Court File No. _____

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Applicants

APPLICATION RECORD
(Returnable August 10, 2018)

August 9, 2018

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto ON M5L 1B9

Ashley Taylor LSUC#: 39932E
Tel: (416) 869-5236
E-mail: ataylor@stikeman.com

Kathryn Esaw LSUC# 58264F
Tel: 416-869-6820
E-mail: kesaw@stikeman.com

Lawyers for the Applicants

TO: The Attached Service List

INDEX

Court File No. _____

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

I N D E X

TAB 1

Court File No. _____

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing on August 10, 2018, at 8:30am, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicants' lawyer or, where the applicants do not have a lawyer, serve it on the applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date August , 2018

Issued by _____
Local registrar

Address of court office: 330 University Avenue, Toronto, Ontario M5G 1R7

TO: **SERVICE LIST**

APPLICATION

1. Aralez Pharmaceuticals Inc. ("**API**") and Aralez Pharmaceuticals Canada Inc. ("**Aralez Canada**") (collectively, the "**CCAA Entities**") make this application for an Initial Order substantially in the form attached at Tab 3 of the Application Record, among other things:

(a) abridging the time for service of this Notice of Application and dispensing with service on any person other than those served;

(b) declaring that the CCAA Entities are parties to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") applies;

(c) appointing Richter Advisory Group Inc. as an officer of this Court to monitor the assets, businesses and affairs of the CCAA Entities (in such capacity, the "**Monitor**");

(d) staying all proceedings taken or that might be taken in respect of the CCAA Entities, their directors and officers, and the Monitor;

(e) authorizing the CCAA Entities to file with this Court a plan of compromise or arrangement;

(f) authorizing and empowering the CCAA Entities to obtain and borrow under a debtor-in-possession loan facility (the "**DIP Facility**") as set out in the term sheet (the "**DIP Agreement**") among the CCAA Entities and an affiliate of their pre-filing secured lender in a principal amount not exceeding $10 million unless permitted by further Court Order;

(g) approving the engagement of Alvarez & Marsal Canada Inc. and Alvarez & Marsal Healthcare Industry Group, LLC to act as the financial advisor (in such capacity, the "**Financial Advisor**") to the

Applicants pursuant to an agreement dated as of July 9, 2018 (the "**A&M Engagement Letter**");

(h) approving the engagement of Moelis & Company LLC pursuant to an agreement dated as of July 18, 2018 (the "**Moelis Engagement Letter**") to act as the investment banker (in such capacity, the "**Investment Banker**") to the Applicants;

(i) providing that the Applicants shall be entitled but not required to pay reasonable expenses incurred prior to the date of the Initial Order, if determined by the Applicants, in consultation with the Monitor and the DIP Lender, to be necessary to the continued operation of the business and such payments are approved in advance by the Monitor or by further Order of the Court;

(j) granting the following priority charges over the property of the CCAA Entities:

i. an Administration Charge (as that term is defined in the Initial Order);

ii. a DIP Lenders Charge;

iii. a Directors' Charge; and

iv. a Transactional Fee Charge.

(k) granting such further and other relief as this Court may deem just.

2. The grounds for the application are as set out in the affidavit of Andrew I. Koven sworn August 9, 2018 which is attached to Tab 2 of the application record of the CCAA Entities.

3. The following documentary evidence will be used at the hearing of the application:

(a) the Affidavit of Andrew Koven sworn August 9, 2018, and the exhibits attached thereto;

(b) the pre-filling report provided by the Monitor; and

(c) such further and other evidence as counsel may advise and this Court may permit.

August 10, 2018

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Ashley John Taylor LSUC#: 39932E
Tel: (416) 869-5236
email: ataylor@stikeman.com
Kathryn Esaw LSUC#: 58264F
Tel: (416) 869-6820
email: kesaw@stikeman.com
Fax: (416) 947-0866

Lawyers for the Applicants

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

APPLICANTS

Court File No: CV-_____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF APPLICATION

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Ashley John Taylor LSUC#: 39932E
Tel: (416) 869-5236
ataylor@stikeman.com
Kathryn Esaw LSUC#: 58264F
Tel: (416) 869-6820
kesaw@stikeman.com
Fax: (416) 947-0866

Lawyers for the Applicants

TAB 2

Court File No. _____

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

(Applicants)

AFFIDAVIT OF ANDREW I. KOVEN
(Sworn August 9, 2018)

I, Andrew I. Koven, of the City of New York, in the State of New York, MAKE OATH AND SAY:

1. I am the President and Chief Business Officer of the applicant, Aralez Pharmaceuticals Inc. ("**API**") and a director and the President of the applicant, Aralez Pharmaceuticals Canada Inc. ("**Aralez Canada**" and, together with API, the "**CCAA Entities**" or the "**Applicants**"). As a result of my roles with the Applicants, I have certain knowledge of the matters to which I hereinafter depose. I have also reviewed certain books and records of the Applicants and have spoken with certain of the directors, officers, employees and/or advisors of the Applicants, as necessary and applicable. Where I have relied upon such information, I believe such information to be true.

2. All references to currency in this affidavit are references to United States dollars, unless otherwise indicated.

I. INTRODUCTION

3. This affidavit is sworn in support of an application by the CCAA Entities for an order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**" and such proceedings, the "**CCAA Proceedings**").

4. Concurrently with this Application, Aralez Pharmaceuticals Management Inc. ("**Aralez Management**"), Aralez Pharmaceuticals R&D Inc. ("**Aralez R&D**"), Aralez Pharmaceuticals U.S. Inc. ("**Aralez U.S.**"), POZEN Inc. ("**Pozen**"), Halton Laboratories LLC ("**Halton**"), Aralez Pharmaceuticals Holdings Limited ("**APHL**"), Aralez Pharmaceuticals Trading DAC ("**Aralez DAC**" and collectively, the "**Chapter 11 Entities**" and, with the CCAA Entities, the "**Aralez Entities**") will file for bankruptcy protection in the United States Bankruptcy Court for the Southern District of New York (the "**U.S. Court**") under chapter 11 of title 11 of the United States Bankruptcy Code (the "**Chapter 11 Proceedings**" and together with the CCAA Proceedings, the "**Restructuring Proceedings**"). I understand that the first hearing in respect of the Chapter 11 Proceedings is likely to occur on August 13, 2018. Two subsidiaries within the Aralez group of companies are not subject to the Restructuring Proceedings, being Aralez Luxembourg Finance ("**Luxco**") and Tribute Pharmaceuticals International Inc. ("**Tribute Barbados**").

5. The Aralez Entities are in the business of acquiring, developing, marketing and selling speciality pharmaceutical products. The current corporate structure of the Aralez Entities is the result of a business combination between Pozen and what is now Aralez Canada.[1] In connection with that transaction, certain product acquisitions and the anticipated launch or relaunch of drug products, the Aralez Entities took on significantly increased operational costs and debt. The launches were not able to generate sufficient cash flow to cover these costs and service the interest payments. Concurrently, the Aralez Entities have recently experienced increased generic competition with respect to a significant drug product, which is expected to further negatively affect its business. Despite multiple cost cutting initiatives and the exploration of strategic alternatives in response to these events, the Applicants are facing a liquidity crisis necessitating the Restructuring Proceedings.

6. In response to these events, the Aralez Entities have engaged in a plan to maximize the value of their business for their stakeholders through a comprehensive sales process described below and each of the CCAA Entities and the Chapter 11 Entities anticipate returning to their respective Courts for approval of a sales process. The CCAA Entities

[1] Originally, Tribute Pharmaceutical Canada Inc. but pursuant to an internal reorganization, Aralez Canada.

require the protection offered by the Initial Order and the CCAA to stabilize their business and execute this plan.

7. Each of the boards of directors of the Applicants has authorized this CCAA application.

II. ARALEZ INTERNATIONAL GROUP

A. Corporate Structure

8. As noted above, the Aralez Entities' current corporate structure is the product of a business combination involving Pozen and Aralez Canada[2] completed in February 2016. The transaction was undertaken to take advantage of the benefits of a more diverse array of product offerings owned by the pre-transaction entities and to leverage debt and equity financings associated with the transaction to increase the combined companies' drug product portfolio and scale up sales and marketing efforts.

9. The Aralez Entities' business is divided geographically primarily between Canada (which includes non-significant sales in European countries) and the U.S., with some supply chain management, quality control, and IP-holding functions located in Ireland. A corporate structure chart of the Aralez Entities is attached hereto as **Exhibit "A"**.

10. The Aralez Entities are intertwined in some respects, including sharing certain executive management personnel, cash management/financing operations, pharmacovigilance[3] efforts, and legal, human resources and IT services.

API

11. API is a public company incorporated under the British Columbia *Business Corporations Act*, S.B.C. 2002, c. 57, as amended, with its registered office at 666 Burrard Street, Vancouver, British Columbia and its head office at 7100 West Credit Avenue, Suite 101, Mississauga, Ontario. API is the ultimate parent of the other Aralez Entities. API's head office serves as the global headquarters for the Aralez Entities.

---

[2] Originally, Tribute Pharmaceutical Canada Inc. but pursuant to an internal reorganization, Aralez Canada.
[3] Pharmacovigilance is the practice of monitoring the effects of medical drugs after they have been licensed for use, especially in order to identify and evaluate previously unreported adverse reactions.

12. API's common shares are publicly traded on the Toronto Stock Exchange ("**TSX**") under the symbol "ARZ" and The NASDAQ Stock Market ("**NASDAQ**") under the symbol "ARLZ". Over the past 52 weeks, shares have traded between C$0.29 and C$3.72 on the TSX and $0.21 and $2.98 on NASDAQ.

13. API's authorized share capital consists of an unlimited number of common shares and preferred shares. As at August 6, 2018, API had 68,247,616 common shares issued and outstanding, and no preferred shares issued and outstanding.

Aralez Canada

14. Aralez Canada is the wholly-owned, direct subsidiary of API. Aralez Canada is amalgamated under the *Business Corporations Act*, R.S.O. 1990, B-16, as amended, with its registered office at 7100 West Credit Avenue, Suite 101, Mississauga, Ontario.

15. Aralez Canada has one subsidiary, Tribute Barbados, a Barbados-incorporated corporation. Tribute Barbados has no operations and its assets consist of *de minimis* cash in a bank account and intercompany receivables. The Aralez Entities are considering next steps in dealing with this entity.

Chapter 11 Entities

16. The Chapter 11 Entities, all of which are direct or indirect wholly-owned subsidiaries of API, are identified in the corporate structure chart set out in **Exhibit "A"**, are described below:

(a) **Aralez Management** is a company incorporated under the laws of Delaware with an office in Princeton, New Jersey. It has no significant operations or assets other than serving as the employer of its one employee, the CEO of API.

