

Court File No. CV-18-603054-00CL

**EIGHTH REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS MONITOR OF
OLD API WIND-DOWN LTD. (formerly known as ARALEZ PHARMACEUTICALS INC.)**

MARCH 21, 2019

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C.1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
OLD API WIND-DOWN LTD.
(formerly ARALEZ PHARMACEUTICALS INC.)**

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MARCH 21, 2019

I. INTRODUCTION

1. On August 10, 2018 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc. (“**Aralez Canada**” and together with Aralez Pharmaceuticals Inc., the “**Companies**”) protection pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing Richter Advisory Group Inc. (“**Richter**”) as Monitor of the Companies in their CCAA proceedings (the “**Monitor**”). The Initial Order provided the Companies with a stay of proceedings until September 7, 2018. The Companies’ CCAA proceedings are referred to herein as the “**CCAA Proceedings**”.
2. Also on the Filing Date, Aralez Pharmaceuticals Management Inc., Aralez Pharmaceuticals R&D Inc., Aralez Pharmaceuticals U.S. Inc., POZEN Inc. (“**Pozen**”), Halton Laboratories LLC (“**Halton**”), Aralez Pharmaceuticals Holdings Limited and Aralez Pharmaceuticals Trading DAC (“**Trading DAC**”, and collectively with the foregoing, the “**Chapter 11 Debtors**”; the Chapter 11 Debtors together with the Companies, are known as the “**Aralez Entities**”) each filed voluntary petitions with the United States Bankruptcy Court for the Southern District of New York (the “**U.S. Court**”) for relief under title 11 of the United States Bankruptcy Code, 11 U.S.C § 101-1532 (the “**Chapter 11 Proceedings**”).
3. On September 5, 2018, the Court issued the Amended and Restated Initial Order (the “**Amended Initial Order**”), which incorporated certain amendments to the Initial Order. Also on September 5, 2018, the Court issued an order extending the stay of proceedings in respect of the Companies to November 14, 2018.
4. On October 10, 2018, the Court granted orders approving, among other things:
 - (i) the proposed sales process (the “**Sales Process**”), including the bidding procedures and bid protections to be used in connection with the Sales Process;
 - (ii) the share purchase agreement (the “**Share Purchase Agreement**”) dated September 18, 2018, between the Companies and Nuvo Pharmaceuticals Inc. (“**Nuvo**”) for the sale of all of the shares of Aralez Canada (the “**Canadian Assets**”), which would serve as a stalking horse bid as part of the Sales Process;
 - (iii) the procedure (the “**Claims Procedure Order**”) to solicit claims against the Companies and any of the Companies’ current and former directors and officers (the “**Claims Process**”), including establishing November 29, 2018, by 5:00 p.m. (EST) (the “**Claims Bar Date**”) as the deadline for creditors to file Pre-Filing Claims or D&O Claims (as defined in the Claims Procedure Order); and
 - (iv) an extension of the stay of proceedings in respect of the Companies to December 7, 2018.

