

RICHTER

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IMPOPHARMA INC.

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
IMPOPHARMA INC.**

SEPTEMBER 28, 2018

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

**IN THE MATTER OF THE NOTICE OF INTENTION OF
IMPOPRHAMA INC.**

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE
NOTICE OF INTENTION OF
IMPOPHARMA INC.**

SEPTEMBER 28, 2018

I. INTRODUCTION

1. This report (the **"Second Report"**) is filed by Richter Advisory Group Inc. (**"Richter"**), in its capacity as proposal trustee (the **"Trustee"**) in connection with the Notice of Intention to Make a Proposal (**"NOI"**) filed by Impopharma Inc. (**"Impopharma"** or the **"Company"**).
2. On July 25, 2018 (the **"Filing Date"**), the Company filed an NOI pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the **"BIA"**) and Richter was appointed as Trustee under the NOI.
3. On August 2, 2018, the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) granted an order (the **"August 2 Order"**) approving, among other things, the sale and investment solicitation process (the **"SISP"**) the Company intended to carry out under the supervision of, and with the assistance of, the Trustee, as well as extending the stay of proceedings and the time for the Company to file a Proposal to September 30, 2018 (the **"Stay Period"**). A copy of the August 2 Order is attached hereto as **Appendix "A"**.
4. The Company was looking for a court date during the week of September 24, 2018 to provide an update to the Court and was informed that the next available date was October 3, 2018. Accordingly, on September 20, 2018, the Court granted an order (the **"September 20 Order"**) approving an extension of the stay of proceedings from September 30, 2018 to October 9, 2018, to accommodate the court date of October 3, 2018 and to avoid any possibility of a deemed bankruptcy. A copy of the September 20 Order is attached hereto as **Appendix "B"**.
5. To date, the Trustee has filed one report in respect of the Company's NOI proceedings. A copy of this report dated July 31, 2018 (the **"First Report"**), provided background information on, among other things, the Company, the SISP, the administrative charge, the director and officer charge, and the proposed key retention agreements. A copy of the First Report is attached hereto as **Appendix "C"**.

II. PURPOSE OF REPORT

6. The purpose of this report (the **"Second Report"**) is to provide the Court with information pertaining to:

- (a) activities of the Trustee since the Filing Date;
- (b) the Company's actual cash flows for the period from July 21, 2018 to September 21, 2018, including a comparison of actual to forecast results;
- (c) the results of the SISP;
- (d) the terms of the Asset Purchase Agreement (the "APA") dated September 21, 2018 between the Company and Pharmaserve (North West) Development Company Limited ("Pharmaserve" or the "Purchaser") for the sale of substantially all of the Company's assets (the "Transaction"), subject to approval by this Court;
- (e) the Company's request for an extension of the Stay Period to November 23, 2018 (the "Extension"); and
- (f) the recommendation by the Trustee that this Court issue an order:
 - (i) approving the Transaction, and authorizing and directing the Company to execute such documents and take such additional steps as are necessary to complete the Transaction;
 - (ii) vesting in the Purchaser, as at closing, all the Company's right, title, and interest, if any, in and to all of the purchased assets as identified in the APA, free and clear of all liens, charges, security interests and other encumbrances, (the "Approval and Vesting Order");
 - (iii) approving the distribution to MidCap (as defined herein) in respect to its secured claim against the Property (as defined herein);
 - (iv) approving the assignment of the Company's rights and obligations under certain contracts;
 - (v) extending the Stay Period to November 23, 2018;
 - (vi) approving the First Report, the Second Report and the activities and conduct of the Trustee, as set out therein; and

- (vii) sealing the confidential appendices to this Second Report.

III. QUALIFICATIONS

7. In preparing this Second Report, the Trustee has relied solely on information and documents provided by the Company and its advisors, including unaudited financial information, and declarations and affidavits of the Company's executives (collectively, the "Information"). In accordance with industry practice, except as otherwise described in this Second Report, Richter has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Richter has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("GAAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, as such, Richter expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
8. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

IV. ACTIVITIES OF THE TRUSTEE

9. The Trustee's activities since the Filing Date have included:
- (a) assisting the Company with the preparation of the cash flow forecast included in the First Report (the "Filing Cash Flow"), including the review of the underlying assumptions;
 - (b) attending at Court in support of the August 2 Order;
 - (c) monitoring the Company's receipts and disbursements up to the Filing Cash Flow;
 - (d) issuing the prescribed notice to the Company's creditors advising of the filing of the Company's NOI, as required under the BIA;
 - (e) establishing a website at <https://www.richter.ca/Impopharma-Inc>, where all materials filed with the Official Receiver and the Court in connection with the Company's NOI proceedings are available in electronic format;

- (f) responding to calls and enquiries from the Company's creditors, former employees, suppliers and other stakeholders regarding the Company's NOI;
 - (g) assisting the Company with the SISP including:
 - (i) drafting the Teaser Letter (defined herein);
 - (ii) working with the Company's business development consultant (the "Consultant") in contacting prospective interested parties;
 - (iii) facilitating due diligence efforts; and
 - (iv) reviewing the offers submitted to acquire all or a portion of the Company's assets including communication with certain of the offerors to clarify aspects of their offer.
 - (h) assisting the Company in negotiating the APA with the Purchaser;
 - (i) reviewing the Security Opinion (as defined herein);
 - (j) communicating with MidCap Financial Trust ("MidCap" or the "Agent"), who is the administrative agent to the secured lender of the Company, MidCap Funding VIII Trust (the "Secured Lender") and its legal counsel regarding the NOI and the results of the SISP; and
 - (k) corresponding and communicating extensively with the Company and its legal counsel; and
 - (l) preparing this Second Report.
- V. **ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE PERIOD ENDING SEPTEMBER 21, 2018**
10. The Company's cash flow forecast for the period from July 21, 2018 to September 28, 2018 (the "Forecast Period") was filed with the Official Receiver on August 2, 2018 in accordance with the provisions of the BIA.

11. A comparison of Filing Cash Flow to actual results for the nine (9) weeks ending September 21, 2018 is summarized below:

Impopharma Inc. Cash Flow Variance Analysis 9 Weeks Ended September 21, 2018 (In Canadian dollars)			
	Forecast	Actual	Variance
Receipts			
SR&ED refund	1,000,000	1,066,535	66,535
HST Receivable	32,500	-	(32,500)
Other	-	4,299	4,299
Total Receipts	1,032,500	1,070,834	38,334
Disbursements			
Payroll & Benefits	404,490	420,952	(16,462)
Insurance	32,500	11,404	21,096
Laboratory costs	39,970	824	39,146
Lease payment	10,205	10,148	57
Rent	29,605	29,753	(148)
SG&A	51,452	29,532	21,920
Professional fees	318,222	318,581	(359)
Development costs	203,702	5,039	198,663
Loan payment	3,346,500	3,439,035	(92,535)
Total Disbursements	4,436,646	4,265,268	171,377
Net Cash Flow	(3,404,146)	(3,194,434)	209,712

12. As reflected in the above summary table, the Company had receipts of \$1,070,834 compared to forecasted receipts of approximately \$1,032,500; while disbursing approximately \$4,265,268 as compared to forecasted disbursements of \$4,436,646. This resulted in the Company generating an actual net cash outflow of approximately \$3,194,434 as at September 21, 2018, resulting in a favourable variance of \$209,712, as compared to forecast. This variance was primarily related to lower than forecasted development costs.
13. The cash on hand as at September 21, 2018 is approximately \$668,700 which includes an amount of \$350,000 that has been held for the payment under the key employee retention payments ("KERPs"), which were approved by the Court as part of the August 2 Order.