(b) **APHL** is a company incorporated under the laws of Ireland with an office in Dublin, Ireland. It conducts no operations, has no employees and holds no significant assets other than the shares of Aralez DAC and an intercompany receivable.

(c) **Aralez DAC** is a company incorporated under the laws of Ireland with an office in Dublin, Ireland. Aralez DAC is the licensee or owner of a number of drug products, as well as certain intellectual property. Aralez DAC employs approximately six people who are responsible for supply chain management, and quality control, among other things.

(d) **Pozen** is a company incorporated under the laws of Delaware with an office in Princeton, New Jersey. Pozen owns certain intellectual property rights and is party to certain contracts related thereto. Pozen has no employees.

(e) **Aralez U.S.** is a company incorporated under the laws of Delaware with offices in New York, New York, Radnor, Pennsylvania and Princeton, New Jersey. Aralez U.S. is the main operating entity for U.S. commercial operations, which have been in the process of being wound down starting in May 2018. Prior to commencing the wind down, Aralez U.S. functioned as the sales and marketing entity for certain drug products in the U.S. Aralez U.S. currently employs approximately 20 people.

(f) **Halton** is a company incorporated under the laws of Delaware with an office in Princeton, New Jersey. Halton distributes generic versions of drug products pursuant to an agreement with Aralez DAC.

(g) **Aralez R&D** is a company incorporated under the laws of Delaware with an office in Princeton, New Jersey. Aralez R&D's business is research and development and employs one person.

Luxco and Tribute Barbados

17. Luxco and Tribute Barbados are not applicants in either of the Restructuring Proceedings. A brief description of these entities is included below:

(a) **Tribute Barbados**: Tribute Barbados, a company incorporated under the laws of Barbados, is a wholly-owned direct subsidiary of Aralez Canada. It is a dormant entity with no operations and no significant assets other than de

minimis cash on hand. The Aralez Entities are considering next steps in dealing with this entity during the Restructuring Proceedings.

(b) **Luxco**: Luxco, a company incorporated under the laws of Luxembourg, is a wholly-owned direct subsidiary of APHL. Luxco is a financing entity whose role has effectively ceased, and other than holding funds in a bank account for the payment of taxes and other required payments, and unsecured accounts receivable from other members of the Aralez Entities, has no assets. The Aralez Entities are considering next steps in dealing with this entity during the Restructuring Proceedings.

B. Business Operations

18. The Aralez Entities' Canadian operations focus on products for cardiovascular, pain management, dermatology, allergy and certain other indications in Canada.

19. Aralez Canada is the Canadian operating company of the Aralez Entities, employing approximately 43 people as of August 2, 2018. The vast majority of the CCAA Entities' revenue is derived from domestic sales, which account for approximately 95% of gross revenue for the year to date, with international sales, largely in Europe, making up the balance.

20. The most significant products in Aralez Canada's drug portfolio, which comprise approximately 75% of its gross revenue, are listed below:

(a) **Cambia®** is a non-steroidal anti-inflammatory product and the fastest-acting product in Canada to treat migraines. Pursuant to a 2010 agreement (the "**Cambia Licensing Agreement**") with Nautilus Neuroscience, Inc., subsequently assigned to Depomed, Inc. ("**Depomed**") in 2013, Aralez Canada licenses the exclusive rights to develop, register, promote, manufacture, use, market, distribute and sell Cambia in Canada in exchange for royalty payments to Depomed based on a percentage of net sales and potential milestone payments. The Cambia Licensing Agreement expires in September 2025. Cambia is manufactured in Italy.

(b) **Blexten®** is an antihistamine used for the treatment of allergic rhinitis and hives in Canada. Pursuant to a 2014 agreement (the "**Licence and Supply Agreement**") with Faes Farma, S.A. ("**Faes**"), Aralez Canada has the exclusive rights to sell Blexten in Canada, which it began commercializing in December 2016. Blexten is manufactured in Spain by Faes. The Licence and Supply Agreement expires in May 2036, subject to renewal for further five year terms. Milestone and royalty payments are paid to Faes provided that the conditions to the License and Supply Agreement are met.

(c) **Fiorinal®** and **Fiorinal C®** are used for the treatment of tension headaches and **Visken®** and **Viskazide®** are used for the treatment of hypertension (together, these four products are the "**Novartis Products**"). In October 2014, Aralez Canada entered into an asset purchase agreement with Novartis AG and Novartis Pharma AG for the Canadian rights to manufacture, market, promote, distribute and sell the Novartis Products. The Novartis Products are manufactured in Canada.

(d) **Soriatane®** is indicated for the treatment of severe psoriasis. Pursuant to a January 2018 exclusive distribution agreement (the "**Allergan Distribution Agreement**") with Allergan Inc., which supersedes an earlier agreement with the same party, Aralez Canada has exclusive rights to promote, market, purchase, warehouse, distribute and sell Soriatane in Canada. The Allergan Distribution Agreement expires in January 2023. Aralez Canada pays an incremental revenue-based royalty payment, subject to an annual minimum amount. Soriatane is manufactured in France.

(e) **Proferrin®** is an iron supplement used to prevent or treat iron deficiencies. Pursuant to a distribution agreement with Colorado Biolabs, Inc., Aralez Canada holds exclusive distribution rights in Canada for a term ending in 2031. Proferrin is manufactured in the U.S.

(f) **Bezalip®** is used to treat high cholesterol. Pursuant to the Allergan Distribution Agreement, Aralez Canada has the exclusive licence to market

Bezalip in Canada. Pursuant to another agreement with Allergan, Aralez Canada has the development and marketing rights for Bezalip in the U.S. and is currently exploring a sale or sublicense of those rights. Bezalip is manufactured in France.

21. Aralez Canada also markets numerous other drug products, both non-prescription and prescription, which comprise approximately 25% of its gross revenues.

22. As of August 3, 2018, Aralez Canada owed approximately $5 million in royalty and milestone payments to certain third party licensors. Certain of these licensors are international corporations.

23. Across the business, the Chapter 11 Entities market or outlicense[4] a number of drug products in the U.S. and other jurisdictions:

(a) **Toprol-XL®**: Toprol-XL is part of a family of medications known as beta-blockers, which are used to treat high blood pressure among other cardiovascular conditions. In October 2016, Aralez DAC acquired the U.S. rights to Toprol-XL (as well as an authorized generic version) from AstraZeneca AB ("**AstraZeneca**") pursuant to an asset purchase agreement (the "**Toprol-XL Agreement**"). Aralez U.S. distributes the Toprol-XL brand-drug product in the U.S. pursuant to a distribution agreement with Aralez DAC. Lannet Company Inc. distributes the authorized generic version of Toprol-XL (together with Toprol-XL, the "**Toprol-XL Franchise**") pursuant to a November 2017 supply agreement. The purchase price of Toprol-XL included a $175 million cash payment, future royalty payments and milestone payments if certain targets were met.

(b) **Zontivity®**: Zontivity is indicated for the reduction in thrombic cardiovascular events for certain patient preparations. Aralez DAC acquired the rights to Zontivity in the U.S. and Canada pursuant to an asset purchase agreement with an affiliate of Merck & Co., Inc. in September 2016, which

[4] "Outlicensing" refers to arrangements in which the Aralez Entities license these rights to third parties, who then manufacture and sell the drug.

included a purchase price of $25 million and certain other future royalty and milestone payments. Zontivity was relaunched in the U.S. in June 2017, and then shut down in June 2018 in conjunction with the discontinuation of U.S. commercial operations. It is not currently marketed in Canada. Merck has agreed to supply Zontivity to the Aralez Entities for a period of up to three years from the closing of the acquisition.

(c) **Vimovo®**: Developed by Pozen in collaboration with AstraZeneca pursuant to a collaboration and license agreement originally signed in 2006 and subsequently amended and restated into U.S. and rest of the world agreements in November 2013, Vimovo is a pain-management drug product. AstraZeneca has the rights to commercialize Vimovo outside of the U.S. which rights to sell the product in the U.S. were subsequently acquired by Horizon Pharma USA, Inc. ("**Horizon**"). Pozen receives a 10% royalty on net sales of Vimovo sold in the United States from Horizon, subject to guaranteed annual minimum royalty payments of $7.5 million, and a 10% royalty from AstraZeneca for sales outside of the U.S. and Japan.

(d) **Yosprala®**: Yosprala is a cardiovascular drug developed by Pozen. Launched in the U.S. in October 2016, Yosprala was not able to achieve the anticipated levels of commercial success; as such, Yosprala sales were discontinued in March 2018, and the U.S. rights to the product were sold by Pozen in July 2018.

C. Intellectual Property

24. The CCAA Entities obtain protection for their products, proprietary technology and licenses by means of patents, trademarks and contractual arrangements. As of the date of this affidavit, Aralez Canada owns approximately one dozen patents (in various jurisdictions) related to two products and other members of the corporate group hold patents (in various jurisdictions) related to other drug products. The balance of the Aralez Entities' portfolio, which constitutes the majority of the Aralez Entities' portfolio, is

comprised of products covered by patents that are licensed from third parties or that are not covered by patents.

D. Regulatory Environment

25. The CCAA Entities' drug product portfolio is subject to extensive regulation from Health Canada, the federal authority that regulates, evaluates and monitors the safety, effectiveness, and quality of drugs, medical devices, and other therapeutic products available to Canadians.

26. Regulatory obligations and oversight are extensive in getting a product approved for sale in Canada, and continue past initial market approval of a pharmaceutical product. For example, the CCAA Entities must report any new information received concerning adverse drug reactions, including timely reporting of serious adverse drug reactions that occur in Canada and any serious unexpected adverse drug reactions that occur outside of Canada. The CCAA Entities must also notify Health Canada of any new safety and efficacy issues that it becomes aware of after the launch of a product.

27. Aralez Canada incurs regulatory fees in relation to its drug products, including annual maintenance fees for the drug products to be sold in Canada, fees relating to Aralez Canada's ability to sell the drug products, audit fees, and fees relating to the submission of drug products for approval. As of August 8, 2018, Aralez Canada owes approximately $120,000 in regulatory fees, with another $50,000 of regulatory-related fees accrued but not yet due.

E. Supply Chain

28. The Aralez Entities outsource the entirety of their drug product manufacturing to third-party contractors. The manufacturers are approved fabricators of pharmaceutical products according to U.S. and Canadian government agencies. Manufacturers are heavily regulated and required to hold licenses to manufacture drugs and, in certain cases, are selected from a shortlist of permitted manufacturers provided by the licensor of the particular drug product. The Aralez Entities estimate that, as of August 9, 2018, Aralez Canada will owe an estimated $1,324,916 to manufacturers. Certain of these manufacturers

are single-source manufacturers, certain are licensor-owned manufacturers, certain are located outside of Canada, and certain are some combination of these.