5. On October 25, 2018, the Court granted an order approving a cross-border insolvency protocol to provide coordination and cooperation between the Court and the U.S. Court overseeing the Chapter 11 Proceedings.
6. On November 16, 2018, the Court granted an order approving, among other things, the Companies' proposed key employee retention plan (the "**KERP**"). On November 28, 2018, the Court granted an order approving the Companies' proposed key executive incentive plan (the "**KEIP**") and granting a charge in favour of the participants under the KERP and the KEIP, including the priority ranking thereto.
7. On December 7, 2018, the Court granted an order approving, among other things:
 - (i) the transaction contemplated by the Share Purchase Agreement (the "**Nuvo Transaction**");
 - (ii) vesting in Nuvo, upon the closing of the Nuvo Transaction, the right, title and interest of Aralez Pharmaceuticals Inc. in and to the Canadian Assets; and
 - (iii) terminating the CCAA Proceedings and discharging Richter as Monitor in respect of Aralez Canada upon the filing of a certificate by the Monitor (save and except for certain further responsibilities pertaining to claims filed against Aralez Canada pursuant to the Claims Process).
8. On December 17, 2018, the Court granted orders approving, among other things:
 - (i) the transaction contemplated by the asset purchase agreement (the "**Intercept APA**") dated December 6, 2018, between Aralez Canada and Intercept Pharmaceuticals, Inc. ("**Intercept**"), for the sale of the Bezafibrate US Assets (as defined in the Intercept APA) (the "**Intercept Transaction**");
 - (ii) vesting in Intercept, upon the closing of the Intercept Transaction, Aralez Canada's right, title and interest in and to the Bezafibrate US Assets; and
 - (iii) the distribution protocol (the "**Distribution Order**") for any interim or future distributions made in cash or otherwise to Deerfield Private Design Fund III, L.P. and Deerfield Partners, L.P., (collectively, "**Deerfield**" or the "**DIP Lender**"), subject to Aralez Pharmaceuticals Inc. maintaining a sufficient reserve of funds (the "**Reserve**") to satisfy priority charges, any post-closing matters related to the Nuvo Transaction, and the ongoing obligations of Aralez Pharmaceuticals Inc.
9. On January 30, 2019, the Court granted orders:
 - (i) authorizing Aralez Pharmaceuticals Inc. to change its corporate name to Old API Wind-down Ltd. ("**API**") and amending the style of cause of the CCAA Proceedings; and
 - (ii) extending the stay of proceedings in respect of API to April 19, 2019 (the "**April 19 Stay Extension**").

10. Richter, in its capacities as Proposed Monitor and Monitor, has previously provided this Court with eight reports (the “**Prior Reports**”). The Prior Reports, the Amended Initial Order and copies of other material documents pertaining to the CCAA Proceedings are available on the Monitor’s website at <http://insolvency.richter.ca/A/Aralez-Pharmaceuticals>.

II. PURPOSE OF REPORT

11. The purpose of this report of the Monitor (the “**Eighth Report**”) is to provide information to the Court pertaining to:
- (i) the activities of the Monitor since the seventh report dated January 25, 2019 (the “**Seventh Report**”);
 - (ii) an update on certain matters in connection with the CCAA Proceedings, including the Nuvo Transaction, distributions made to Deerfield and the Claims Process;
 - (iii) API’s reported receipts and disbursements for the period from January 19, 2019 to March 15, 2019, including a comparison of reported to forecast results;
 - (iv) API’s revised cash flow forecast (the “**Revised Cash Flow Forecast**”) for the period from March 16, 2019 to August 2, 2019 (the “**Forecast Period**”); and
 - (v) API’s request for an order:
 - a) authorizing API to transfer its intercompany claims to one or more of API’s affiliates for nominal consideration (the “**Intercompany Claims Transfers**”); and
 - b) extending the stay of proceedings in respect of API to July 31, 2019.

III. TERMS OF REFERENCE

12. In preparing this Eighth Report, the Monitor has relied solely on information and documents provided by API and its financial advisor, Alvarez & Marsal Canada Inc. and Alvarez & Marsal Healthcare Industry Group LLC (collectively, “**A&M**”), including unaudited financial information, declarations and affidavits of API executives (collectively, the “**Information**”). In accordance with industry practice, Richter has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

13. Unless otherwise stated, all monetary amounts noted herein are expressed in United States (“**U.S.**”) dollars, which is API's common reporting currency.
14. Capitalized terms used but not defined in this Eighth Report are defined in the Affidavit of Mr. Christopher Freeland sworn March 20, 2019 (the “**Freeland Affidavit**”), filed in support of the within motion. This Eighth Report should be read in conjunction with the Freeland Affidavit, as certain information contained in the Freeland Affidavit has not been included herein in order to avoid unnecessary duplication.

IV. ACTIVITIES OF THE MONITOR

15. Since the date of the Seventh Report, the Monitor's activities have included:
 - (i) monitoring of API's cash flows and reviewing analyses on variances to API's cash flow forecast;
 - (ii) approving the payment of certain post-filing obligations of API pursuant to the terms of the Amended Initial Order;
 - (iii) attending at Court in connection with, among other things, the April 19 Stay Extension;
 - (iv) corresponding with API, Nuvo, Deerfield, and their respective advisors, in respect of the claims received pursuant to the Claims Process;
 - (v) reviewing the Closing Date Statement (as hereinafter defined) and dealing with other post-closing matters in connection with the Nuvo Transaction, including attending at Nuvo's premises;
 - (vi) dealing with matters in connection with the KEIP, including corresponding with API and its advisors;
 - (vii) corresponding with A&M and API to consider making a distribution to Deerfield from the funds in the Reserve;
 - (viii) corresponding and communicating with Deerfield and its legal counsel;
 - (ix) corresponding and communicating with the Monitor's legal counsel, Torys LLP;
 - (x) monitoring the Chapter 11 Proceedings and matters of interest to API in the Chapter 11 Proceedings;
 - (xi) responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings;
 - (xii) posting materials to the Monitor's website; and
 - (xiii) preparing this Eighth Report.