VI. RESULTS OF THE SISP

14. As detailed in the First Report, the Company, with the assistance of the Trustee, commenced the SISP as a means for testing the market, gauging interest in the Company and/or its assets and determining whether a transaction would result in realizations greater than liquidation value.
15. A summary of the SISP and its results are as follows:
 - (a) on or about July 26, 2018, the Trustee and Company began to contact prospective interested parties (together the "Interested Parties" or individually the "Interested Party") to provide an overview of the opportunity to acquire the business and/or assets of the Company. The list of Interested Parties was developed with the assistance of the Company, the Consultant and included parties that previously expressed an interest in the Company through its previous capital raising efforts prior to the Filing Date;
 - (b) each Interested Party was provided a copy of the initial offering summary (the "Teaser Letter"). A copy of the Teaser Letter is attached as an appendix to the First Report. In total, 247 parties were contacted by the Trustee, the Company and the Consultant;
 - (c) Interested Parties who wanted to obtain additional information regarding the Company's business and/or assets were required to execute a confidentiality agreement ("CA") in order to obtain access to the electronic data room (the "Data Room") which contained relevant information relating the Company and its products and operations. In total, 36 Interested Parties executed the CA and were provided Data Room access;
 - (d) Throughout the SISP, the Company with the assistance of the Trustee and the Consultant, facilitated due diligence efforts by, among other things, coordinating meetings between Interested Parties and the Company, scheduling site visits to view proprietary product information, such as, the abbreviated new drug application ("ANDA") and updating the Data Room as new information became available;
 - (e) Interested Parties were required to submit binding offers for the Company's business and/or assets to the Trustee by 12:00 pm EST on August 30, 2018 (the "Bid Deadline"). The Bid Deadline was extended until 3pm EST on August 31, 2018 to accommodate the

requests for an extension from certain Interested Parties. The Extension was communicated to all Interested Parties that executed a CA;

- (f) On August 31, 2018, the Trustee received seven (7) non-binding offers (each a "Non-binding Offer" or collectively the "Non-binding Offers") for the Company's business and/or assets. A summary of the Non-binding Offers is attached hereto as **Confidential Appendix "1"**. In the event that the Transaction does not close, the Company's assets may be impaired if the summary of Non-binding Offers is made public at this time. Under these circumstances, the Trustee believes that it is appropriate for the summary of Non-binding Offers to be filed with the Court on a confidential basis and sealed until the closing of the Transaction, or upon order of this Court;
- (g) the Company and Trustee reviewed the Non-binding Offers and decided to continue discussions and negotiations with the three (3) Non-binding Offers that were considered to be more serious and had the highest purchase price for Impopharma's business and/or assets;
- (h) given that these three (3) Non-binding Offers still required additional due diligence, each of these three (3) Interested Parties were requested to submit their binding offers by September 14, 2018;
- (i) on September 14, 2018, the Company received a marked-up APA from two (2) of the Interested Parties and a revised non-binding agreement from the third Interested Party. However, on September 17, 2018, an Interested Party who submitted a marked-up APA withdrew its offer;
- (j) the Company and Trustee continued discussions and negotiations with the second Interested Party, Pharmaserve, who submitted a marked-up APA and on September 21, 2018, Impopharma and Pharmaserve executed a binding APA ("**Pharmaserve APA**");
- (k) in accordance with the terms and conditions of the Pharmaserve APA, a cash deposit of 10% of the purchase price is currently in the process of being paid (the "**Deposit**"). The Deposit was not transferred earlier due to some miscommunication with the banking details; and

- (l) throughout the SISP, the Company and Trustee have provided MidCap and its counsel with regular updates on the status of the SISP and its results.

VII. THE TRANSACTION

- 16. As noted above, the Transaction contemplates the sale of substantially all of the assets of Impopharma and represents the highest realization available.
- 17. The key elements of the Transaction are as follows:
 - (a) the Purchaser is acquiring on an "as is, where is" basis, substantially all of the Company's undertakings, property and assets that relate to or are used in connection with the Company, including all inventory, machine and equipment, intellectual property, key product information / data, ANDAs and trademarks (collectively the **"Purchased Assets"**);
 - (b) the Purchaser will assume all of Impopharma's rights and obligations, including any cure costs under the following contracts (collectively, the **"Assumed Contracts"**):
 - (i) Lease Agreement for the Alliance HPLC Systems entered into with Goldcard Inc.;
 - (ii) Development Agreement entered into with Novocol Healthcare Inc.;
 - (iii) Master Development Agreement entered into with Pharmaserve Northwest Limited; and
 - (iv) Lease Agreements entered into with Villarboit Holdings Limited;
 - (c) the Purchaser will not be able to set-off any of the cure costs against the purchase price;
 - (d) the balance of the purchase price will be paid on closing;
 - (e) the Purchaser will offer employment to the majority of the existing employees. Ten (10) of the Company's existing employees will be offered employment on substantially the same terms and conditions as they are currently employed by Impopharma. The Purchaser will also offer employment to two (2) other employees with terms and conditions that are currently being negotiated. The remaining two (2) employees have indicated that they will not be moving on with another employer;

- (f) the Transaction is scheduled to close within two (2) business days of the Court issuing an order approving the APA and the Transaction and, upon closing, vesting free and clear title in and to the Purchased Assets in favour of the Purchaser, which is expected to occur on or before October 5, 2018 (the "**Closing Date**");
 - (g) the Purchaser has requested that Impopharma provide certain transition services ("**Transition Services**") for a period of 45 days following the Approval and Vesting Order (the "**Transition Period**") to help ensure that the Purchased Assets and the Assumed Contracts are effectively transferred and assigned to Pharmaserve. The Company has also agreed to extend the Transition Period, from time to time, and up until January 25, 2019, at Pharmaserve's sole cost. The Stay Period may have to be extended to coincide with the Transition Period in order for the Company to avoid a deemed bankruptcy;
 - (h) material closing conditions related to this Transaction include:
 - (i) the Court issuing the Approval and Vesting Order;
 - (ii) the undertaking by Impopharma to take reasonable efforts in assisting Pharmaserve in its negotiation of certain employment contracts as noted above; and
 - (iii) the agreement by Impopharma to remain in existence to provide Transition Services.
18. On September 24, 2018, the Board of Directors confirmed its approval of the APA and the terms and conditions thereof.
19. Attached hereto as **Confidential Appendix "2"** is an unredacted copy of the APA between the Company and the Purchaser. In the event that the Transaction does not close, the Trustee is of the view that efforts to remarket the Company's assets may be impaired if the unredacted APA is made public at this time. Under the circumstances, the Trustee believes that is appropriate for the unredacted APA to be filed with the Court on a confidential basis and sealed until the closing of the Transaction, or upon further order of this Court.

VIII. DISTRIBUTIONS TO MIDCAP

20. As described in the affidavit of David Mayers sworn on September 25, 2018 (the "**Mayers Affidavit**") and filed in support of the Company's Motion returnable before the Court on October 3, 2018, the principal amount owed to MidCap at the Filing Date was approximately \$2,521,000.
21. Impopharma's obligations to MidCap are secured by a Credit and Security Agreement dated July 8, 2016 (the "**MidCap Security**").
22. The Trustee has obtained an independent, written legal opinion from Borden Ladner Gervais LLP ("**BLG**") with respect to the validity and enforceability of the MidCap Security (the "**Security Opinion**"). According to the Security Opinion, it is BLG's view that subject to the customary assumptions and qualifications included therein, the MidCap Security is valid and enforceable against all of the properties, assets and undertaking (the "**Property**") of Impopharma.
23. On or about August 15, 2018, the amount of \$1,066,535 related to the Scientific Research and Experimental Development tax incentive claim (the "**SR&ED Claim**") was received. This amount was distributed by the Company to MidCap in accordance with the terms of the forbearance agreement between Impopharma and MidCap.
24. The MidCap loan included two types of fees: (i) a prepayment fee of approximately \$15,000 (the "**Prepayment Fee**"); and (2) an exit fee of approximately \$410,000 (the "**Exit Fee**"). The Trustee raised concerns about the applicability of each of these fees with MidCap and its counsel.
25. Having regard to the fact that the MidCap Security is governed by Maryland law, BLG consulted Maryland counsel with a view to obtaining a preliminary view of the Prepayment Fee and the Exit Fee, having regard to the laws of the State of Maryland. While there is some authority for the proposition that the Prepayment Fee and the Exit Fee might be upheld under Maryland law, it is not a certainty.
26. In an effort to achieve a resolution with respect to the Prepayment Fee and the Exit Fee, MidCap agreed to waive the Prepayment Fee and to reduce the Exit Fee to \$260,000. The Trustee does not oppose a distribution to MidCap of the Exit Fee on this basis, given the reduction in the quantum claimed and the elimination of the Prepayment Fee.

27. At the date of this Second Report, the amount owed to MidCap is approximately \$1,780,000, inclusive of the Exit Fee in the amount of \$260,000 and costs.
28. Once the Transaction is closed, it is the Company's intention to proceed with a final distribution to MidCap, in the amount noted at paragraph 27 of this Second Report (the "**MidCap Distribution**"). The proposed MidCap Distribution, subject to this Court's approval, is outlined in the Trustee's estimated final statement of receipts and disbursement (the "**Estimated Final R&D**"). The Estimated Final R&D is attached hereto as **Confidential Appendix "3"**. In the event that the Transaction does not close, the Company's assets may be impaired if the purchase price is made public at this time. Under these circumstance, the Trustee believes that it is appropriate for the Estimated Final R&D to be filed with the Court on a confidential basis and sealed until the closing of the Transaction, or upon order of this Court.
29. The Trustee respectfully requests that the Court authorize the MidCap Distribution. The Trustee is not aware of any security interests, liens, charges, encumbrances or other rights of third parties that would have priority over the MidCap Security, with respect to the Property or the proceeds therefrom.