29. The CCAA Entities regularly incur obligations to vendors, pharmaceutical suppliers, and service providers, including the Chapter 11 Entities as described starting at paragraph 48. Key relationships in the supply chain are described below.

30. Once manufactured, Aralez Canada's drug products are shipped by a third-party logistics ("**3PL**") provider to wholesalers and chain accounts. Wholesalers who wish to purchase Aralez Canada's drug products place orders with the 3PL, who sell the products on behalf of Aralez Canada and remit the funds to Aralez Canada, less a service fee. Individual pharmacies purchase product from the wholesaler, and then dispense to the consumer. Chain accounts who wish to purchase Aralez Canada's drug products place orders with the 3PL, who sell the products on behalf of Aralez Canada and remit the funds to Aralez Canada, less a service fee. Chain accounts then distribute products within their business.

Health Care Providers

31. Aralez Canada routinely works with pharmacists, nurses and doctors who provide consulting and speaker services to Aralez Canada. The Aralez Entities estimate that, as of August 8, 2018, Aralez Canada will owe less than $120,000 to these health care providers.

F. Employees

32. The CCAA Entities have approximately 43 employees, all of whom are located in Canada. The Chapter 11 Entities have approximately 28 employees located in the U.S. and Ireland.

33. Approximately 22 Aralez Canada employees are salespeople who are paid commission on sales on a quarterly basis in arrears and three Aralez Canada employees are sales managers. None of the employees of the CCAA Entities are subject to a collective bargaining agreement.

34. In addition to its employees, Aralez Canada has 11 contract workers, eight of whom perform sales work and three of whom perform back office functions.

G. Pensions and Benefits

35. Aralez Canada employees are members of a defined contribution Registered Retirement Savings Plan pursuant to which Aralez Canada matches, dollar for dollar, contributions up to 4% of earnings which is funded semi-monthly. The CCAA Entities do not have any defined benefit pension plans.

H. Customers

36. The CCAA Entities' customers are comprised of wholesale pharmaceutical distributors and chain accounts, as described above at paragraph 28.

37. As of December 31, 2017, the CCAA Entities had four significant customers which accounted for approximately 90% of net product revenue. These customer concentrations are customary in the pharmaceutical business and each of the significant customers is a well-known and respected entity (e.g. Shoppers Drug Mart).

I. Customer Programs

38. The CCAA Entities maintain various customer programs to generate sales and maintain customer loyalty (the "**Customer Programs**"). Customer Programs consist of various initiatives including a returns program, a rebate program, a co-pay program and a fee-for-service program. The returns program allows customers to return pharmaceutical products within a specified period of time both prior and subsequent to the product's expiration date. The rebate program relates to arrangements that Aralez Canada enters into with payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the products. The co-pay program relates to programs with the government for shared funding of drugs. The fee-for-service program relates to agreements with various wholesalers and distributors to manage sales of the drugs to end-consumers. The Customer Programs often result in the CCAA Entities' accruing liabilities for the benefit of their customers, some of which will not have been paid upon commencement of the CCAA Proceedings. As of August 8, 2018 Aralez Canada had accrued approximately $1.2 million on account of the Customer Programs.

J. Properties and Facilities

39. Pursuant to a sublease dated March 1, 2016, Aralez Canada subleases a facility located at 7100 West Credit Avenue in Mississauga, Ontario, which serves as the headquarters for the CCAA Entities.

K. Cash Management System and Intercompany Transactions

Cash Management

40. In the ordinary course of their business, the CCAA Entities use a centralized cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with their operations. The Cash Management System gives the CCAA Entities the ability to efficiently and accurately track and control corporate funds and ensure cash availability.

41. API maintains three bank accounts:

(a) A U.S. dollar operating bank account with Bank of America ("**BOA**") located in New Jersey. This account is the main account for servicing the Secured Credit Facility and also pays general corporate expenses such as reporting-related and professional fees. Prior to the commencement of the Restructuring, funds flowed into this account either (i) by a debt repayment by Luxco (ii) by way of a loan directly from Luxco to API; or (iii) through a loan from Aralez Canada to API;

(b) A Canadian dollar operating bank account with BOA located in Toronto. This account is funded on an as-needed basis to facilitate payments in Canadian dollars, and generally does not carry a balance unless a payment is approaching; and

(c) A U.S. dollar investment account with Capital One located in New Jersey, which has a *de minimis* amount of cash on hand.

42. Aralez Canada maintains four bank accounts:

(a) A Canadian dollar operating bank account with Bank of Montreal ("**BMO**") located in Toronto, which is used to receive payments and make disbursements in Canadian dollars;

(b) A Euro operating bank account with HSBC Bank of Canada located in Toronto, which is used to receive payments and make disbursements in Euro currency;

(c) A U.S. dollar operating bank account with BMO located in Toronto which is used to receive payments and make disbursements in U.S. dollars; and

(d) A dormant Canadian dollar account with no funds.

43. Each of the Aralez Canada accounts is largely self-sustaining. To the extent the Euro or U.S. dollar account does not have sufficient receipts to cover its disbursements, Aralez Canada will transfer money to the applicable account from the Canadian dollar operating account.

44. Aralez Canada's payroll is managed by Automatic Data Processing, Inc., which issues direct deposits to Aralez Canada employees on the date payroll is paid.

45. The Chapter 11 Entities maintain 13 bank accounts consisting of lockboxes which process sales of branded and generic pharmaceutical products, a master account, operating and disbursement accounts, an investment account, a tax account and a government rebate account.

46. Income from the lockboxes is deposited daily into a master account, which, among others things, is used to facilitate certain intercompany transactions with the Chapter 11 Entities incorporated in Ireland.

47. Certain of the bank accounts held by the Aralez Entities are subject to deposit account control agreements pursuant to the Loan Agreement defined and described below.

Intercompany Transactions

48. In light of the global nature of their business, in the ordinary course of business, the Aralez Entities maintain relationships with each other that result in claims arising from various transactions, both operational and financial. The Aralez Entities track all intercompany transactions in their accounting system and can ascertain, trace and account for them as needed.

49. During the CCAA Proceedings and Chapter 11 Proceedings, the Aralez Entities expect that they will not incur any intercompany loans due to the proposed DIP financing, detailed below; however, they do anticipate continuing ordinary course business transactions which shall be recorded on the Aralez Entities' books and records.

50. Luxco and Tribute Barbados, which are not parties to the CCAA Proceedings or Chapter 11 Proceedings, maintain separate bank accounts with no significant balances.

III. ASSETS AND LIABILITIES OF ARALEZ ENTITIES

51. Copies of API's fiscal 2017 consolidated audited financial statements, which include unaudited consolidated financial statements for the quarter ending December 31, 2017, are attached hereto as **Exhibit "B"**. Copies of API's unaudited consolidated financial statements for the quarters ending March 31, 2018 and September 30, 2017 are attached hereto as **Exhibits "C"** and **"D"**, respectively.

A. Assets of the Aralez Entities

52. As at March 31, 2018, the Aralez Entities' assets on a consolidated basis had a book value of approximately $481 million.

53. As at March 31, 2018, the book value of Aralez Canada's assets was approximately $117 million.

B. Liabilities of the Aralez Entities

54. As at March 31, 2018, the Aralez Entities had liabilities totalling approximately $488 million.

55. Aralez Canada's liabilities (other than long term debt of approximately $280 million) were approximately $15 million as of March 31, 2018.

56. The Aralez Entities' long term debt obligations are detailed below. Deerfield (as that term is defined below) is the only party listed in personal property and intellectual property security registrations as of August 9, 2018.

Deerfield Facility Agreement

57. API, Aralez Canada[5] and Pozen have entered into a loan agreement dated as of June 8, 2015 (as amended or amended and restated from time to time, including on December 7, 2015, the "**Facility Agreement**") with Deerfield Private Design Fund III, L.P. and Deerfield Partners L.P.[6] (collectively "**Deerfield**") as lenders. A copy of the Facility Agreement is attached hereto as **Exhibit "E"**.

58. API is the borrower under the Facility Agreement in the principal amount of $275 million, consisting of:

(a) A $200 million credit facility which bears interest at a rate of 12.5% (the "**Secured Credit Facility**"); and

(b) $75 million of senior secured convertible notes which bear interest at a rate of 2.5% which are convertible into API common shares at an initial conversion premium of 32.5% (subject to adjustment upon certain events), (the "**Secured Notes**").

As of August 6, 2018, approximately $203.1 million in aggregate principal is outstanding under the Secured Credit Facility, plus approximately $2.7 million in accrued paid-in-kind interest. As of August 6, 2018, approximately $75.5 million in aggregate principal is outstanding under the Secured Notes, plus approximately $200,000 in accrued paid-in-kind interest.

59. Each of the Secured Credit Facility and the Secured Notes are guaranteed by the Aralez Entities other than API, including Aralez Canada, as well as being guaranteed by Luxco and Barbados (collectively, the "**Guarantors**").

---

[5] Originally, Tribute Pharmaceutical Canada Inc. but pursuant to the amalgamation, Aralez Canada.

[6] Originally a party to the Facility Agreement, Deerfield International Master Fund, L.P. subsequently merged with Deerfield Partners L.P.

60. API and the Guarantors are parties to security agreements in respect of the Secured Credit Facility and the Secured Notes. With respect to the CCAA Entities, the following security agreements have been entered into:

(a) A Canadian Security Agreement between API and Deerfield dated February 6, 2016;

(b) A Canadian Security Agreement between Aralez Canada and Deerfield dated February 6, 2016;

(c) An Intellectual Property Security Agreement between API and Deerfield dated February 6, 2016;

(d) An Intellectual Property Security Agreement between Aralez Canada and Deerfield dated February 6, 2016; and

(e) A confirmation of Guaranty and Security between Aralez Canada and Deerfield dated February 6, 2016,

(together, the "**Security Agreements**").

Pursuant to the Security Agreements, Deerfield was granted a first priority security interest in substantially all present and after-acquired property of API and the Guarantors, including intangible property. Copies of the Security Agreements are attached hereto as **Exhibit "F"**.

61. On June 29, 2018, the Aralez Entities announced that, in connection with the review of their strategic alternatives, they entered into an amendment to the Facility Agreement, pursuant to which Deerfield agreed to accept payment in kind of interest due and payable on July 1, 2018 with respect to the Secured Credit Facility and the Convertible Secured Notes through August 15, 2018.

IV. FINANCIAL DIFFICULTIES AND NEED FOR CCAA PROTECTION

A. Financial Difficulties

62. The pharmaceutical industry is highly competitive, dominated by a small number of highly-concentrated global competitors with significant resources. Since its inception in February 2016, the Aralez Entities have incurred significant net losses. Most recently, the Aralez Entities incurred a net loss of $125.2 million for the year ended December 31, 2017, and $19.7 million for the three months ended March 31, 2018. As losses continue, servicing a significant amount of debt becomes more difficult.