V. UPDATE ON CERTAIN MATTERS RELATED TO THE CCAA PROCEEDINGS

Nuvo Transaction

16. As noted in the Seventh Report, the Nuvo Transaction closed on December 31, 2018 (the “**Closing Date**”). API provided, prior to the Closing Date, a good faith estimate (the “**Closing Estimates**”) of the Estimated Closing Indebtedness, the Estimated Closing Net Working Capital and the Estimated Closing Net Cash (each term as defined in the Share Purchase Agreement) to Nuvo, which resulted in a \$4.9 million net reduction to the purchase price. As a result, the proceeds received from the Nuvo Transaction on closing totalled \$57.6 million (the “**Nuvo Proceeds**”), which included the \$2.5 million deposit previously paid by Nuvo to the escrow agent.
17. Pursuant to the Share Purchase Agreement, Nuvo was required to prepare and deliver to API, within 75 days of the Closing Date, a statement (the “**Closing Date Statement**”) setting forth Nuvo’s calculation of the Closing Net Working Capital, the Closing Indebtedness, and the Closing Net Cash (each term as defined in the Share Purchase Agreement). To the extent that the amounts contemplated in the Closing Date Statement differ from those in the Closing Estimates, the Share Purchase Agreement contemplates an adjustment and dispute resolution process (the “**Adjustment Process**”), which could result in an additional post-closing payment from Nuvo, or a refund to Nuvo from the funds held by the escrow agent and/or the funds held in the Reserve.
18. The Closing Date Statement was delivered by Nuvo on March 15, 2019 and is currently being review by API, in consultation with A&M and the Monitor. The Monitor understands from discussions with counsel to API that Deerfield has been provided with a copy of the Closing Date Statement.

Distributions

19. The Distribution Order provides that any portion of the Reserve determined by the Monitor, in consultation with API and Deerfield, to no longer be necessary or appropriate to retain, shall be distributed to Deerfield as soon as practicable following such determination, up to the maximum amount of the obligations owing by the Aralez Entities under the June 8, 2015 loan agreement (as amended) (the “**Facility Agreement**”) between Deerfield, as lender, and API, Aralez Canada and Pozen, as borrowers.
20. On March 6, 2019, the Monitor, in consultation with API and Deerfield, and following discussions with A&M, authorized the distribution of \$2.3 million from the Reserve to Deerfield. On the direction of Deerfield, this distribution was remitted by API directly to the Chapter 11 Debtors for administrative convenience to assist in funding the U.S. Plan (as hereinafter defined) supported by Deerfield.

Claims Process

21. As noted in the Seventh Report, the Monitor received 39 claims totalling \$66.7 million filed against Aralez Canada and 34 claims totaling \$136.9 million filed against Aralez Pharmaceuticals Inc. as at the Claims Bar Date. As noted in the Freeland Affidavit, many of these claims were duplicates and/or placeholder claims filed by directors and officers ("**D&O**"), employees or affiliates of the Companies. The Monitor notes that in addition to the claims noted above, the Monitor received two additional Pre-Filing Claims (the "**Late Claims**") filed after the Claims Bar Date against Aralez Canada.
22. The Companies determined, in consultation with Nuvo, Deerfield and the Monitor, that a formal claims resolution procedure would not be required in respect of the Aralez Canada claims, and API would seek to resolve these claims directly.
23. As at March 13, 2019, API, in consultation with Nuvo, Deerfield and the Monitor, had essentially resolved all but seven of the claims (the "**Remaining Claims**") filed against Aralez Canada. The Remaining Claims include the Late Claims as well as three placeholder claims by the D&O of Aralez Canada. The Monitor is working with API, Nuvo, and Deerfield in an effort to resolve the Remaining Claims. It is anticipated that the Remaining Claims will be resolved shortly without the need for a further Court hearing.