IX. COMPANY'S REQUEST FOR AN EXTENSION OF TIME TO FILE A PROPOSAL

30. The current Stay Period expires on October 9, 2018.
31. The Company is seeking an extension of the Stay Period to November 23, 2018 to permit the Company to provide Transition Services as described above.
32. As mentioned above, the Trustee has prepared an Estimated Final R&D which provides an updated statement of cash flow for the period from September 22, 2018 to November 23, 2018.
33. Key underlying assumptions in the Estimated Final R&D are as follows:
 - (a) the majority of the employees will be terminated, effective as at September 30, 2018, in an effort to minimize cost prior the Closing Date. Only a small number of employees who are assisting with maintaining operations to the Closing date will remain on payroll;

- (b) the retention payments related to the KERPs ("Retention Payment") will be paid the week ending September 28, 2018. As noted in the First Report, the Retention Payment includes both the accrued pre and post filing vacation pay;
 - (c) the Transaction is scheduled to close on or before October 5, 2018, and in order to provide an orderly transition of the Purchased Assets to the Purchaser, the Company is establishing procedures and cut-off periods to ensure payments to vendors are appropriately aligned;
 - (d) once the Transaction is closed and the proceeds are received, the MidCap Distribution will be made;
 - (e) as noted in the First Report, the KERPs also include an amount that is payable in the event the MidCap Indebtedness is paid out in full ("Transaction Payment"). The Transaction Payment will be paid once the Transaction closes and the proceeds are received; and
 - (f) the Retention Payment and Transaction Payment will be distributed, in accordance with the KERP Charge outlined in the First Report.
34. The Estimated Final R&D indicates that the Company will have sufficient liquidity to fund operations and costs of these proceedings up to November 23, 2018, if the Extension is granted.
35. The Trustee is of view that the Extension is appropriate in the circumstances and supports the Company's request for the following reasons:
- (a) the Company has acted and is acting in good faith and with due diligence;
 - (b) it will allow the Company to transition the Purchased Assets to the Purchaser with minimal disruptions;
 - (c) it is the Trustee's view that the Extension will not prejudice or adversely affect any group of creditors; and

- (d) the Estimated Final R&D indicates that Impopharma should have sufficient liquidity to continue to fund operations through the period ending November 23, 2018.

X. CONCLUSION AND RECOMMENDATION

36. The Trustee is of the opinion that the Transaction satisfies the factors to be considered, pursuant to section 65.13(4) of the BIA. In particular, the Trustee is of the view that:

- (a) the SISP was fair and reasonable in the circumstances and was approved by the Trustee and the Court;
- (b) the Transaction would be substantially more beneficial to the Company's creditors as compared to the alternatives (i.e. sale or liquidation under a bankruptcy). As such, absent the sale of the Purchased Assets to Pharmaserve, there is considerable risks that there would be minimal recovery to the Company's creditors from the Purchased Assets;
- (c) the consideration received for the Purchased Assets in light of the Bid Process and the results thereof is reasonable and fair, considering that the majority of the Company's value is related to intellectual property and other intangible assets which may have limited market value in a liquidation;
- (d) the Company's limited liquidity substantially eliminates an opportunity to further market the business for sale without putting the Transaction at risk. This opportunity was marketed prior to the Filing Date and again as part of the SISP and therefore all likely potential purchasers were provided an opportunity to bid on the Company's business and/or assets;
- (e) the Transaction will have a positive effect on the creditors and interested parties. The Transaction is the best opportunity to maximize recoveries for the creditors and provides the greatest benefit to all stakeholders including the Transferred Employees and the Company's vendors;
- (f) the Trustee understands that MidCap is supportive of this Transaction; and
- (g) the Company and its management are acting in good faith and with due diligence.

37. Based on the foregoing, the Trustee respectfully recommends that this Court issue an order granting the relief detailed in paragraph 6(f) of this Second Report.

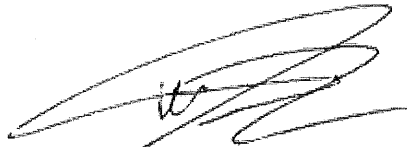
All of which is respectfully submitted this 28th day of September, 2018.

**Richter Advisory Group Inc.
in its capacity as Proposal Trustee of
Impopharma Inc. and not in its personal
or corporate capacity**

Per:



Paul van Eyk, CA-CIRP, CA-IFA
Senior Vice President



Duncan Lau, CA, CIRP
Vice President

Tab A

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.)
JUSTICE G. DOW)

THURSDAY, THE 2ND
DAY OF AUGUST, 2018



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER
THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED OF

IMPOPHARMA INC.

ORDER

THIS MOTION made by Impopharma Inc. ("Impopharma"), pursuant to, *inter alia*, sections 64.1, 64.2 and 183 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Theron E. Odlaug sworn July 26, 2018 and the exhibits thereto (the "Odlaug Affidavit"), and the First Report of Richter Advisory Group Inc. ("Richter" or the "Trustee"), in its capacity as proposal trustee of Impopharma, dated July 31, 2018, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for Impopharma, counsel for MidCap Financial Trust ("MidCap") and counsel for the Trustee, and no one else appearing although duly served as appears from the affidavit of service of Amanda Santache sworn July 26, 2018:

SERVICE

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

STAY OF PROCEEDINGS

2. **THIS COURT ORDERS** that the stay of proceedings resulting from the filing by Impopharma of its *Notice of Intention to Make a Proposal* (the "NOI") is extended until September 30, 2018.

FORBEARANCE AGREEMENT

3. **THIS COURT ORDERS** that the Forbearance Agreement entered into on July 25, 2018 between Impopharma and MidCap (Exhibit D to the Odlaug Affidavit) (the "Forbearance Agreement"), is hereby approved, the execution thereof is hereby approved and that Impopharma is hereby authorized and empowered to perform its obligations thereunder.

SISP

4. **THIS COURT ORDERS** that the sale, refinancing and investment solicitation process in respect of Impopharma's assets (the "SISP"), including its milestones as set out in paragraph 50 of the Odlaug Affidavit, be and is hereby approved and that Impopharma, with the assistance of the Trustee, is hereby authorized and empowered to take such steps as are necessary or desirable to carry out the SISP, provided that any definitive agreement to be

executed by Impopharma in respect of the sale of all or part of the Property (as defined below) shall require further approval of this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

5. **THIS COURT ORDERS** that Impopharma shall indemnify its directors and officers (collectively, the "D&Os") against obligations and liabilities that they may incur as directors or officers of Impopharma after the filing of the NOI, except to the extent that, with respect to any of the D&Os, the obligation or liability was incurred as a result of the such D&O's gross negligence or wilful misconduct.

6. **THIS COURT ORDERS** that the D&Os of Impopharma shall be entitled to the benefit of and are hereby granted a charge (the "D&O Charge") on all of Impopharma's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"), which charge shall not exceed an aggregate amount of \$75,000, as security for the indemnity provided in paragraph 5 of this Order. The D&O Charge shall have the priority set out in paragraphs 12 and 14 herein.

7. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the D&Os shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 5 of this Order.

ADMINISTRATION CHARGE

8. **THIS COURT ORDERS** that the Trustee, counsel to the Trustee and counsel to Impopharma shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by Impopharma as part of the costs of these proceedings. Impopharma is hereby authorized and directed to pay the accounts of the Trustee, counsel for the Trustee and counsel for Impopharma as such accounts are rendered and, in addition, Impopharma is hereby authorized to pay the Trustee, counsel to the Trustee and counsel to the Applicant reasonable retainers to be held by them as security for the payment of their respective fees and disbursements outstanding from time to time.

9. **THIS COURT ORDERS** that the Trustee, counsel to the Trustee and counsel to Impopharma shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed \$100,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the filing of the NOI in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 12 and 14 herein.

KERP CHARGE

10. **THIS COURT ORDERS** that the Retention Contracts (the "**Retention Contracts**") and related summary table (the "**KERP Table**") are hereby approved and that Impopharma is hereby authorized and empowered to perform its obligation thereunder and to make the payments in accordance with the terms set out therein.

11. **THIS COURT ORDERS** that the employees designated in the KERP Table shall be entitled to the benefit of and are hereby granted a charge (the "**KERP Charge**") on the

Property, which charge shall not exceed \$550,000, as security for payment of the obligations set forth under the Retention Contracts and related KERP Table. The KERP Charge shall have the priority set out in paragraphs 12 and 14 herein.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

12. **THIS COURT ORDERS** that the priorities of the D&O Charge, the Administration Charge, the KERP Charge, as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$100,000);

Second - D&O Charge (to the maximum amount of \$75,000); and

Third - KERP Charge (to the maximum amount of \$550,000).

13. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, D&O Charge, and the KERP Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

14. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and such Charges shall rank ahead in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any person, subject only to the following:

(a) The Charges, as described in paragraph 12 of this Order, shall rank junior to MidCap's existing security interest over the Property, only to the extent where such security interest attaches to Impopharma's rights and interest to or in any Scientific Research and Experimental Development tax incentive claim (the "SRED Claim");

(b) Otherwise, the Charges, as described in paragraph 12 of this Order, shall rank prior to MidCap's existing security interest over the Property, but only up to the following amounts:

- Administration Charge: \$100,000;
- D&O Charge: \$75,000; and
- KERP Charge: \$360,000 (*vis-à-vis* MidCap, the amount of the KERP Charge shall be reduced by any payment made to the beneficiary of such Charge in accordance with the Projected Statement of Cash Flow attached to the Forbearance Agreement as Schedule D);

15. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, Impopharma shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless Impopharma also obtains the prior written consent of the Trustee, the beneficiaries of the Charges, MidCap or further Order of this Court.

16. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the

Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency (expressly or impliedly) made herein; (b) any motion(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such motion(s); (c) any assignments for the general benefit of creditors made or deemed to have been made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds Impopharma, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Retention Contracts shall create or be deemed to constitute a breach by Impopharma of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges or Impopharma entering into the Retention Contracts or executing, delivering or performing of any obligation pursuant to any related documents; and
- (c) the payments made by Impopharma pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

17. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in Impopharma's interest in such real property leases.

SEALING

18. **THIS COURT ORDERS** that Impopharma's financial statements (Exhibit H to the Odlaug Affidavit) and the KERP Table (Exhibit J to the Odlaug Affidavit) filed with the Court shall be kept confidential and under seal with the Court until further order of this Court.

SERVICE AND NOTICE

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

20. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Trustee is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other

correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to Impopharma's creditors or other interested parties at their respective addresses as last shown on the records of Impopharma and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

21. **THIS COURT ORDERS** that the Trustee shall not take possession of the Property and shall take no part whatsoever in management or supervision of the management of the business of Impopharma and shall not, in carrying out the SISP or otherwise fulfilling its obligations hereunder or under the BIA, be deemed to have taken possession or control of the Business or Property, or any part thereof.

22. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Trustee under the BIA or as an officer of this Court, the Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the SISP or the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Trustee by the BIA or any applicable legislation.

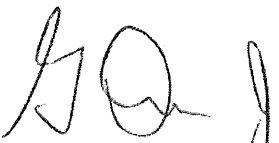
23. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist Impopharma, the Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative

bodies are hereby respectfully requested to make such orders and to provide such assistance to Impopharma and to the Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Trustee in any foreign proceeding, or to assist Impopharma and the Trustee and their respective agents in carrying out the terms of this Order.

24. **THIS COURT ORDERS** that each of Impopharma and the Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, whereby located, for the recognition of this Order and for assistance in carrying out the terms of this Order, including the enforcement of any Charge established hereby.

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

26. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

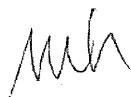


G. Dow, J.

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

AUG 02 2018

PER / PAR:



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

Proceeding commenced at Toronto

ORDER

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Barristers & Solicitors
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Lawyers for the Applicant

COUNSEL SLIP

Unapp

COURT FILE NO BK-18-02403547-32 DATE AUG 2, 2018

NO ON LIST (8)

TITLE OF
PROCEEDING

IMPOPHARMA INC.

COUNSEL FOR:
PLAINTIFF(S)
APPLICANT(S)
PETITIONER(S)

APPLICANT/IMPOPHARMA INC.
DANNY DUY VU
STIKEMAN ELLIOTT
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PHONE & FAX NOS
Email:

COUNSEL FOR:
DEFENDANT(S)
RESPONDENT(S)

DANNY NUNES FOR MIDCAP

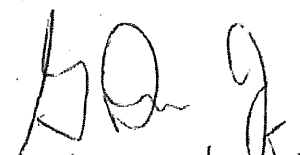
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ROGER JAJMAN-GAT
(FOR RICHTEK ANTONY
GROUP INC., AS
PROPOSAL TRUSTEE)

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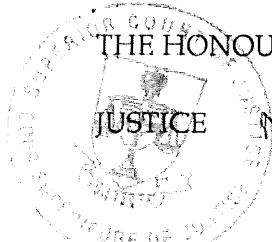
August 2, 2018

Upon being advised the responding parties do not oppose the relief sought Order to issue as requested by me


G. DOWD

Tab B

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)



THE HONOURABLE

pm
MC

)

THURSDAY, THE 20TH

JUSTICE

MCEWEN

)

DAY OF SEPTEMBER, 2018

)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER
THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED OF

IMPOPHARMA INC.

ORDER

THIS MOTION made by Impopharma Inc. ("Impopharma"), pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Danny Duy Vu sworn September 17, 2018 and on hearing the submissions of counsel present for the hearing of this motion, and no one else appearing although duly served as appears from the affidavit of service of Amanda Santache sworn September 17, 2018;

SERVICE

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

STAY OF PROCEEDINGS

2. **THIS COURT ORDERS** that the stay of proceedings resulting from the filing by Impopharma of its *Notice of Intention to Make a Proposal* (the "NOI") pursuant to the BIA is extended from September 30, 2018 until October 9, 2018.

3. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



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

SEP 20 2018

PER / PAR:



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

Proceeding commenced at Toronto

ORDER

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Lawyers for the Applicant

Tab C

RICHTER

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181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
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IMPOPHARMA INC.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
IMPOPHARMA INC.**

July 31, 2018

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

**IN THE MATTER OF THE NOTICE OF INTENTION OF
IMPOPRHAMA INC.**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE
NOTICE OF INTENTION OF
IMPOPHARMA INC.**

JULY 31, 2018

I. INTRODUCTION

1. This report (the "**Report**") is filed by Richter Advisory Group Inc. ("**Richter**"), in its capacity as proposal trustee (the "**Trustee**") in connection with the Notice of Intention to Make a Proposal ("**NOI**") filed by Impopharma Inc. ("**Impopharma**" or the "**Company**").
2. On July 25, 2018 (the "**Filing Date**"), the Company filed an NOI pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the "**BIA**") and Richter was appointed as Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is attached hereto as **Appendix "A"**.
3. Richter was previously retained by the Company to act as financial advisor to assist the Company and its board of directors (the "**Board**") to review strategic alternatives available to the Company.

II. PURPOSE OF REPORT

4. The purpose of this Report is to provide the Ontario Superior Court of Justice (Commercial List) (the "**Court**") with information pertaining to:
 - (a) background information about the Company;
 - (b) the Company's creditors;
 - (c) the Company's proposed post-filing strategy, including an overview of a sale and investment solicitation process ("**SISP**") the Company intends to carry out with the assistance of the Trustee and under the supervision of the Court;
 - (d) the Company's projected cash flows for the period from July 21, 2018 to September 28, 2018 (the "**Cash Flow Forecast**");
 - (e) the proposed Administrative Charge (as defined herein);
 - (f) the proposed D&O Charge (as defined herein);
 - (g) the proposed key employee retention payments and the KERP Charge (as defined herein);

- (h) the Company's request for an extension of the time required to file its proposal to September 30, 2018; and
- (i) the recommendation by the Trustee that this Court issue an order:
 - (i) approving the SISP, and authorizing the Company and Trustee to take such additional steps as are necessary to implement the SISP;
 - (ii) approving the terms of the Administrative Charge, and the proposed priority ranking of such charge;
 - (iii) approving the terms of the D&O Charge, and the proposed priority ranking of such charge;
 - (iv) approving the terms of the KERP Charge, and the proposed priority ranking of such charge; and
 - (v) approving the Company's request for an extension of the time required to file its proposal to September 30, 2018.

III. QUALIFICATIONS

5. In preparing this First Report, the Trustee has relied solely on information and documents provided by the Company and its advisors, including unaudited financial information, and declarations and affidavits of the Company's executives (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in this Report, Richter has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, Richter has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, as such, Richter expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information..
6. Unless otherwise noted, all monetary amounts contained in this Report are expressed in Canadian dollars.