63. In 2016 and 2017, the Aralez Entities launched Yosprala and relaunched Zontivity. In anticipation of these products being sold in the U.S. market by the Aralez Entities and their anticipated commercial success, the Aralez Entities committed significant sales and marketing resources. Despite a robust sales and marketing effort, sales from Yosprala were disappointing and the product was discontinued in March 2018. Further, sales of Zontivity were not sufficient to justify the cost of the U.S. commercial infrastructure, which operations are in the process of being wound up starting in May 2018.

64. The debt incurred through the Facility Agreement to establish operations and make certain product acquisitions has significant carrying costs. The Aralez Entities do not have sufficient cash to sustain operations until these products can bring in sufficient revenues to support the business and service the existing debt.

65. The Toprol-XL Franchise is a significant source of revenue for Aralez U.S. and by extension, the Aralez Entities. The Aralez Entities have recently experienced increased generic competition with respect to this product, which is expected to further negatively affect its business.

B. Responses to Financial Difficulties

66. Taken together, these recent events have presented challenges to the business and operations of a group of companies that has taken an assertive acquisition and marketing approach in its business. In addition, the financial difficulties of the Aralez Entities have been exacerbated by working capital tightening and other business impacts that followed

API's public filing of its financial reports in May 2018, which raised substantial doubt regarding the company's ability to continue as a going concern.

67. The Aralez Entities have undertaken significant efforts to counteract the recent financial difficulties experienced, including, among other things:

(a) Reducing its U.S. sales force by 32% in April 2017;

(b) Redirecting marketing resources from Yosprala in 2017;

(c) Discontinuing sales of Yosprala in March 2018 and selling the rights to Yosprala in July 2018;

(d) Discontinuing sales of Zontivity and winding down U.S. commercial operations as announced in May 2018;

(e) Hiring a cash management and restructuring advisor, Alvarez & Marsal Healthcare Industry Group, LLC ("**A&M U.S.**") and Alvarez & Marsal Canada Inc. ("**A&M Canada**" and together with A&M U.S., "**A&M**"), to assist the Aralez Entities in its restructuring efforts, including assistance in cash management and implementing a restructuring plan;

(f) Engaging investment bank Moelis & Company LLC ("**Moelis**") in late 2017 to evaluate strategic alternatives and establish sales processes of various business lines, detailed below starting at paragraph 71; and

(g) Exploring and evaluating alternative financing opportunities that could provide a long-term going concern solution to the Aralez Entities' business.

C. The Applicants are Facing Insolvency

68. Steady losses since 2016, insufficient cash from operations and the inability to raise more capital have limited the Aralez Entities' ability to run their business.

69. The Applicants have not been able to enter into any further amendments or forbearances under the Facility Agreement on terms that would result in a long term going concern solution and anticipate that they will be unable to service their debt in the short-

term. Despite their efforts, the Applicants have been unable to obtain alternative funding on reasonable terms.

70. Without CCAA protection and access to DIP financing (detailed below), the Applicants will not have sufficient cash to meet their obligations as they come due, and their liabilities exceed the value of their assets. The Applicants are insolvent. Without the protection of the CCAA, a shut-down of operations is inevitable, which would be extremely detrimental to the CCAA Entities' stakeholders, including employees and customers. CCAA protection will allow the CCAA Entities to maintain operations while giving them the necessary time to consult with their stakeholders regarding the future of their business operations and execute the proposed sales process. CCAA protection will also allow the CCAA Entities to coordinate restructuring proceedings with the Chapter 11 Entities, should they be granted the relief sought in the U.S. Court.

V. RESTRUCTURING THE CCAA ENTITIES

71. The Aralez Entities (including the Applicants), in response to the issues leading to the current liquidity concerns, engaged in a thorough review of the Aralez Entities' strategic alternatives with the advice and guidance of their legal and financial advisors.

72. The Aralez Entities ultimately determined that the appropriate approach was to proceed with a sale of substantially all of their assets through one or more sales pursuant to (a) the CCAA with respect to the CCAA Entities and (b) section 363 of the Bankruptcy Code with respect to the Chapter 11 Entities.

73. As part of its review and prior to the commencement of the Restructuring Proceedings, the Aralez Entities engaged in active discussions with potentially interested parties to divest various assets, including the Company's U.S. and Canadian rights to distribute certain drug products. In connection with these discussions, the Aralez Entities engaged Moelis as their investment banker and began a prepetition marketing process, reaching out to 73 potential acquiring parties for the Zontivity assets, 68 potential acquiring parties for the Toprol-XL Franchise, 39 potential acquiring parties for a combination of Vimovo royalties and certain Canadian assets and 15 additional parties for just the Vimovo royalties. The Company ultimately distributed a confidential presentation to 41 potential acquirers with respect to Zontivity, 26 potential acquirers with respect to the Toprol-XL

Franchise, 22 potential acquirers with respect to a combination of Vimovo and certain Canadian assets and 5 additional potential acquirers with respect to just the Vimovo royalties.

74. As a result of this process, the Aralez Entities intend to enter into purchase agreements with two separate purchasers: (a) an agreement among Aralez DAC, Pozen, Aralez Canada and Deerfield to purchase the Toprol-XL Franchise through a credit bid of $140 million, and (b) an agreement among API, Pozen, Aralez Canada, Nuvo Pharmaceuticals Inc. and Nuvo Pharmaceuticals Ireland (Limited) (collectively, "**Nuvo**") to purchase the Aralez Entities' Canadian operations and its rights to royalties from Vimovo for $110 million, in each case, free and clear of all claims or encumbrances (other than assumed liabilities and permitted encumbrances), subject to higher or otherwise better offers. The applicable Aralez Entities have signed letters of intent with Deerfield and Nuvo that include the material terms of the proposed transactions, subject to definitive documentation.

75. The CCAA Entities intend to return to court to seek approval of a sales process pursuant to which Nuvo and Deerfield will act as stalking horse bidders for the assets currently subject to their respective letters of intent. The CCAA Entities expect that the Chapter 11 Entities will return to the U.S. Court to seek a similar order, and the Aralez Entities intend to coordinate the sales process.

VI. CASH FLOW FORECAST

76. As set out in the 13-week cash flow projection (the "**Cash Flow Statement**") that was prepared by the CCAA Entities in consultation with A&M, and reviewed by the proposed Monitor for the period from August 4, 2018 to the week ending November 2, 2018, the Applicants' estimated principal uses of cash will consist of the payment of ongoing day-to-day operational expenses and professional fees and disbursements in connection with these CCAA proceedings, including those certain pre-filing payments detailed below. I understand from counsel to the Applicants that a copy of the Cash Flow Statement will be attached to the pre-filing report of the proposed Monitor which is to be filed with the Court.

77. As of August 3, 2018, the Applicants have an estimated $5.8 million in cash on hand. The Cash Flow Statement projects that, subject to obtaining the relief outlined herein,

including approval of the DIP Financing (defined below), they will have sufficient cash to fund their projected operating costs until the end of the stay period.

VII. PROPOSED INITIAL ORDER

A. Authority to Pay Certain Pre-Filing Amounts

78. As of the date of this affidavit, the CCAA Entities owe approximately $6.3 million in royalty and other fees relating to their drug products to licensors.

79. As of the date of this affidavit, the CCAA Entities owe approximately $70,000 to other parties which are important for their continued operation, including drug product manufacturers.

80. While the initial order proposed in these CCAA Proceedings prevents counterparties from terminating their supply arrangements, uninterrupted supply of drug products is critical to ongoing operations and, by extension, the preservation of value of the business. Certain manufacturers are the only entities manufacturing the particular drug product. A party engaging in self-help, even for a short period of time, would disrupt the business during a crucial period.

81. It is the opinion of management of the CCAA Entities that, without payment of the pre-filing amounts owing to these parties, the regulatory agencies and licensors may interrupt the CCAA Entities' ability to procure and sell drug products in the market, leading to a significant disruption in the Applicants' business during the first critical weeks of the CCAA proceedings and cause value dissipation. As such, the CCAA Entities are seeking the authorization, but not the requirement, to make payments to these stakeholders, including those relating to the pre-filing period. Pursuant to the terms of the draft Initial Order, the CCAA Entities would require the consent of the Monitor to make any pre-filing payment amounts.

B. Continuation of Customer Rebate Program

82. As described above, consistent with industry practice, the CCAA Entities maintain various Customer Programs to generate sales and maintain customer loyalty. The Customer Programs often result in the CCAA Entities' accruing liabilities for the benefit of their

customers, some of which will not have been paid upon commencement of the CCAA Proceedings.

83. Maintaining the loyalty, support, and goodwill of customers and partners is critical to the business of the CCAA Entities and their efforts to maximize the value for the benefit of stakeholders. Accordingly, the proposed Initial Order provides that the CCAA Entities are authorized, but not required, to continue to honour and fulfill their obligations under the Customer Programs, including those relating to the pre-filing period.

84. Allowing the CCAA Entities to honour their Customer Programs will maintain goodwill and positive relationships with customers for the duration of the CCAA Proceedings. I understand that similar provisions are being sought within the Chapter 11 Proceedings. The Cash Flow Statement presents customer receipts on a net basis after the deduction of such applicable Customer Program amounts.

C. Engagement of A&M

85. As described above, A&M was previously retained by the Applicants and has played a central role in advising and assisting the Aralez Entities with liquidity management and operational restructuring initiatives. A&M has entered into an engagement letter effective as of July 9 2018, as subsequently amended (the "**A&M Engagement Letter**") pursuant to which A&M will assist the Aralez Entities during the CCAA Proceedings and the Chapter 11 Proceedings. A copy of the A&M Engagement Letter is attached hereto as **Exhibit "G"**.

86. In the proposed Initial Order, the CCAA Entities are seeking the Court's confirmation of the retention of A&M and the approval of the A&M Engagement Letter. The approval of the engagement of A&M is appropriate in the circumstances as A&M has worked extensively with the CCAA Entities since its initial engagement and has significant knowledge with respect to their business, operations and finances. A&M's continued involvement will be critical to the successful completion of the going-concern restructuring transaction as part of the CCAA proceedings that will maximize value for stakeholders. The Applicants believe that the retention of A&M is in the best interests of the CCAA Entities and their stakeholders.

D. Engagement of Moelis and the Transactional Fee Charge

87. As described above, Moelis was previously retained by the Applicants and has played a central role in assisting the Aralez Entities in reviewing their strategic options, developing a pre-filing sales process and otherwise advising and assisting the Aralez Entities. API, Aralez U.S. and Moelis have entered into an engagement letter dated as of July 18, 2018 (the "**Moelis Engagement Letter**") pursuant to which Moelis will assist the CCAA Entities during the CCAA Proceedings. A copy of the Moelis Engagement Letter is attached hereto as **Exhibit "H"**.