VI. TRANSFERS OF INTERCOMPANY CLAIMS

24. As noted in the Prior Reports, there was a high degree of operational interdependency between API and its various affiliates prior to the Filing Date, including sharing certain executive management personnel, cash management/financing functions, etc. As such, the historical transactions between API, the Chapter 11 Debtors and the Foreign Affiliates (as defined below) (collectively, API, the Chapter 11 Debtors and the Foreign Affiliates, are known as the "**Aralez Group**"), have resulted in intercompany claims owing or owed among the entities within the Aralez Group. A schedule setting out the intercompany balances owing among the entities within the Aralez Group as at February 19, 2019 (the "**Intercompany Claims**" and each, and "**Intercompany Claim**") is included as Exhibit "A" to the Freeland Affidavit.

25. Below is a summary of the intercompany balances between API and the Aralez Group as at February 19, 2019:

Old API Wind Down Ltd. (formerly Aralez Pharmaceuticals Inc.) Intercompany Balances Summary As at February 19, 2019 (USD in 000s; unaudited)		
Aralez Entity	Jurisdiction	Intercompany Receivable / (Payable)
Chapter 11 Debtors		
Aralez Pharmaceuticals Management Inc.	Delaware	7,523
Aralez Pharmaceuticals Holdings Limited	Ireland	-
Aralez Pharmaceuticals Trading DAC	Ireland	(5,458)
POZEN Inc.	Delaware	132
Aralez Pharmaceuticals US Inc.	Delaware	8,970
Halton Laboratories LLC	Delaware	(4)
Aralez Pharmaceuticals R&D Inc.	Delaware	487
Subtotal		11,650
Foreign Affiliates		
Aralez Luxembourg Finance	Luxembourg	119,108
Tribute Pharmaceuticals International Inc.	Barbados	-
Subtotal		119,108
Net API Intercompany Receivable / (Payable)		130,758

26. As presented in the table above, API:

- (i) is owed, on a net basis, approximately \$130.8 million from the Aralez Group, all of which is unsecured; and
- (ii) has an Intercompany Claim against each of Chapter 11 Debtors, except for Trading DAC and Halton, and against Aralez Luxembourg Finance S.á.r.l. ("**Aralez Luxembourg**").

27. As set out in the Freeland Affidavit, the entities within the Aralez Group are in the process of winding down. On February 5, 2019, each of the Chapter 11 Debtors, excluding Trading DAC, began a formal wind down process upon filing the *Joint Liquidating Plan of Certain of the Debtors Under Chapter 11 of the Bankruptcy Code* (the "**U.S. Plan**") and related disclosure statement. In addition, the Monitor understands that certain of API's affiliates, namely Aralez Luxembourg, Tribute Pharmaceuticals International Inc. (collectively, the "**Foreign Affiliates**") and Trading DAC, intend to commence their own liquidation proceedings pursuant to their applicable foreign law.

28. As set out in the Freeland Affidavit, setting off the Intercompany Claims among the entities within the Aralez Group (to the extent permitted under applicable law) and updating the respective balance sheets of each corresponding entity to reflect the Intercompany Claims owed/owing after such set off, may help to (i) facilitate

an efficient liquidation of each Aralez Group entity, and (ii) in some cases, determine the type of liquidation proceedings that the applicable Aralez Group entity may undertake. Accordingly, API is seeking this Court's authority to transfer and assign some or all of its Intercompany Claims to its affiliates. It should be noted that, certain terms contemplated in the U.S. Plan (as more fully described in the Freeland Affidavit) permit the Chapter 11 Debtors to take the necessary steps to extinguish and/or cancel intercompany claims between the Chapter 11 Debtors and/or API.