IV. BACKGROUND

Company Overview

7. Impopharma is a research and development pharmaceutical company specializing in generic pulmonary and nasally delivered drug products.
8. Impopharma was formed under the Ontario *Business Corporations Act*. The Company operates from leased premises located at 255 Spinnaker Way, Concord, Ontario in a 15,000 square feet facility that includes a laboratory, a small pilot manufacturing facility, document storage, sample storage and office spaces.
9. Over the years, Impopharma has equipped itself with highly specialized equipment, key scientists as well as expertise in end-to-end product development that includes formulation, analysis, quality control, documentation, facility and metrology.
10. Today, Impopharma's product offerings include solution and suspension sprays, pressurized metered-dose inhalers and dry powder inhalers. The Company also provides topical products that include creams, gels and solutions.
11. Prior to the NOI filing, the Trustee understands that Impopharma employed 29 full-time employees, 1 part-time employee, as well as 1 individual under a consulting contract (the current "**Executive Chairman**"). None of the employees are unionized and the Company does not sponsor any pension plan for any of its employees.

Historical Financial Results

12. Set out below is a summary of the Company's historical financial results for: (i) the fiscal period ending 2016, (ii) the fiscal period ending 2017 and (iii) year-to-date ("YTD") to June 30, 2018.

**Impopharma Inc.
Historic Financial Results**

(In 000s)	(unaudited) 6 Months Ended June 30, 2018	(audited) Year Ended December 31, 2017	(audited) Year Ended December 31, 2016
Revenue	31	801	430
Cost of contracts	(0)	(5)	(11)
Gross profit	31	796	419
Expenses	(3,168)	(7,699)	(9,480)
Loss from operations	(3,137)	(6,903)	(9,061)
Amortization	(200)	(387)	(364)
Net loss	(3,337)	(7,290)	(9,425)

Note: Assumes a U.S. dollar to Canadian dollar foreign exchange rate of 1.3.

13. As detailed in the table above, the Company has experienced significant net losses over the past two fiscal years and continues to incur losses in the current year.
14. In or about July 2017, the Company implemented a number of cost savings initiatives, including headcount reductions, in an effort to reduce the Company's cash requirements (the "**2017 Reorganization**"). Despite these efforts, the Company continues to incur net losses.
15. As described in the affidavit of Theron E. Odlaug sworn on July 26, 2018 (the "**Odlaug Affidavit**") and filed in support of the Company's Motion returnable before the Court on August 2, 2018,, the losses sustained are the result of a number of factors, including project delays and an increasing competitive landscape.
16. Below is a summary of the Company's unaudited balance sheet as at June 30, 2018:

Impopharma Inc.
Balance Sheet
As at June 30, 2018
('in 000s)

Assets		Liabilities and Shareholder's Equity	
Current assets:		Current liabilities:	
Cash	4,144	Accounts payable and accrued liabilities	428
Short-Term deposits	217	Current obligations under capital lease	49
Accounts receivable	31	Current portion of long term debt	3,640
Prepaid expenses and deposits	18	Total Current Liabilities	4,118
SR&ED receivable	1,037		
Total Current Assets	5,447	Non Current liabilities:	
Non Current assets:		Non current obligations under capital lease	30
Property & Equipment	1,231	Long Term Debt	1,170
		Shareholder's equity:	
		Share capital	33,973
		Warrants	5,395
		Contributed surplus	655
		Cumulative Translation adjustment	(6,221)
		Retained earnings	(32,443)
			1,359
Total Assets	6,678		6,678

Note: Assumes a U.S. dollar to Canadian dollar foreign exchange rate of 1.3.

17. The June 30, 2018, balance sheet reflects that the Company has an accumulated retained earnings deficit of approximately \$32.4 million. The Trustee understands that based on management's most recent forecasts, after the MidCap Paydown (as defined herein), Impopharma's existing cash reserves will be depleted by September 28, 2018 if the Company does not obtain additional capital through an equity injection, which historically has been the primary source of capital for the Company. The Trustee understands that Impopharma's shareholders are not in a position to invest additional capital into the Company at this time. Without the continued support of its shareholders, the Company will not be able to continue to fund its operations beyond the near term.
18. Since January 2018, the Company has attempted to raise additional capital but, to date, has been unsuccessful at securing any commitments or funds.

Secured Creditor

19. The Trustee understands that MidCap Funding VIII Trust (the "**Secured Lender**") is the only secured lender of the Company and MidCap Financial Trust ("**MidCap**" or the "**Agent**") is its administrative agent.
20. On July 12, 2018, MidCap issued to the Company a notice of default (the "**Notice of Default**") indicating that MidCap was concerned that the Company was in a serious decline and did not have sufficient liquidity to sustain operations, resulting in a "Material Adverse Change" and an "Event of Default" as defined in the Credit and Security Agreement dated July 8, 2016.
21. Additionally, the Notice of Default demanded full payment of all amounts owing to the Secured Lender with an immediate paydown of \$2,100,000 in U.S. dollars ("**USD**") by no later than July 16, 2018. The Notice of Default was accompanied with a Notice of Intention to Enforce Security pursuant to Section 244(1) of the BIA.
22. On July 25, 2018, Impopharma and MidCap agreed to the terms of a forbearance agreement (the "**Forbearance Agreement**"), pursuant to which MidCap agreed, subject to certain terms and conditions, to forbear from enforcing its security until September 30, 2018, to provide the Company with an opportunity to:
 - (a) seek creditor protection by filing an NOI;
 - (b) implement the SISP described in the Odlaug Affidavit to identify one or more parties interested in purchasing Impopharma's business or assets; and
 - (c) immediately implement further cost reduction initiatives to reduce the Company's cash requirements during the SISP period.
23. Furthermore, in accordance with the terms and conditions of the Forbearance Agreement, Impopharma made a payment to MidCap on July 25, 2018 in the amount of USD \$1,750,000 (the "**MidCap Paydown**") for the application against the outstanding indebtedness. **Given the MidCap Paydown**, MidCap is now owed approximately USD \$1,950,000 exclusive of interest, fees and costs (the "**MidCap Indebtedness**").

Unsecured Creditors

24. At the time of the NOI filing, the Company estimates that it has unsecured obligations totaling approximately \$310,000 excluding amounts owing to the Company's former or current employees.
25. A copy of the creditor list included in the NOI filing is attached hereto as **Appendix "B"**.

Employees

26. As indicated above, pursuant to the terms of the Forbearance Agreement, the Company has implemented cost reduction initiatives since the NOI filing. As part of these initiatives, certain employees have been terminated (the **"Terminated Employees"**). The remaining employees and individuals, including the Consultant (as defined herein), have been determined by the Company to be critical to the Company's operations and the success of the SISP (**"Key Employees"**).
27. As at the Filing Date, the Trustee understands that the Company had accrued and unpaid vacation pay liabilities of \$93,500.
28. The Trustee understands that it is the Company's intention to pay the accrued pre-filing vacation pay to the Terminated Employees, which has been provided for in the Cash Flow Forecast. Any accrued pre-filing vacation pay relating to the Key Employees will be paid through the KERPs (as defined herein).
29. The Trustee understands, based on a review of the Company's books and records and discussion with management, that the Company is current with its required remittances of employee withholdings and sales taxes (HST).

V. OBJECTIVES OF THE NOI PROCEEDINGS

30. The primary objectives of the Company's NOI filing are to:
 - (a) ensure the ongoing operations of the Company;
 - (b) restructure the Company's operations; and
 - (c) implement the SISP to identify one or more parties interested in purchasing Impopharma's business or assets.

VI. PROPOSED SALE AND INVESTMENT SOLICITATION PROCESS

Previous Capital Raising Efforts

31. The Trustee understands that Impopharma, with the assistance of a business development consultant (the "**Consultant**"), has been attempting to raise capital with a number of strategic and financial parties during the seven month period leading up to the Filing Date.
32. Despite the Company's efforts, the Trustee understands that the Company was unable to secure any commitments or funds. As at the Filing Date, the Company and the Consultant were in discussions with 19 parties.