88. In the proposed Initial Order, the CCAA Entities are seeking the Court's confirmation of the retention of Moelis and the approval of the Moelis Engagement Letter. The approval of the engagement of Moelis is appropriate in the circumstances as Moelis has worked extensively with the CCAA Entities since its initial engagement and has significant knowledge with respect to their business, operations and finances. Moelis' continued involvement will be critical to the successful completion of the going-concern restructuring transaction as part of the CCAA proceedings that will maximize value for stakeholders. The Applicants believe that the retention of Moelis is in the best interests of the CCAA Entities and their stakeholders.

89. Moelis is the investment banker to the Aralez Entities, including the CCAA Entities. The services it has provided to date have benefitted the Applicants and are expected to continue benefitting the Applicants during the CCAA Proceedings, including by executing the sales process. In return for its services, Moelis charges a monthly fee for its work in the amount of $150,000 (the "**Monthly Fee**") and will further collect certain Transaction, Restructuring or Financing fees (as those terms are defined in the Moelis Engagement Letter, and collectively, the "**Transactional Fees**") if the conditions to its engagement are met as described in the Moelis Engagement Letter. During the Restructuring Proceedings, Moelis will split its monthly fee equally between the CCAA Entities and Chapter 11 Entities, and any Transactional Fees shall be allocated proportionately among the estates based on proceeds. To the extent necessary, Moelis will also reconcile its monthly fees between the two proceedings to reflect the allocation of proceeds of sale.

90. The Aralez Entities have determined that the proposed system for allocating work by Moelis is reasonable. The Initial Order provides that the Transactional Fee Charge shall rank fourth on the Property of the Applicants.

E. Administration Charge

91. The Applicants seek a Charge (defined below) on the assets, property and undertakings of the CCAA Entities (the "**Property**") in the maximum amount of $1 million to secure the fees and disbursements incurred in connection with services rendered to the Applicants both before and after the commencement of the CCAA proceedings by the proposed Monitor, the Monitor's counsel, the Financial Advisor, and the Applicants' counsel, and for 50% of the Monthly Fee (as that term is defined in the Moelis Engagement Letter) of the Investment Banker in relation to the fees and expenses incurred for services for the benefit of the CCAA Entities (subject to paragraph 94 below) (the "**Administration Charge**").

92. The CCAA Entities worked with A&M Canada and the proposed Monitor to estimate the proposed quantum of the Administration Charge. The proposed Monitor has reviewed the quantum of the Administration Charge and believes it is reasonable and appropriate in view of the complexities of the Applicants' CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

Beneficiaries of the Administration Charge

93. The Applicants are represented by Stikeman Elliott LP and Willkie Farr & Gallagher LLP ("**Willkie Farr**"). Within the Restructuring Proceedings, it is expected that the majority of Willkie Farr's work will be for the benefit of the Chapter 11 Entities, and Willkie Farr will bill its work accordingly. It is expected that Willkie Farr also will provide certain legal services for the benefit of the Applicants. In such event, Willkie Farr will maintain separate bills for this work and will remit those bills to the CCAA Entities for payment.

94. A&M is the Financial Advisor to the Aralez Entities. CCAA-related work will be performed by A&M Canada and billed to the CCAA Entities, while Chapter 11-related work will be performed by A&M U.S. and billed to the Chapter 11 Entities. Where financial advisory services are provided for the benefit of the Aralez Entities as a whole, the

applicable A&M entity shall bill the CCAA Entities and the Chapter 11 Entities equally. To the extent necessary, A&M will reconcile the fees billed to the Aralez Entities as a whole based on allocation of proceeds of sale.

95. During the CCAA Proceedings, Moelis will allocate 50% of its Monthly Fee to the CCAA Entities and 50% of its Monthly Fee to the Chapter 11 Entities. To the extent necessary, Moelis will reconcile the fees billed to the Aralez Entities as a whole to reflect the allocation of proceeds.

96. The Aralez Entities have determined that the proposed system for allocating work by Willkie Farr, A&M and Moelis is reasonable. Pursuant to the terms of the Initial Order, in the event a fee allocation reconciliation is required, the CCAA Entities will return to the Court to seek such allocation.

97. The Initial Order provides that the Administration Charge shall rank first on the Property of the Applicants.

F. DIP Financing

98. The CCAA Entities are generally profitable at the operational level; however, their costs and revenues fluctuate in such a manner that they are not cash positive consistently. Accounting for the variance of cash flows, the potential impact and increased costs of a CCAA proceeding and taking a conservative approach, the CCAA Entities, in consultation with their advisors, have determined that the CCAA Entities have insufficient liquidity to maintain an appropriate minimum level of cash throughout the proposed CCAA proceedings and require interim debtor-in-possession financing ("**DIP Financing**") to provide suppliers, customers and other stakeholders with confidence that the business of the CCAA Entities will continue to operate uninterrupted throughout these CCAA Proceedings. DIP Financing is critical to allow the CCAA Entities the appropriate time to run a post-filing sales process and implement a sale of their assets for the benefit of all of their stakeholders. The proposed Monitor has been provided with the cash flows relating to this determination.

99. The Chapter 11 Entities also require DIP Financing. The Aralez Entities determined that the most efficient financing process would be to obtain financing from one party for all

of the Aralez Entities. The Aralez Entities and their advisors worked together to obtain such financing on terms that were equally favourable to both the CCAA Entities and the Chapter 11 Entities.

Process for Selecting DIP Financing

100. The Chapter 11 Entities also require DIP Financing. The Aralez Entities and their advisors worked together to obtain such financing on terms that were equally favourable to both the CCAA Entities and the Chapter 11 Entities. The Aralez Entities solicited DIP financing proposals from nine sources, including from their existing secured lender, Deerfield. Only one party, an affiliate of Deerfield (the "**DIP Lender**"), submitted a proposal to provide DIP Financing. Further, Deerfield indicated that it would oppose any third party lender priming its first-ranking security position.

Summary of DIP Financing

101. The CCAA Entities, with assistance from their advisors, counsel and the prospective Monitor, are negotiating the Debtor-In-Possession credit agreement (as amended, supplemented or otherwise modified from time to time, the "**Canadian DIP Credit Agreement**") pursuant to which the DIP Lender will provide to the CCAA Entities a term loan facility (the "**Canadian DIP Facility**") in the maximum amount of US$10 million. A copy of the Canadian DIP Credit Agreement is anticipated to be filed separately before the hearing of this application.

102. The Chapter 11 Entities, through Moelis, A&M and their U.S. counsel, have negotiated the Debtor-In-Possession credit agreement (as amended, supplemented or otherwise modified from time to time, the "**U.S. DIP Credit Agreement**") pursuant to which the Chapter 11 Entities will obtain access to a facility in the maximum amount of US$5 million from Deerfield.

103. A summary of some of the material terms of the Canadian DIP Credit Agreement are set out below:

(a) **Borrowers**: API and Aralez Canada.

(b) **Facility Amount:** US$10 million.

(c) **Interest Rate**: 10% plus 2% upon an event of default under the Canadian DIP Facility.

(d) **Fees:** 1% of the Facility Amount (which shall be non-refundable and fully earned on the date of the Canadian DIP Agreement and shall be due and payable on the Maturity Date) and 1% of the Facility Amount upon any extension of the term of the DIP Facility.

(e) **Maturity**: the earliest of, among others, (a) February 2019; (b) the sale of all or substantially all of the CCAA Entities' assets; and (c) termination of the CCAA Proceedings.

(f) **Milestones**: the Canadian DIP Credit Agreement provides that the CCAA Entities must take certain steps and obtain certain orders by the deadlines set out in section 1.1 (Case Milestones) of the Canadian DIP Credit Agreement, including entering into a stalking horse agreement for the sale of all or substantially all of their assets within 21 days of the CCAA filing date and completing the sale(s) of their assets within a certain amount days of obtaining Court approval of any sale(s). These milestones can be extended by the Applicants with the consent of the DIP Lender.

(g) **Negative Covenants**: The Canadian DIP Credit Agreement contains a number of negative covenants, including:

(i) The grant of any liens other than specifically permitted liens (which for greater certainty does not include liens granted by Court Order other than the Initial Order);

(ii) Failure by the Applicants to be in compliance with the budget approved by the DIP Lender.

(h) **Charge**: amounts owing under the DIP Facility are proposed to have a second-ranking Court-ordered charge on the Property of the CCAA Entities (the "**DIP Lenders' Charge**") in priority to all other liens and interests.

104. The Canadian DIP Credit Agreement is also expected to contain a number of Events of Default, including:

(a) An occurrence of an "Event of Default" as defined in the U.S. DIP Credit Agreement;

(b) An attempt by any person to invalidate or reduce the pre-filing indebtedness to and security of Deerfield;

(c) Failure of the CCAA Court to permit Deerfield to credit bid their pre-filing debt and security in connection with the purchase of the CCAA Parties' assets; and

(d) Breach of any covenants under the Canadian DIP Credit Agreement.

105. The Canadian DIP Credit Agreement is expected to provide that upon an event of default, the DIP Lender is entitled to exercise all of its rights and remedies upon notice to the CCAA Entities and the Monitor.

106. The DIP Facility is expected to provide sufficient liquidity to allow the CCAA Entities to pursue a restructuring in these CCAA Proceedings. As the Canadian DIP Facility is provided by Deerfield and Deerfield has the only PPSA-registered security on the assets of the CCAA Entities, the CCAA Entities believe there will be no material prejudice to any of their existing creditors in approving the Canadian DIP Credit Agreement. Accordingly, the CCAA Entities seek an order authorizing and empowering the Applicants to obtain and borrow under the Canadian DIP Facility in order to finance the operations of the CCAA Entities during the CCAA Proceedings.

G. D&O Charge

107. To ensure the ongoing stability of the Applicants' business during the CCAA proceedings, the Applicants require the continued participation of their respective directors, officers, managers and employees.

108. The Applicants are seeking what I am advised are typical provisions staying all proceedings against the directors and officers and granting an indemnity with respect to all

post-filing claims that may arise against the directors and officers in their capacity as the Applicants' directors or officers.

109. I am advised by counsel to the Applicants that in certain circumstances directors can be held liable for certain obligations of a corporation owing to employees and government entities.

110. The Applicants maintain directors' and officers' liability insurance (the "**D&O Insurance**") that benefit the directors and officers of the CCAA Entities. In addition, there are also contractual indemnities which have been given to the directors and officers by the CCAA Entities. The Applicants may not have sufficient funds to satisfy those indemnities should their directors and officers be found responsible for the full amount of the potential directors' liabilities. Lastly, there is a deductible for certain claims and the presence of a number of exclusions creates a degree of uncertainty.