29. The Monitor supports API's request to transfer and assign some or all of the Intercompany Claims for nominal value for the following reasons:
- (i) Deerfield, which is a secured creditor of all entities against which API has an outstanding Intercompany Claim, will suffer a shortfall on its advances under the Facility Agreement. There are no unencumbered funds or assets available to API's affiliates to satisfy the Intercompany Claims;
 - (ii) Transferring and setting off Intercompany Claims would be done for the sole purpose of facilitating the wind up of each entity in the Aralez Group in the most efficient manner available. There will be no cash impact to API;
 - (iii) Liquidating each entity in the Aralez Group in the manner set out above is in the best interest of API's stakeholders, including Deerfield, as it will minimize the cost of winding up those entities;
 - (iv) Pursuant to the proposed order authorizing the Intercompany Claims Transfer, transfers or set offs of Intercompany Claims cannot be made without the prior consent of Deerfield and the Monitor, or further order of the Court.

VII. CASH RECEIPTS AND DISBURSEMENTS FROM JANUARY 19, 2019 TO MARCH 15, 2019

30. API's consolidated cash flow projection for the period from January 19, 2019 to April 19, 2019 (the "**January 19 Cash Flow Forecast**"), was filed with the Court in support of its application returnable January 30, 2019, seeking, *inter alia*, the April 19 Stay Extension.
31. API has continued to provide the Monitor with its cooperation and access to its books and records. The Monitor has implemented procedures for monitoring API's receipts and disbursements on a weekly basis. The Monitor, with the assistance of A&M, has also worked with API to prepare forecast to actual variance analyses with respect to its weekly cash flows as compared to the January 19 Cash Flow Forecast.
32. The comparison of API's actual to forecast results as compared to the January 19 Cash Flow Forecast for the period from January 19, 2019 to March 15, 2019, is summarized as follows:

Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.)			
Cash Flow Variance Analysis			
For the Period January 19 to March 15, 2019			
(C\$ in Millions)	Forecast	Actual	Variance
Net Receipts	\$0.0	\$0.0	\$0.0
OPERATING DISBURSEMENTS			
Operating Expenses	(0.7)	(0.1)	0.5
Total Operating Disbursements	(\$0.7)	(\$0.1)	\$0.5
NET OPERATING CASH FLOW	(\$0.7)	(\$0.1)	\$0.5
NON-OPERATING DISBURSEMENTS			
Distribution to Deerfield	\$0.0	(\$3.0)	(3.0)
Key Executive Incentive Plan	(0.7)	(0.7)	0.0
Professional Fees	(3.4)	(0.7)	2.6
Total Non-Operating Disbursements	(\$4.1)	(\$4.4)	(\$0.4)
Total Net Cash Flow	(\$4.7)	(\$4.5)	\$0.2
CASH BALANCE			
Beginning Balance	\$10.7	\$10.7	\$0.0
Total Net Cash Flow	(4.7)	(4.5)	0.2
Ending Balance	\$6.0	\$6.2	\$0.2

33. As reflected in the summary table above, API reported a net cash outflow of CAD\$4.5 million over the period, and a cash balance of approximately CAD\$6.2 million, as at March 15, 2019. The actual cash balance was approximately CAD\$0.2 million higher than forecast.
34. The favourable cash flow variance of approximately CAD\$0.2 million principally relates to:
- (i) lower than projected operating expenses, which largely represent permanent differences; and
 - (ii) timing differences due to lower than projected professional fees, mainly with respect to transaction fees payable to API's investment banker. The Monitor understands that this favourable variance may reverse in the coming weeks.
35. The above positive variances were partially offset by a negative permanent variance attributable to a CAD\$3.0 million distribution to Deerfield (as discussed above), which was not forecasted in the January 19 Cash Flow Forecast.

VIII. REVISED CASH FLOW FORECAST

36. API, with the assistance of A&M and in consultation with the Monitor, prepared the Revised Cash Flow Forecast, representing a revised forecast of its receipts and disbursements during the Forecast Period.
37. The Monitor understands from its discussions with counsel to API and A&M that the Revised Cash Flow Forecast was approved by Deerfield on or about March 19, 2019.
38. A copy of the Revised Cash Flow Forecast, including the notes and assumptions thereto, together with Management's Report on the Revised Cash Flow Forecast is attached hereto as **Appendix "A"** and is summarized below:

Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.) 20-Week Cash Flow Forecast For the Period Ending August 2, 2019 (C\$ in 000s)	
Total Receipts	\$ -
DISBURSEMENTS	
Operating Expenses	(806)
Professional Fees	(4,271)
Total Disbursements	\$ (5,077)
Total Net Cash Flow	\$ (5,077)
CASH BALANCE	
Beginning Balance	\$ 6,213
Total Net Cash Flow	(5,077)
Ending Balance	\$ 1,136

39. As noted, API had approximately CAD\$6.2 million of cash on hand as at March 15, 2019. The Monitor notes this amount does not include the \$1.5 million held by the Monitor as part of the Reserve.
40. The Revised Cash Flow Forecast projects that API will experience a net cash outflow of approximately CAD\$5.0 million over the Forecast Period, primarily related to operating expenses (for compliance, audit, tax, and board fees) and professional fees incurred as part of the CCAA Proceedings.
41. The Revised Cash Flow Forecast projects an ending cash balance for API of approximately CAD\$1.1 million as at August 2, 2019. This amount would be in addition to the \$1.5 million held by the Monitor as part of the Reserve.
42. The Monitor is of the view that the material assumptions supporting the Revised Cash Flow Forecast are reasonable in the circumstances. The Monitor's Report on the Revised Cash Flow Forecast is attached hereto as **Appendix "B"**.

IX. STAY EXTENSION

43. The current stay period expires on April 19, 2019, which is prior to the outside date for the Adjustment Process as contemplated under the Share Purchase Agreement, which, could extend to the end of July 2019. As such, API is seeking an extension of the stay of proceedings to July 31, 2019.
44. The Monitor supports API's request for an extension of the stay of proceedings from April 19, 2019, to July 31, 2019, for the following reasons:
 - (i) API is acting in good faith and with due diligence;
 - (ii) the extension will provide the opportunity for Nuvo and API to finalize any post-closing matters related to the Nuvo Transaction, including the Adjustment Process;
 - (iii) it will allow the Monitor and API the opportunity to address any remaining matters in the Claims Process;
 - (iv) the granting of the extension does not materially prejudice any creditor of API as the Revised Cash Flow Forecast reflects that API is projected to have sufficient funding to continue to operate in the normal course through the proposed stay extension period; and
 - (v) Deerfield, being the secured lender in these CCAA Proceedings, does not oppose the stay extension.

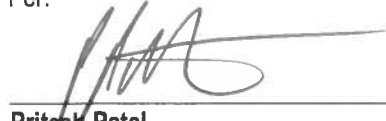
X. MONITOR'S CONCLUSION AND RECOMMENDATIONS

45. For the reasons set out in this Eighth Report, the Monitor is of the view that the relief requested by API is both appropriate and reasonable and as such, the Monitor recommends that this Court make an order:
 - (i) authorizing API to make the Intercompany Claims Transfers; and
 - (ii) extending the Stay Period from April 19, 2019 to July 31, 2019.

All of which is respectfully submitted this 21st day of March, 2019.

Richter Advisory Group Inc.
In its capacity as CCAA Monitor of
Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.)
and not in its personal or corporate capacity

Per:



Pritesh Patel,
MBA, CFA, CIRP, LIT
Senior Vice President

Adam Zeldin,
CPA, CA, CIRP
Manager

APPENDIX “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C.1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
OLD API WIND-DOWN LTD. (formerly ARALEZ PHARMACEUTICALS INC.)**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT

The management of Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.) (the "**Company**") have developed the assumptions and prepared the attached statement of projected cash flow as of the 19th day of March, 2019 for the period from March 16, 2019 to August 2, 2019 (the "**Cash Flow Forecast**").


The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow Forecast described in the notes therein, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

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

The Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Princeton, in the State of New Jersey (USA), this 20th day of March 2019.

Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.)



Sanjay Subramanian
Chief Financial Officer

Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.)