Sales and Investment Solicitation Process

33. Given the Company's limited liquidity, the Company, in consultation with the Trustee, developed the SISP as a means of determining whether any third party would have any interest in a transaction to acquire the Company and/or its assets.
34. The purpose of the SISP is to identify one or more purchasers for the Company's business and/or assets. In order to provide third parties with an opportunity to bid on the Company's assets, the Trustee proposes to market the Company's assets to third parties for period of approximately 35 days.
35. As indicated above, as at the Filing Date, the Company was in discussions with 19 parties that were identified under the previous capital raising efforts. The Trustee has been advised by the Company that these parties have signed or will be signing a non-disclosure agreement and, upon approval of the SISP, the Trustee will assist the Company in reaching out to these parties and advising them of the SISP and associated timelines.
36. The key aspects of the SISP are as follows:
 - (a) in advance of the date of the herein motion, on or about July 26, 2018, the Trustee distributed an initial summary (the "**Teaser Letter**") to a list of potential interested parties, which included both strategic and financial parties (the "**Potential Interested Parties**" and each a "**Potential Interested Party**"). This list was assembled by the Company, in consultation with the Trustee and the Company's counsel. A copy of the Teaser Letter is

attached hereto as **Appendix "C"**. The Company, together with the Trustee, will continue to identify any other Potential Interested Parties who may wish to participate in the SISP;

- (b) Potential Interested Parties that wish to obtain information to evaluate the Company and its assets will be required to sign a non-disclosure agreement ("**NDA**"). An electronic data room (the "**Data Room**") has been set up to provide Potential Interested Parties with access to relevant information, including a management presentation summarizing key products, financial and operational information. Once a NDA has been signed, the Potential Interested Party will receive access to the Data Room;
- (c) Potential Interested Parties will be required to submit binding offers (the "**Offers**" and each an "**Offer**") to the Trustee by 12:00 pm EST on August 30, 2018 (the "**Bid Deadline**");
- (d) Potential Interested Parties that submit an Offer (an "**Offeror**") will be required to provide a deposit payable to the Trustee, in trust, in an amount equal to 10% of the purchase price. All Offers are to be on an "as is, where is" basis and shall remain open for acceptance by the Company for a period of at least 10 business days from the Bid Deadline;
- (e) the acceptability of any Offer received is to be determined by the Company, in consultation with the Trustee;
- (f) in the event that a party from management (the "**Management Party**") decides to participate in the SISP, the Management Party will advise the Trustee prior to the Bid Deadline of its intention to submit an Offer. The Trustee will ensure that the Management Party shall not participate in the review process of the Offers in order to preserve the integrity of the SISP;
- (g) if no satisfactory Offers are received by the Bid Deadline, then the Company, in consultation with the Trustee, will consider whether to continue the SISP;
- (h) the Company, with the assistance of the Trustee, shall have discretion to consult and negotiate with any Offeror with respect to their Offer;
- (i) once all Offers are clarified, the Trustee will provide, to the Company, its recommendation regarding which Offer, in its view, presents the best Offer to consummate a transaction

(the "**Recommended Offer**"), and the Trustee shall promptly notify all of the Offerors whether its Offer has been accepted or not;

- (j) once the terms and conditions of the Recommended Offer have been finalized, and the Company has approved the Recommended Offer, the Recommended Offer shall be submitted to this Court for approval, with closing to occur as soon as practical thereafter;
- (k) the SISP contemplates that the Trustee is not required to accept the highest or any Offer; and
- (l) the Trustee, in consultation with the Company, shall have the right to make minor amendments to the SISP, including extending the timelines set forth in the SISP and described herein without further approval of the Court, provided the aggregate extension of the SISP shall not exceed 10 days without further Court approval.

37. The Trustee notes that while the proposed timelines contemplated under the SISP is condensed, the Trustee is of the view that the deadlines are reasonable given previous capital raising efforts which took place over a period of seven (7) months, and the Company's current liquidity constraints. The Trustee, subject to the foregoing, will report back to the Court if facts or circumstances change that require the Company, or the Trustee, to re-evaluate the terms of the SISP (including timelines).

38. The Trustee understands that MidCap is supportive of the SISP, as well as its proposed milestones set out in the Odlaug Affidavit.

VII. THE COMPANY'S CASH FLOWS FOR THE PERIOD ENDING SEPTEMBER 28, 2018

39. Impopharma, with the assistance of the Trustee, prepared the Cash Flow Forecast, which, as previously mentioned, is for the period from July 21, 2018 to September 28, 2018 (the "**Forecast Period**"). The Cash Flow Forecast is attached hereto as **Appendix "D"**. The Trustee has reviewed the assumptions supporting the Cash Flow Forecast and believes these assumptions to be reasonable.

40. As indicated on the Cash Flow Forecast, an amount related to the Scientific Research and Experimental Development tax incentive claim (the "**SR&ED Claim**") is anticipated to be received

during the Forecast Period. In accordance with the terms and conditions of the Forbearance Agreement, the Company has committed to pay MidCap any amount received related to the SR&ED Claim. As such, to the extent that the MidCap Indebtedness has not yet been paid in full, any amount received related the SR&ED Claim will be paid by the Company to MidCap.

41. Also, as indicated on the Cash Flow Forecast, the KERPs are forecasted to be paid during the week ending September 28, 2018.
42. Pursuant to the Cash Flow Forecast, the Company projects it will have sufficient liquidity to fund its operations through to September 30, 2018.

VIII. PROPOSED ADMINISTRATIVE CHARGE

43. The Company proposes a first ranking charge in favour of its legal counsel, the Trustee and the Trustee's legal counsel (the "**Insolvency Professionals**"), to assist in these NOI proceedings in an amount not to exceed \$100,000, charging all assets of the Company, with the exception of the SR&ED Claim, as security for the professional fees and disbursements incurred by the Insolvency Professionals, both before and after the Filing Date (the "**Administrative Charge**").
44. The quantum of the Administrative Charge sought by the Company was determined in consultation with the Trustee. The creation of the Administrative Charge is typical in similar proceedings, as is the proposed priority of the Administrative Charge.
45. The Trustee understands that MidCap is supportive of the proposed Administration Charge, as well as its proposed ranking.

IX. PROPOSED DIRECTOR AND OFFICER CHARGE

46. The Company proposes a second ranking charge in favour of its directors and officers (the "**D&Os**") in the amount not exceeding \$75,000, charging all assets of the Company, with the exception of the SR&ED Claim, as security for liabilities which the D&Os may incur in their capacity as directors and officers of the Company after the NOI filing (the "**D&O Charge**").
47. Impropharma currently maintains a Directors and Officers insurance policy which is set to expire on August 14, 2018. As at the date of the filing of this report, the Trustee understands that the Company has extended the tail coverage of this policy for a three year period. The D&O Charge is

intended to cover the D&Os only to the extent that the aforementioned insurance policy does not provide adequate coverage.

48. The quantum of the D&O Charge sought by the Company was determined in consultation with the Trustee. In the Trustee's view, the creation of the D&O Charge and its proposed priority is reasonable given the Company's operations and its forecasted payroll disbursements.
49. The Trustee understands that MidCap is supportive of the proposed D&O Charge, as well as its proposed ranking.

X. PROPOSED KEY EMPLOYEE RETENTION PAYMENTS

50. As a result of the post-filing cost reduction initiatives, there are 16 Key Employees remaining at the Company.
51. The Company believes that additional incentives are required to ensure that the Key Employees, who are critical to the Company's operations and the proposed SISP, are willing to continue their employment with Impopharma through the SISP. The Company, in consultation with the Trustee, has formulated and is seeking the Court's approval of the key employee retention payments (the "KERPs") related to the Key Employees.
52. The Trustee understands that the Key Employees have intimate knowledge of the Company's products, processes and operations, its intellectual property and technology and would be critical to the success of the SISP.
53. The key aspects of the proposed KERPs are summarized below:
 - (a) the two major components of the KERPs consist of (i) a retention payment to incentivize certain Key Employees to remain with the Company for the duration of the SISP (the "Retention Payment") and (ii) a transaction payment to incentivize other certain Key Employees to complete a transaction that would ensure the MidCap Indebtedness is paid out in full (the "Transaction Payment");
 - (b) the Retention Payment will be offered to 14 of the Key Employees, and includes the following three components:

- (i) accrued vacation pay – Accrued pre and post vacation pay to September 28, 2018 for the 14 Key Employees;
 - (ii) prorated retention payout – As part of the 2017 Reorganization, nine of the Key Employees signed retention agreements to incentivize them to remain with the Company through to December 31, 2018. The prorated amount to September 28, 2018 would be considered a component of the Retention Payment;
 - (iii) senior management retention – The Key Employees include the Company's Chief Operating Officer ("**COO**"), Chief Financial Officer ("**CFO**") and Senior Director of Research and Development ("**Sr Director of R&D**") (collectively the "**Senior Management**"). The COO and Sr Director of R&D do not have a retention payout as part of their employment agreements. To ensure their retention, a payout of 20% to 25% of their annual salary has been offered. Although the CFO is entitled to a prorated retention payout (see above), an additional amount has been offered to ensure her aggregate payout is similar to aggregate payout as the COO and Sr Director of R&D;
- (c) in aggregate, the Retention Payment totals approximately \$360,000 and is payable upon the earliest of: (i) termination of employment by Impopharma without cause; (ii) September 28, 2018 and (iii) the completion of the implementation of a proposal under the BIA, as approved and sanctioned by the Court (the "**Payment Date**"); and
- (d) the Transaction Payment is offered to the Senior Management, the Executive Chairman and the Consultant. The amount payable under the Transaction Payment is equal to 4% of the gross transaction value. This amount will only be payable in the event that the MidCap Indebtedness is paid out in full.
54. The Company proposes a charge in favour of the Key Employees in the amount not exceeding \$550,000, charging all assets of the Company, with the exception of the SR&ED Claim, as security for payment of the proposed KERPs (the "**KERP Charge**"), with the following priority rankings:

- (a) of the proposed KERP Charge, \$360,000 relates to the Retention Payment. This amount would rank after the Administration Charge and the D&O Charge, but in priority to all other secured and unsecured creditors, including MidCap; and
 - (b) the remaining amount of \$190,000 of KERP Charge relates to the Transaction Payment. This amount would rank after the Administrative Charge, D&O charge, and the Secured Lender, but in priority to unsecured creditors.
- 55. Based on the foregoing, the Trustee is of the view that the proposed KERPs appear to be appropriate and reasonable for the following reasons:
 - (a) approximately 64% of the Retention Payment relates to accrued vacation pay and a retention payout that was previously agreed to;
 - (b) the component related to the Transaction Payment is contingent on completing a transaction with a gross transaction value that is higher than the MidCap Indebtedness; and
 - (c) the KERPs provide the appropriate employee incentive to preserve the Company's operations and maintain going concern value during the SISP.
- 56. The Trustee also understands that the Secured Lender is supportive of the proposed KERPs and KERP Charge, as well as its proposed ranking.
- 57. Accordingly, the Trustee supports the Company's request for the approval of the KERPs and KERP Charge.

XI. COMPANY'S REQUEST FOR AN EXTENSION OF TIME TO FILE A PROPOSAL

- 58. The Company is seeking an extension of the time to file a proposal to September 30, 2018 (the "Extension"), to permit the Company, with the assistance of the Trustee, time to undertake the SISP.
- 59. The Trustee supports the Company's request for the Extension for the following reasons:

- (a) the Company is acting in good faith and with due diligence in taking steps to facilitate a sale of its business and/or its assets;
- (b) it is the Trustee's view that an extension will not prejudice or adversely affect any group of creditors;
- (c) the Cash Flow Forecast indicates that Impopharma should have sufficient liquidity to continue to fund operations through the period ending September 30, 2018;
- (d) at least 35 days will be required to establish whether there is any serious interest in acquiring the Company and/or its assets; and
- (e) given its limited resources, this would permit the Company to avoid incurring costs to re-attend before this Court, prior to Bid Deadline, solely for the purpose of seeking an extension of the stay, to provide the Company with time to review Offers that have been submitted.

60. The Company's request for the Extension is appropriate in the circumstances, as the current extension request provides a better timeframe by which the Trustee will be able to provide this Court with a meaningful update on the progress of the SISP.

61. The Trustee will continue to monitor the developments with the SISP and will advise the Court accordingly, in accordance with its mandate.

XII. CONCLUSION AND RECOMMENDATION

62. The Trustee is of the view that the relief sought by the Company, including the Extension, is necessary, commercially reasonable and justified. The Trustee is also of the view that granting the relief requested will provide the Company with the best opportunity to undertake a going concern sale or other restructuring, thereby preserving value for the benefit of the Impopharma's stakeholders.

All of which is respectfully submitted this 31 day of July, 2018.

**Richter Advisory Group Inc.
in its capacity as Proposal Trustee of
Impopharma Inc. and not in its personal
or corporate capacity**

Per:

A handwritten signature in black ink, appearing to be 'P. van Eyk', with a stylized, cursive script.

Paul van Eyk, CA-CIRP, CA-IFA
Senior Vice President

A handwritten signature in black ink, appearing to be 'D. Lau', with a stylized, cursive script.

Duncan Lau, CA, CIRP
Vice President

Appendix “A”



Industry Canada

Industrie Canada

Office of the Superintendent
of Bankruptcy Canada

Bureau du surintendant
des faillites Canada

District of ONTARIO

Division No. 09 - Toronto

Court No. 31-458512

Estate No. 31-458512

In the Matter of the Notice of Intention
to make a proposal of:

IMPOPHARMA INC.

Insolvent Person

RICHTER ADVISORY GROUP INC / RICHTER GROUPE CONSEI


Licensed Insolvency Trustee

Date of the Notice of Intention: July 25, 2018

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4(1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.


MELISSA MILLAR

Official Receiver

151 Yonge Street, 4th Floor, Toronto, ONTARIO, M5C 2W7, 877/376-9902

Canada

Appendix “B”

District of:
Division No.
Court No.
Estate No.

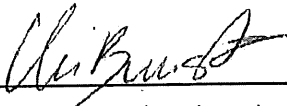
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Impopharma Inc.
of the City of Concord
in the Province of Ontario

Take notice that:

1. I, Impopharma Inc., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Richter Advisory Group Inc. of 181 Bay Street, 33rd Floor, Toronto, ON, M5J 2T3, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 25th day of July 2018.



Impopharma Inc.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of:
Division No.
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Impopharma Inc.
of the City of Concord
in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
6581633 CANADA LTD.	116 EASTVALE DRIVE MARKHAM ON L3S 4S6		960.50
AGILENT TECHNOLOGIES CANADA INC.	P.O.BOX 4551, POSTAL STATION A TORONTO ON M5W 4R8		6,960.64
ALPHA CONTROLS & INSTURMENTATION	6-361 STEELCSE ROAD. W. MARKHAM ON L3R 3V8		1,576.35
ANSYS RESEARCH LABORATOIRES *	OPP- HDFC BANK VIKRAM PLAZA, NR VISHAWKARMA TAMPLE 01-THIRD FLOOR CERAMIC CENTER GOTA RAILWAY BRIDGE, GOTA AHMEDABAD, GUJARAT 382481 INDIA		1,800.00
CINTAS CANADA LIMITED	1110 FLINT ROAD TORONTO ON M3J 2J5		288.00
CINTAS CANADA LIMITED (G&K)	DEPT. 400004 P.O. BOX 4372 STN A TORONTO ON M5W 0J2		422.10
EXOVA CANADA INC.	POSTAL STATION A C/O T10014, P.O. BOX 10014 TORONTO ON M5W 2B1		644.10
FEDEX TRADE NETWORKS CANADA INC. *	C/O BANK OF AMERICA BOX 916200 P.O. BOX 4090 STATION A TORONTO ON M5W 0E9		275.81
INTERTEK MELBOURN	ACADEMY PLACE 1-9 BROOK STREET PO BOX 11167 BRENTWOOD CM14 9LA GBR		16,102.55
LIFE SCIENCE LEGAL LLC *	214 SOUTH SPRING ST. INDEPENDENCE MO 64050-3647 USA		3,022.50
MAPI LIFE SCIENCES CANADA INC.	4 INNOVATION DRIVE DUNDAS DUNDAS ON L9H 7P3		957.39
MCKESSON SPECIALIZED DISTRIBUTION INC.	1215 NORTH SERVICE RD. WEST OAKVILLE ON L6M 2W2		1,695.00

District of:
Division No.
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Impopharma Inc.
of the City of Concord
in the Province of Ontario

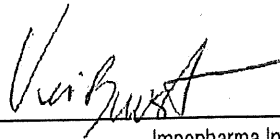
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
MEXICHEM FLUOR INC. *	STATION A P.O. BOX 1995 TORONTO ON M5W 3N9		14,299.25
MIDCAP FINANCIAL TRUST	C/O MIDCAP FINANCIAL SERVICES, LCC, AS SERVICER 200-7255 WOODMONT AVE. BETHESDA MD 201 814 USA		3,700,000.04
NANOPHARMA LTD.	COEDKERNEW CAVENDISH HOUSE, HAZEL DRIVE NEWPORT 1 WA7 1NU UK		58,512.38
NEULAND LABORATORIES INC. *	8-2 120/113, Rd No. 2 Sanali inor Prk, A Block, Ground Floor Banjara Hills, Hyderabad, AP 500034 INDIA		750.00
NUCRO TECHNICS	2000 ELLESMERE ROAD UNIT 16 SCARBOROUGH ON M1H 2W4		603.42
PAWEL RADOMSKI *	117 JOHN WEST WAY AURORA ON L4G 7E2		3,051.00
PHARMASERVE (NORTH WEST) LTD	ASTMOOR INDUSTRIAL ESTATE 9 ARKWRIGHT ROAD RUNCORN WA7 1NU ENGLAND		59,381.90
POWER STREAM			3,717.28
RPC FORMATEC GMBH	STOCKHEIMER STRAÙE 30 MELLRICHSTADT 97638 GERMANY		122,719.08
SCIGIENE CORP.	P.O. BOX 25024 RPO MORNINGSIDE SCARBOROUGH ON M1E 0A7		1,111.92
SIGMA ALDRICH CANADA CO.	LBX# T6226 P.O. BOX 6100, POSTAL STATION F TORONTO, ON M4Y 2Z2 TORONTO ON M4Y 2Z2		1,028.13
TD VISA *	CORPORATE PAYMENT SYSTEMS 120 ADELAIDE ST. W. P.O. BOX 2300 TORONTO ON M5H 1T1		525.92

District of:
Division No.
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Impopharma Inc.
of the City of Concord
In the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
U.S. PHARMACOPEIAL CONVENTION *	ACCOUNTS RECEIVABLE 12601 TWINBROOK PARKWAY ROCKVILLE MD 20852-1790 USA		1,300.00
WORKPLACE SAFETY & INSURANCE BOARD	P.O. BOX 4115, STATION A TORONTO ON M5W 2V3		499.55
Z US EXCHANGE RATE (1.3164)			6,885.60
Total			4,009,090.41



Impopharma Inc.
Insolvent Person

Appendix “C”

TRANSACTION OPPORTUNITY

Developer of pharmaceutical products and complex formulations

Background

On July 25, 2018, the Company filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)* ("BIA") and Richter Advisory Group Inc. was named as the trustee under the NOI (the "Trustee").