111. The directors and officers of the Applicants have indicated that, due to the potentially significant personal exposure arising going forward, they cannot continue their service with the Applicants unless the Initial Order grants a charge on the Property in the amount of $1 million (the "**D&O Charge**"). The D&O Charge is proposed to rank third in priority on the Property.

112. The D&O Charge will allow the Applicants to continue to benefit from the efforts and knowledge of their directors and officers. The Applicants and the proposed Monitor believe the D&O Charge is reasonable in the circumstances.

H. Ranking of the Court Ordered Charges

113. The proposed ranking of the court ordered charges is as follows:

(a) Administration Charge;

(b) DIP Lenders' Charge;

(c) D&O Charge; and

(d) Transaction Fee Charge.

VIII. COMEBACK MOTION

114. The Applicants intend to return to Court on notice to the service list for a motion (the "**Comeback Motion**") seeking, among other things:

(a) Approval of the cross-border protocol in order to coordinate proceedings between the CCAA Entities and the Chapter 11 Entities;

(b) Approval of key employee incentive and retention programs; and

(c) Extension of the stay of proceedings established by the proposed Initial Order.

115. The Applicants further intend to return to Court on notice to the service list for a motion (the "**Sales Process Motion**") seeking, among other things, approval of the stalking horse sale process described above.

IX. MONITOR

116. Richter Advisory Group Inc. ("**Richter**") has consented to act as the Court-appointed Monitor (the "**Monitor**") of the CCAA Entities, subject to Court approval.

117. Richter is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* as amended, and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA. I am advised by my legal counsel that Richter has extensive experience in matters of this nature, including in cross-border restructuring proceedings, and is therefore well-suited to this mandate

118. I am advised by Paul van Eyk of Richter that the proposed Monitor is supportive of the relief being sought in favour of the CCAA Entities. Mr. van Eyk has also advised me that the proposed Monitor will be filing a pre-filing Monitor's report in respect of that relief.

SWORN BEFORE ME at the City of New York, State of New York, on August 9, 2018.

Rebecca Cordy

Commissioner for Taking Affidavits

ANDREW I. KOVEN

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF ANDREW I. KOVEN SWORN ON AUGUST 9, 2018

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Ashley Taylor LSUC#: 39932E
Tel: (416) 869-5236
E-mail: ataylor@stikeman.com

Kathryn Esaw LSUC#: 58264F
Tel: (416) 869-6820
E-mail: kesaw@stikeman.com
Fax: (416) 947-0866

Lawyers for the Applicants

TAB A

Exhibit "A" to the Affidavit

Of Andrew Koven sworn

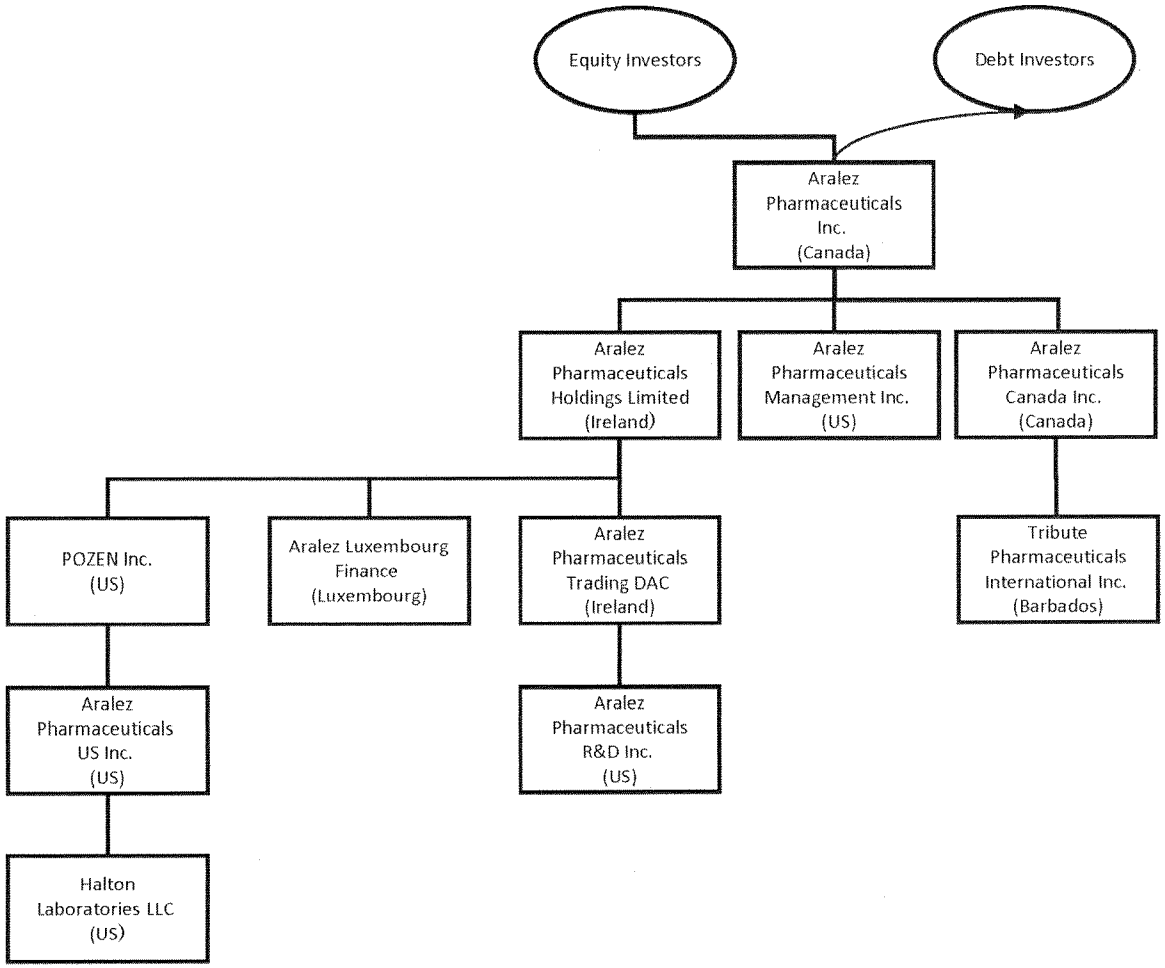
August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

Aralez Corporate Structure



Aralez Pharmaceuticals

TAB B

Exhibit "B" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

ARALEZ PHARMACEUTICALS INC.

INDEX TO FINANCIAL STATEMENTS

Management's Report on Internal Control Over Financial Reporting

Management of Aralez Pharmaceuticals Inc. (Aralez) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Aralez; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Aralez are being made only in accordance with authorizations of management and directors of Aralez; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Aralez's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated Aralez's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework* (2013 Framework) (COSO). As a result of this assessment and based on the criteria in the COSO framework, management has concluded that, as of December 31, 2017, Aralez's internal control over financial reporting was effective.

Ernst & Young LLP, the independent registered public accounting firm that audited Aralez's financial statements included in this Annual Report on Form 10-K, has issued an attestation report on Aralez's internal control over financial reporting, which is included herein.

/s/ Adrian Adams	/s/ Michael J. Kaseta
Adrian Adams Chief Executive Officer	Michael J. Kaseta Interim Chief Financial Officer and Head of Finance
March 13, 2018	March 13, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Aralez Pharmaceuticals Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Aralez Pharmaceuticals Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, stockholders' equity, comprehensive (loss) income, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), as and our report dated March 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1997.

Iselin, New Jersey

March 13, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Aralez Pharmaceuticals Inc.

Opinion on Internal Control over Financial Reporting
We have audited Aralez Pharmaceuticals Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control— Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Aralez Pharmaceuticals Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, and the consolidated statements of operations, stockholders' equity, comprehensive (loss) income, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements") of the Company and our report dated March 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Iselin, NJ
March 13 2018

ARALEZ PHARMACEUTICALS INC.
CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,892	$ 64,943
Accounts receivable, net	13,453	20,405
Inventory	6,643	4,548
Prepaid expenses and other current assets	3,687	2,435
Total current assets	52,675	92,331
Property and equipment, net	7,453	7,316
Goodwill	81,781	76,694
Other intangible assets, net	310,346	340,194
Other long-term assets	1,222	842
Total assets	$ 453,477	$ 517,377
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 23,631	$ 8,833
Accrued expenses	28,496	32,141
Short-term contingent consideration	11,482	10,430
Other current liabilities	4,251	5,870
Total current liabilities	67,860	57,274
Long-term debt, net	274,546	274,441
Deferred tax liability	3,797	3,273
Long-term contingent consideration	88,873	60,685
Other long-term liabilities	3,182	2,218
Total liabilities	438,258	397,891
Commitments and Contingencies		
Preferred shares, no par value; unlimited shares authorized, issuable in series; none outstanding	—	—
Common shares, no par value, unlimited shares authorized, 66,972,742 and 65,640,607 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	363,792	352,336
Accumulated other comprehensive income	14,298	4,816
Accumulated deficit	(362,871)	(237,666)
Total shareholders' equity	15,219	119,486
Total liabilities and shareholders' equity	$ 453,477	$ 517,377

The accompanying notes are an integral part of the consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of U.S. dollars, except per share data)

	For the Years Ended December 31,		
	2017	2016	2015
Revenues:			
Product revenues, net	$ 38,729	$ 25,432	$ —
Other revenues	67,218	28,838	21,391
Total revenues, net	105,947	54,270	21,391
Costs and expenses:			
Cost of product revenues (exclusive of amortization shown separately below)	13,506	11,765	—
Selling, general and administrative	116,572	118,548	50,345
Research and development	2,324	8,832	8,512
Amortization of intangible assets	34,323	12,591	—
Change in fair value of contingent consideration	35,725	750	—
Impairment of intangible assets	—	4,368	—
Total costs and expenses	202,450	156,854	58,857
Loss from operations	(96,503)	(102,584)	(37,466)
Interest expense	(26,984)	(6,141)	—
Other income (expense), net	682	5,683	(143)
Loss before income taxes	(122,805)	(103,042)	(37,609)
Income tax expense (benefit)	2,400	(64)	174
Net loss	$ (125,205)	$ (102,978)	$ (37,783)
Basic net loss per common share	$ (1.89)	$ (1.67)	$ (1.16)
Diluted net loss per common share	$ (1.89)	$ (1.74)	$ (1.16)
Shares used in computing basic net loss per common share	66,389	61,831	32,590
Shares used in computing diluted net loss per common share	66,389	61,883	32,590

The accompanying notes are an integral part of the consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands of U.S. dollars)

