any such facts or circumstances.

7. Other

The Company agrees to and acknowledges the terms outlined in Section 5.1 of the Forbearance Agreement as it relates to the appointment of KSV as its Refinancing and Sale Advisor, including that KSV will have the authority to report directly to ECN.

The Company consents to KSV or its affiliates acting in a court-appointed capacity in any formal insolvency process involving the Company and/or any of its affiliates.

In the event that we are appointed as an officer of the Court in any formal insolvency proceeding involving the Company, this engagement shall terminate immediately prior to the commencement of the proceedings. In such circumstances, KSV's duties and obligations will be as set out in the Court order appointing it, as well as by statute, and KSV would from that date forward be acting as an officer of the Court. All fees owing to KSV as at the date of termination shall be immediately due and payable and paid by the Company to KSV in advance of the commencement of the insolvency process.

This agreement shall be governed by and interpreted in accordance with the laws of Ontario. The Ontario Courts shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this agreement and any matter arising from it.

This agreement and the rights and obligations hereunder shall not be assignable or transferable by any party hereto without the prior written consent of the other party hereto.

* * *

This letter constitutes the entire arrangement pursuant to which our services will be provided. We agree that the services outlined above are subject to change as mutually agreed between us. If the foregoing terms are acceptable, please acknowledge by signing below and returning this letter to the attention of the undersigned by facsimile at (416) 932-6266, or by scanning an executed copy via email to bkofman@ksvadvisory.com.

We wish to thank you for considering our firm for this engagement and we look forward to working with you.

Should you have any questions or concerns, please do not hesitate to contact the undersigned.

Yours very truly,

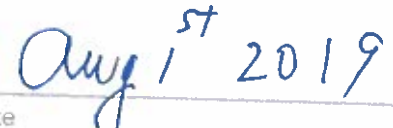

KSV ADVISORY INC.

Per: Bobby Kofman
BK eb

Confirmed and agreed to:



Dani Diena



Date

Appendix “C”

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

ECN FINANCIAL INC.

Applicant

- and -

2345760 ONTARIO INC., RANDO DRUGS LTD, GRACE DIENA, 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

CONSENT

THE UNDERSIGNED hereby consents to act pursuant to Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 185, c. B-3, as amended and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended as the receiver, without security, of all of the properties, assets and undertakings of the Respondents.

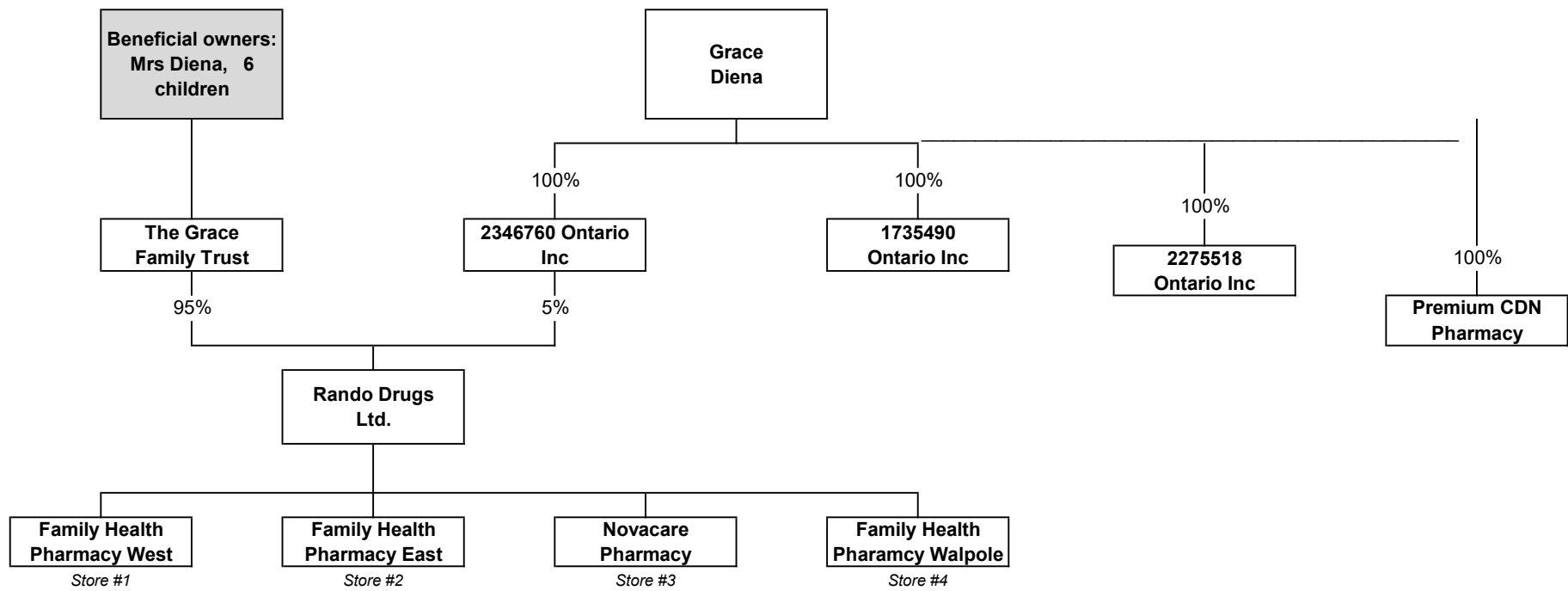
DATED this 2nd day of December 2019.


KSV KOFMAN INC.

Per: Bobby Kofman

Title: President

Appendix “D”



ECN FINANCIAL INC.

Applicant

and

2345760 ONTARIO INC., et al.

Respondents

Court File No.: CV-19-00632106-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced TORONTO**

**REPORT OF KSV KOFMAN INC. AS PROPOSED
RECEIVER OF RANDO DRUGS LTD. AND RELATED
COMPANIES, DATED DECEMBER 3, 2019**

GOLDMAN SLOAN NASH & HABER LLP
480 University Avenue, Suite 1600
Toronto ON M5G 1V2
Fax: 416-597-3370

Jennifer Stam (LSO #46735J)
Tel: 416-597-5017
Email: stam@gsnh.com

Lawyers for the Proposed Receiver, KSV Kofman Inc.