On or about August 2, 2018, the Company will bring a motion before the Ontario Superior Court of Justice (Commercial List) (the "Court") for an order approving, among other things, the sale and investment solicitation process for soliciting offers to acquire all or part of the company and/or its assets (the "SISP"). The Trustee will have overall supervision of the SISP and will be assisting the Company with contacting potential interested parties to discuss this transaction opportunity.

Company Overview

The Company is a pure-play developer specializing in generic ("Gx") pulmonary and nasally delivered drugs. With over 20 years of experience, the Company has acted as an extension of the client's laboratory, including Top 20 global pharmaceutical companies, and has equipped itself with highly specialized equipment, key scientists as well as expertise in many product development strategies in line with current regulatory expectations.

Products include solution and suspension sprays, pressurized metered-dose inhalers ("pMDIs") and dry powder inhalers ("DPIs").

Investment Highlights

Market Opportunity

- The inhalation and nasal generic drugs market has limited competition and blockbuster drugs with few or no generics in the market which provides an opportunity for attractive pricing and margins.
- The global respiratory market is \$20B in revenue and is the fastest growing medical prescription ("Rx") segment.
- Within the nasal market, competition for unit-dose products is limited with few companies pursuing these programs.
- Market participants, such as co-developers, include large pharmaceutical companies as well as medium and large generic companies.

Highly Differentiated

- The Company provides an end-to-end internal product development engine that includes formulation, analysis, quality control, documentation and facility & metrology.
- The Company has a product pipeline that is in line with \$7.6B of branded pharmaceutical revenue and include:
 - Complicated, hard-to-develop pMDIs, including Albuterol, Ipratropium, Respimat SoftMist™ (a unique proprietary device); and
 - The niche nasal product market including Sumatriptan, Zolmitriptan & Nascobal.

Experienced Management Team

- Management has a successful track record of bringing products to market.
- The Company has developed seven generic FDA-approved products including four generic chlorofluorocarbon ("CFC")-propelled pMDI products for the U.S. market. The management team has long-standing partnerships with top contract manufacturing organizations ("CMOs").

The Company is well positioned given its high-end development and complex formulation capabilities in a market with few competitors



TRANSACTION OPPORTUNITY
Developer of pharmaceutical products and complex formulations

Sale and investment solicitation process

Below is a summary of the key aspects of the SISP:

- Interested parties shall be required to execute a non-disclosure agreement ("NDA") and return it to the Trustee in order to gain access to the management presentation and data room.
- Parties will be required to submit binding offers (each an "Offer") to the Trustee by 12pm EST on August 30, 2018 (the "Bid Deadline"). Offers must be accompanied by a cash deposit equal to at least 10% of purchase price.
- The Offer is to be on an "as is, where is" basis and shall remain open for acceptance for a period of at least 10 business days from the Bid Deadline.
- The Company, with the assistance of the Trustee, shall have discretion to consult and negotiate with any interested parties with respect to their Offer.
- The SISP will contemplate that the Company is not required to accept the highest or any Offer.
- Any transaction will be subject to the approval of the Court, with the closing to occur as soon as possible thereafter.

If you would like to execute an NDA or further discuss this opportunity, please direct all enquiries to:

Paul van Eyk
Partner
(416) 485-4592
pvaneyk@Richter.ca

Duncan Lau
Vice-President
(416) 488-4027
dlau@Richter.ca

Appendix “D”

Impopharma Inc. (the "Company")

Projected Statement of Cash Flow under a Notice of Intention to file a proposal ("NOI") filing

For the period from July 21 to September 28, 2018

(In Canadian Dollars)

	Notes	Week ending:										Total
		27-Jul-18	3-Aug-18	10-Aug-18	17-Aug-18	24-Aug-18	31-Aug-18	7-Sep-18	14-Sep-18	21-Sep-18	28-Sep-18	
Receipts												
Receipts		-	-	-	-	-	-	-	-	-	-	-
SR&ED	1	-	-	-	-	-	-	-	1,000,000	-	-	1,000,000
HST Receivable		-	-	-	-	-	-	32,500	-	-	-	32,500
Other		-	-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	-	-	-	-	32,500	1,000,000	-	-	1,032,500
Disbursements	3											
Payroll & Benefits		120,933	28,679	7,567	70,140	195	70,590	28,679	77,707	-	70,785	475,275
Insurance		-	-	-	-	-	22,500	10,000	-	-	-	32,500
Laboratory costs		15,900	1,288	-	530	11,417	-	-	9,750	1,085	6,500	46,470
Lease payment		-	5,103	-	-	-	-	5,103	-	-	-	10,205
Rent		-	14,802	-	-	-	-	14,802	-	-	-	29,605
SG&A		4,743	7,977	3,687	3,680	17,602	5,243	2,310	1,920	4,291	7,469	58,921
Development costs		90,746	33,553	37,777	3,666	9,165	22,295	-	6,500	-	-	203,702
Professional fees		141,000	22,778	22,778	22,778	22,778	17,778	22,778	22,778	22,778	22,778	341,000
Payment to secured lender	2, 4	2,346,500	-	-	-	-	-	-	1,000,000	-	-	3,346,500
Retention payment	5	-	-	-	-	-	-	-	-	-	348,397	348,397
Total Disbursements		2,719,821	114,180	71,808	100,794	61,156	138,406	83,672	1,118,655	28,154	455,928	4,892,574
Net Cash Flow		(2,719,821)	(114,180)	(71,808)	(100,794)	(61,156)	(138,406)	(51,172)	(118,655)	(28,154)	(455,928)	(3,860,074)
Bank Balance												
Opening		3,863,037	1,143,216	1,029,036	957,227	856,434	795,277	656,872	605,700	487,045	458,891	3,863,037
Net Cash Flow		(2,719,821)	(114,180)	(71,808)	(100,794)	(61,156)	(138,406)	(51,172)	(118,655)	(28,154)	(455,928)	(3,860,074)
Ending Bank Balance		1,143,216	1,029,036	957,227	856,434	795,277	656,872	605,700	487,045	458,891	2,963	2,963

Notes:

1. The Company has received confirmation that the Scientific Research and Experimental Development tax incentive claim (the "SR&ED Claim") will be paid as filed.
2. In accordance with the terms and conditions of the forbearance agreement, the Company has committed to pay the secured lender any amount received related to the SR&ED Claim.
3. Cost disbursements are based on a reduced level of operations (i.e. reduced staffing, reduced development costs etc.).
4. The initial payment of \$2,346,500 is comprised of (1) loan repayment of \$2,275,000 and (2) forbearance fee of \$71,500.
5. A retention payment has been set up to incentivize key employees to remain with the Company for the duration of the sales process.

Court File No.: 32-2403547

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED OF IMPOPHARMA INC.

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

PROCEEDINGS COMMENCED AT TORONTO

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
IMPOPHARMA INC.**

BORDEN LADNER GERVAIS LLP

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3
Tel: (416) 367-6000
Fax: (416) 367-6749

ROGER JAIPARGAS – LSO No. 43275C

Tel: 416-367-6266
Email: rjaipargas@blg.com

Lawyers for the Richter Advisory Group Inc.,
Proposal Trustee

Court File No.: 31-458512

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED OF IMPOPHARMA INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

SECOND REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
IMPOPHARMA INC.

BORDEN LADNER GERVAIS LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3
Tel: (416) 367-6000
Fax: (416) 367-6749

ROGER JAIPARGAS – LSO No. 43275C
Tel: 416-367-6266
Email: rjaipargas@blg.com

Lawyers for the Richter Advisory Group Inc.,
Proposal Trustee