	For the Years Ended December 31,		
	2017	2016	2015
Net loss	$ (125,205)	$ (102,978)	$ (37,783)
Other comprehensive income:			
Foreign currency translation adjustment	9,482	4,816	—
Other comprehensive income (loss)	9,482	4,816	—
Total comprehensive loss	$ (115,723)	$ (98,162)	$ (37,783)

The accompanying notes are an integral part of the consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of U.S. dollars)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
Balance at December 31, 2014	$ 32	143,613	—	(96,905)	46,740
Exercise of common stock options	—	1,734	—	—	1,734
Payments related to net settlement of stock awards	—	(2,951)	—	—	(2,951)
Issuance of common stock upon vesting of stock awards	1	(1)	—	—	-
Share-based compensation	—	7,043	—	—	7,043
Net loss	—	—	—	(37,783)	(37,783)
Balance at December 31, 2015	33	149,438	—	(134,688)	14,783
Issuance of common shares in connection with Merger with Aralez Canada	(33)	115,169	—	—	115,136
Issuance of common shares to investors, net of equity issue costs	—	74,866	—	—	74,866
Warrants exercised	—	636	—	—	636
Payments related to net settlement of stock awards	—	362	—	—	362
Share-based compensation	—	11,865	—	—	11,865
Foreign currency translation adjustment	—	—	4,816	—	4,816
Net loss	—	—	—	(102,978)	(102,978)
Balance at December 31, 2016	—	352,336	4,816	(237,666)	119,486
Payments related to net settlement of stock awards	—	108	—	—	108
Share-based compensation	—	11,348	—	—	11,348
Foreign currency translation adjustment	—	—	9,482	—	9,482
Net loss	—	—	—	(125,205)	(125,205)
Balance at December 31, 2017	$ —	$ 363,792	$ 14,298	$ (362,871)	$ 15,219

The accompanying notes are an integral part of the consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	For the Years Ended December 31,		
	2017	2016	2015
Operating Activities			
Net loss	$ (125,205)	$ (102,978)	$ (37,783)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	35,801	12,968	16
Amortization of debt issuance costs	106	84	—
Change in fair value of contingent consideration	35,725	750	—
Payment of contingent consideration	(144)	4,368	—
Gain (loss) on investments in warrants	—	—	199
Unrealized foreign currency transaction (gain) loss	(48)	(100)	—
Gain on sale of property and equipment	(272)	200	—
Change in fair value of warrants liability	(24)	(4,744)	—
Share-based compensation expense	11,348	11,865	7,043
Benefit from deferred income taxes	1,066	(3,952)	—
Changes in operating assets and liabilities:	—		
Accounts receivable	4,614	(7,694)	(337)
Inventory	(1,811)	(819)	—
Prepaid expenses and other current assets	(1,241)	1,458	(642)
Accounts payable	14,694	(282)	3,950
Accrued expenses and other liabilities	(2,349)	5,442	10,765
Other assets	(1,046)	—	—
Other, net	—	(297)	—
Net cash used in operating activities	(28,786)	(83,731)	(16,789)
Investing activities			
Acquisitions of businesses, net of cash acquired	—	(217,887)	—
Purchases of property and equipment	(1,822)	(4,166)	(240)
Proceeds from sale of property and equipment	523		—
Proceeds from sale of warrants	—	—	2,479
Other	(215)	(715)	—
Net cash used in investing activities	(1,514)	(222,768)	2,239
Financing activities			
Proceeds from issuance of convertible debt	—	275,000	—
Proceeds from issuance of common stock	—	75,000	—
Payment of debt and equity issuance costs	—	(778)	—
Repayment of convertible note	—	(3,922)	—
Payment of contingent consideration	(6,341)	(35)	—
Proceeds from exercise of stock options / warrants	108	2,658	1,735
Payments related to settlement of stock awards	—	(1,660)	(2,951)
Net cash (used in) provided by financing activities	(6,233)	346,263	(1,216)
Net (decrease) increase in cash and cash equivalents	(36,533)	39,764	(15,766)
Effect of change in foreign exchange rates on cash and cash equivalents	482	363	—
Cash and cash equivalents at beginning of period	64,943	24,816	40,582
Cash and cash equivalents at end of period	$ 28,892	$ 64,943	$ 24,816
Supplemental non-cash activities:			
Fair value of assets acquired and liabilities assumed through acquisition of business (See Note 3)	$ —	$ 115,136	$ —
Fair value of contingent consideration payable in connection with acquisition of business (See Note 3)	$ —	$ 70,400	$ —
Non-cash additions to intangible assets (See Note 6)	$ —	$ 221	$ —
Non-cash additions to property and equipment	$ —	$ 2,828	$ —
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 3,310	$ 3,732	$ —
Interest paid	$ 24,820	$ 1,547	$ —

The accompanying notes are an integral part of the consolidated financial statements.

1. ORGANIZATION, BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Organization

Aralez Pharmaceuticals Inc., together with its wholly-owned subsidiaries ("Aralez" or the "Company"), is a global specialty pharmaceutical company focused on delivering meaningful products to improve patients' lives while creating shareholder value by acquiring, developing and commercializing products primarily in cardiovascular and other specialty areas. Aralez's global headquarters is located in Mississauga, Ontario, Canada, its U.S. headquarters is located in Princeton, New Jersey, United States, and its Irish headquarters is located in Dublin, Ireland. The Company's common shares are listed on the NASDAQ Global Market under the trading symbol "ARLZ" and on the Toronto Stock Exchange under the trading symbol "ARZ." Aralez was formed for the purpose of facilitating the business combination of POZEN Inc., a Delaware corporation ("Pozen"), and Aralez Pharmaceuticals Canada Inc. (formerly known as Tribute Pharmaceuticals Canada Inc.), a corporation incorporated under the laws of the Province of Ontario, Canada ("Aralez Canada"), which closed on February 5, 2016.

On February 5, 2016, pursuant to an Agreement and Plan of Merger and Arrangement between Aralez Pharmaceuticals Inc., Pozen, Aralez Canada and other related parties (as amended, the "Merger Agreement"), Aralez completed the acquisition of Aralez Canada by way of a court approved plan of arrangement in a stock transaction with a purchase price of $137.6 million made up of (i) $115.1 million related to Aralez Canada shares, equity awards and certain warrants outstanding and (ii) $22.5 million in repayments of Aralez Canada indebtedness. In connection with this transaction, Pozen and Aralez Canada were combined under and became wholly-owned subsidiaries of Aralez (the "Merger"). Pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, Aralez Pharmaceuticals Inc. is the successor issuer to Pozen.

On September 6, 2016, Aralez Pharmaceuticals Trading DAC, a wholly-owned subsidiary of Aralez ("Aralez Ireland"), acquired the U.S. and Canadian rights to Zontivity® (vorapaxar), pursuant to an asset purchase agreement (the "Zontivity Asset Purchase Agreement") with MSD International GmbH (as successor to Schering-Plough (Ireland) Company), an affiliate of Merck & Co., Inc. ("Merck").

On October 31, 2016, Aralez Ireland acquired the U.S. rights to Toprol-XL® (metoprolol succinate) and its authorized generic (the "AG", and collectively, the "Toprol-XL Franchise") pursuant to an asset purchase agreement (the "Toprol-XL Asset Purchase Agreement") entered into between AstraZeneca AB ("AstraZeneca"), Aralez Ireland and Aralez Pharmaceuticals Inc.

Basis of Presentation and Consolidation

For financial reporting and accounting purposes, Pozen was the acquirer of Aralez Canada pursuant to the Merger in a business combination. The consolidated financial statements for the years ended December 31, 2015 and 2014 reflect the results of operations and financial position of Pozen, but do not include the results of operations of Aralez Canada because the Merger was completed on February 5, 2016. Aralez's results of operations for the year ended December 31, 2016 include the results of Aralez Canada from the closing date of the Merger to December 31, 2016. Aralez's results of operations for the year ended December 31, 2016 also include the results of Zontivity and the Toprol-XL Franchise from their respective acquisition dates to December 31, 2016. For more information, see Note 2, "Business Agreements".

Aralez's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Such consolidated financial statements reflect all adjustments that are, in management's opinion, necessary to present fairly, in all material respects, Aralez's consolidated financial position, results of operations, and cash flows. There were no adjustments other than normal recurring adjustments. Certain reclassifications with respect to the presentation of accrued expenses were made to prior year amounts to conform with current year presentation.

The accompanying consolidated financial statements include the accounts of Aralez. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires the extensive use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. The most significant assumptions are employed in estimates used in determining values of: inventories; long-lived assets, including goodwill, other intangible assets; accrued expenses; contingent consideration; income taxes; share-based compensation expense; as well as estimates used in accounting for contingencies and revenue recognition. Actual results could differ from these estimates.

Concentration of Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, including money market funds. The Company's investment policy places restrictions on credit ratings, maturities, and concentration by type and issuer. The Company is exposed to credit risk in the event of a default by the financial institutions holding our cash and cash equivalents to the extent recorded on the balance sheet.

The Company is also subject to credit risk from accounts receivable related to product sales and monitors its exposure within accounts receivable and records a reserve against uncollectible accounts receivable as necessary. The Company extends credit to pharmaceutical wholesale distributors and specialty pharmaceutical distribution companies, primarily in Canada and the United States, and to other international distributors. Customer creditworthiness is monitored and collateral is not required.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and short-term, interest-bearing instruments with original maturities of 90 days or less at the date of purchase.

Inventory

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Cost is determined to be the purchase price for raw materials and the production cost, including materials, labor and indirect manufacturing costs, for work-in-process and finished goods. The Company analyzes its inventory levels quarterly and writes-down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, inventory in excess of expected sales requirements or inventory that fails to meet commercial sale specifications to cost of product revenues. Expired inventory is disposed of and the related costs are written off to cost of product revenues.

Property, Plant and Equipment

Fixed assets are stated at cost. Depreciation is provided using the straight-line method based on estimated useful lives or, in the case of leasehold improvements, over the lesser of the useful lives or the lease terms. Repairs and maintenance costs are expensed as incurred.

Intangible Assets

Goodwill

Goodwill relates to amounts that arose in connection with the acquisitions of Aralez Canada, Zontivity and the Toprol-XL Franchise. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations. Goodwill is not amortized but is evaluated for impairment on an annual basis, in the fourth quarter, or more frequently if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of the Company's reporting unit below its carrying amount.

In-Process Research and Development ("IPR&D")

IPR&D acquired in a business combination is capitalized on the Company's consolidated balance sheets at its acquisition-date fair value. Until the underlying project is completed, these assets are accounted for as indefinite-lived intangible assets and are subject to impairment testing. Once the project is completed, the carrying value of the IPR&D is reclassified to other intangible assets, net and is amortized over the estimated useful life of the asset. Post-acquisition research and development expenses related to the IPR&D projects are expensed as incurred. The valuation techniques utilized in performing the initial valuation of IPR&D or subsequent quantitative impairment tests incorporate significant assumptions and judgments to estimate the fair value. The Company acquired approximately $3.2 million of IPR&D assets with the acquisition of Aralez Canada, of which $2.8 million was subsequently reclassified to other intangible assets upon receipt of regulatory approval for the related project.