20-Week Cash Flow Forecast

For the Period Ending August 2, 2019

(C\$ in 000s)

	Notes	3/22/19	3/29/19	4/5/19	4/12/19	4/19/19	4/26/19	5/3/19	5/10/19	5/17/19	5/24/19	5/31/19	6/7/19	6/14/19	6/21/19	6/28/19	7/5/19	7/12/19	7/19/19	7/26/19	8/2/19	Total
	1, 2																					
Total Receipts		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS																						
Operating Expenses	3	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(806)
Professional Fees	4	(2,076)	(131)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(4,271)
Total Disbursements		\$ (2,117)	\$ (171)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (5,077)
Total Net Cash Flow		\$ (2,117)	\$ (171)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (155)	\$ (5,077)
CASH BALANCE																						
Beginning Balance	5	\$ 6,213	\$ 4,096	\$ 3,925	\$ 3,770	\$ 3,615	\$ 3,460	\$ 3,305	\$ 3,150	\$ 2,996	\$ 2,841	\$ 2,686	\$ 2,531	\$ 2,376	\$ 2,221	\$ 2,066	\$ 1,911	\$ 1,756	\$ 1,601	\$ 1,446	\$ 1,291	\$ 6,213
Total Net Cash Flow		(2,117)	(171)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(155)	(5,077)
Ending Balance		\$ 4,096	\$ 3,925	\$ 3,770	\$ 3,615	\$ 3,460	\$ 3,305	\$ 3,150	\$ 2,996	\$ 2,841	\$ 2,686	\$ 2,531	\$ 2,376	\$ 2,221	\$ 2,066	\$ 1,911	\$ 1,756	\$ 1,601	\$ 1,446	\$ 1,291	\$ 1,136	\$ 1,136

Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.)
20-Week Cash Flow Forecast
Notes and Summary of Assumptions

In the Matter of the CCAA Proceedings of Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.) (“API” or the “Company”).

Disclaimer

In preparing this cash flow forecast (the “**Canadian Forecast**”), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Canadian Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Canadian Forecast period may vary from the Canadian Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Canadian Forecast is presented in thousands of Canadian dollars. Receipts and disbursements denominated in U.S. currency have been converted to Canadian dollars at an exchange rate of US/CAD = \$1.31.

Note 1 Purpose of Canadian Forecast

The purpose of the Canadian Forecast is to present the estimated cash receipts and disbursements of API for the period from March 16, 2019 to August 2, 2019 in respect of its proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA**”). The Canadian Forecast has been prepared by management of the Company based on available financial information at the date of the Company’s motion for, *inter alia*, an extension of the stay period to July 31, 2019. Readers are cautioned that this information may not be appropriate for other purposes.

Note 2 Sale of Aralez Pharmaceuticals Canada Inc.

On December 31, 2018, API closed a transaction for the sale of all outstanding shares of Aralez Pharmaceuticals Canada Inc., the Canadian operating entity (“**Aralez Canada**”), to Nuvo Pharmaceuticals Inc., thereby terminating the CCAA proceedings and discharging Richter Advisory Group Inc. (the “**Monitor**”) as Monitor in respect of Aralez Canada. As such, the Canadian Forecast reflects receipts and disbursements of API only.

Note 3 Operating Expenses

Includes operating expenses of API, which primarily relate to (i) compliance matters (ii) accounting and tax related fees, and (iii) monthly fees paid to API’s directors.

Note 4 Professional Fees

Includes payments to: (i) the Company’s financial advisor and legal counsel, (ii) the Monitor and its legal counsel, and (iii) Moelis & Company LLC, investment banker to the Company and its affiliates.

Note 5 Opening Cash Balance

Represents the opening cash balance from API’s two bank accounts denominated in Canadian dollars and US dollars at March 16, 2019. The US dollar denominated account has been translated to Canadian dollars based on the exchange rates noted above.

APPENDIX “B”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C.1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
OLD API WIND-DOWN LTD. (formerly ARALEZ PHARMACEUTICALS INC.)**

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

The attached statement of projected cash flow of Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.) (the "Company"), prepared as of the 19th day of March, 2019, consisting of the period from March 16, 2019 to August 2, 2019 (the "Cash Flow Forecast"), has been prepared by management of the Company for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast.

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

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

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved.

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

Dated at Toronto, in the Province of Ontario, this 20th day of March 2019.

**Richter Advisory Group Inc.
In its capacity as CCAA Monitor of
Old API Wind-Down Ltd. (formerly Aralez Pharmaceuticals Inc.)
And not in its personal or corporate capacity**

Per:



**Pritesh Patel, MBA, CFA, CIRP, LIT
Senior Vice President**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

Court File No. CV-18-603054-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
ARALEZ PHARMACEUTICALS INC.**

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

EIGHTH REPORT OF THE MONITOR

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