IPR&D is tested for impairment on an annual basis or more frequently if impairment indicators are present. If IPR&D becomes impaired, the carrying value of the IPR&D is written down to its revised fair value with the related impairment charge recognized in the period in which the impairment occurs. In the fourth quarter of 2016, the Company recorded an impairment charge of $0.7 million for the remaining carrying value of its IPR&D. This charge is included in impairment of intangible assets on the consolidated statements of operations. As of December 31, 2016, the Company's IPR&D was fully written off.

Other Intangible Assets, net

Other intangible assets consist of acquired technology rights. The Company amortizes its intangible assets using the straight-line method over their estimated economic lives. Costs to obtain, maintain and defend the Company's patents are expensed as incurred. The Company will evaluate the potential impairment of other intangible assets if events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Events giving rise to impairment are an inherent risk in the pharmaceutical industry and many factors cannot be predicted. Factors that are considered in deciding when to perform an impairment review include significant changes in forecasted projections for the asset or asset group for reasons including, but not limited to, significant under-performance of a product in relation to expectations, significant changes or planned changes in our use of the assets, significant negative industry or economic trends, and new or competing products that enter the marketplace. The impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset group and its eventual disposition to the carrying value of the asset group. If impairment is indicated, the asset is written down by the amount by which the carrying value of the asset exceeds the related fair value of the asset with the related impairment charge recognized within the statements of operations. Such impairment charges may be material to the Company's results. The valuation techniques utilized in performing the initial valuation of other intangible assets or subsequent quantitative impairment tests incorporate significant assumptions and judgments to estimate the fair value. The use of different valuation techniques or assumptions could result in significantly different fair value estimates. An impairment charge of $3.7 million was recorded in the fourth quarter of 2016 relating to the acquired technology rights for one product acquired in the Merger. This charge is included in impairment of intangible assets on the Company's consolidated statements of operations. There were no impairment charges during the year ended December 31, 2017.

Contingent Consideration

Certain of the Company's business acquisitions involve the potential for future payment of consideration that is contingent upon the achievement of operational and commercial milestones and royalty payments on future product sales. The fair value of contingent consideration liabilities is determined at the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability is remeasured at current fair value with changes recorded in the consolidated statements of operations. Changes in any of the inputs may result in a significantly different fair value adjustment.

Revenue Recognition

Principal sources of revenue are (i) net revenues from sales of Zontivity and the Toprol-XL Franchise, (ii) product sales from the product portfolio acquired in the Company's acquisition of Aralez Canada, and (iii) royalty

revenues from sales of Vimovo® by the Company's commercialization partners. In all instances, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, and collectibility of the resulting receivable is reasonably assured.

Product Revenues, net

The Company's products are distributed through a limited number of specialty distributors, specialty pharmacy providers and wholesalers in the U.S. and Canada (each a "Customer", or collectively, its "Customers"). These Customers subsequently resell the Company's products to healthcare providers, pharmacies and patients. In addition to distribution agreements with Customers, the Company enters into arrangements with payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products.

Except for Yosprala and the Toprol-XL Franchise, which are described below, the Company recognizes gross revenues from sales of its products when the Customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the Customer. The Company establishes reserves based on estimates of amounts for rebates, chargebacks, discounts, distributors fees, and returns and allowances earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to the Customer) or a current liability (if the amount is payable to a party other than a Customer). On March 31, 2017, the Company began recognizing gross revenues and cost of product revenues from sales of Zontivity. Previously, revenues from sales of Zontivity were recognized in other revenues, net of related cost of product revenues and fees paid to Merck under a transition services agreement in effect through March 31, 2017. Product sales from Fibricor® are also recorded on a gross basis.

In November 2017, the Company entered into the Lannett-Toprol-XL AG Agreement with Lannett Company, Inc. pursuant to which the Company supplies, and Lannett distributes, the Toprol-XL authorized generic product in the United States. Under the Lannett-Toprol-XL AG Agreement, the Company recognized gross revenues and cost of product revenues from sales of the Toprol-XL AG. All other sales of the Toprol-XL Franchise products during the year ended December 31, 2017 were recorded in other revenues as more fully described below.

Revenues from the sale of Yosprala in the United States are recorded on a sell through method since the Company does not have sufficient historical data to estimate returns. As such, the Company defers revenue and costs of inventory for all Yosprala products shipped to wholesalers in the United States until the product is sold through to the end customer.

All of the Company's products have a returns policy that allows the customer to return pharmaceutical products within a specified period of time both prior to and subsequent to the product's expiration date. The Company's estimate of the provision for returns is analyzed quarterly and is based upon many factors, including historical data of actual returns and analysis of the level of inventory in the distribution channel, if any. The Company believes that the reserves it has established are reasonable based upon current facts and circumstances. Applying different judgments to the same facts and circumstances could result in the estimated amount for reserves to vary. If actual results vary with respect to the Company's reserves, the Company may need to adjust its estimates, which could have a material effect on the Company's results of operations in the period of adjustment. To date, such adjustments have not been material.

Other Revenues

Other revenues includes net revenues from the Toprol-XL Franchise, which was acquired on October 31, 2016 and sold by AstraZeneca on the Company's behalf under a transition services agreement from the acquisition date through December 31, 2017. The Company establishes reserves based on estimates of amounts for rebates, chargebacks, discounts, distributors fees, and returns and allowances earned or to be claimed on the related sales based on information provided by AstraZeneca in accordance with the Toprol-XL Asset Purchase Agreement. The Company recorded these revenues net of related cost since the Company was not the principal in the arrangement and the Company recorded this revenue similar to a royalty arrangement through December 31, 2017 (other than sales under the Lannett Toprol-XL AG Agreement, as described above). Beginning on January 1, 2018, the Company is deemed to be the principal in the sales and marketing of these products, and as such it will recognize gross revenues and cost of product revenues from the sales of the Toprol-XL Franchise, which are classified as product revenues, net and cost of product revenues during 2018.

The Company believes that the reserves it has established are reasonable based upon current facts and circumstances and contractual terms. Applying different judgments or interpretations to the same facts and circumstances could result in the estimated amount for reserves to vary. If actual results vary with respect to the Company's reserves, the Company may need to adjust its estimates, which could have a material effect on the Company's results of operations in the period of adjustment. To date, such adjustments have not been material.

Additionally, other revenues also include net revenues from sales of Zontivity until March 31, 2017, recognized net of related cost of product revenues and fees paid to Merck under a transition services agreement in effect through March 31, 2017. On March 31, 2017, the Company began recognizing gross revenues and cost of product revenues from sales of Zontivity, which are classified as product revenues, net and cost of product revenues.

Other revenues also include revenues from licensing arrangements with other biopharmaceutical companies, including license fee payments, milestones payments and royalties. Revenue from license fee payments, milestone payments and royalties are recognized when the Company has fulfilled its performance obligations under the terms of its contractual agreements, has no future obligations, and the amount of the license fee payment, milestone payment or royalty fee is determinable. Royalty revenue that is reasonably estimable and determinable is recognized based on estimates utilizing information reported to the Company by its commercialization partners.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax basis assets and liabilities and are measured by applying enacted rates and laws to taxable years in which differences are expected to be recovered or settled. Further, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate changes. A valuation allowance is required when it is "more-likely-than-not" that all or a portion of deferred tax assets will not be realized. Since the Company's inception, substantial cumulative losses have been incurred and substantial and recurring losses may be incurred in future periods. The utilization of the loss carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the loss carryforwards. In addition, the maximum annual use of net operating loss and research credit carryforwards is limited in certain situations where changes occur in stock ownership.

Aralez files federal and state income tax returns, as applicable, with the tax authorities in various jurisdictions including Canada, Ireland and the United States. Pozen is no longer subject to U.S. federal or North Carolina state income tax examinations by tax authorities for years before 2014. Aralez Canada is no longer subject to Canadian income tax examinations by tax authorities for years before 2011. However, the loss and credit carryforwards generated by Pozen and Aralez Canada may still be subject to change to the extent these losses and credits are utilized in a year that is subject to examination by tax authorities.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, referred to as the Tax Cuts and Jobs Act (the "Tax Act"), which significantly revises U.S. tax law by, among other provisions, lowering the U.S. federal statutory corporate income tax rate from 35% to 21%, imposing a mandatory one-time transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

ASC 740, *Income Taxes* requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the Tax Act's provisions, the SEC staff issued SAB 118, which allows companies to record the tax effects of the Tax Act on a provisional basis based on a reasonable estimate, and then, if necessary, subsequently adjust such amounts during a limited measurement period as more information becomes available. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year from enactment.

The Tax Act did not have a material impact on the Company's financial statements since the Company's deferred temporary differences are fully offset by a valuation allowance and the Company does not have any significant off shore earnings from which to record the mandatory transition tax. However, given the significant complexity of the Tax Act, anticipated guidance from the U.S. Treasury about implementing the Tax Act, and the potential for additional guidance from the SEC or the FASB related to the Tax Act, these estimates may be adjusted during the measurement period. The provisional amounts disclosed in the Company's footnotes were based on the its present interpretations of the Tax Act and

current available information, including assumptions and expectations about future events, such as its projected financial performance, and are subject to further refinement as additional information becomes available and further analyses are completed. The Company continues to analyze the changes in certain income tax deductions, assess calculations of earnings and profits in certain foreign subsidiaries, including if those earnings are held in cash or other assets and gather additional data to compute the full impacts on the Company's deferred and current tax assets and liabilities.

ASC 740 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return, including a decision whether to file or not file a return in a particular jurisdiction. The financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts. The Company recognizes any interest and penalties accrued related to unrecognized tax benefits as income tax expense.

Share-Based Compensation

The Company expenses the fair value of employee share-based compensation over the employees' service periods, which are generally the vesting period of the equity award. For awards with performance conditions granted, the Company recognizes compensation cost over the expected period to achieve the performance conditions, provided achievement of the performance conditions are deemed probable. Awards with market-based conditions are expensed over the service period regardless of whether achievement of the market condition is deemed probable or is ultimately achieved. Compensation expense is measured using the fair value of the award at the grant date.

In order to determine the fair value of option awards on the grant date, the Company uses the Black-Scholes option pricing model. Inherent in this model are assumptions related to expected share price volatility, estimated option life, risk-free interest rate and dividend yield. The expected share price volatility assumption is based on the historical volatility of the Company's common shares, which is obtained from public data sources. The expected life represents the weighted average period of time that share-based awards are expected to be outstanding giving consideration to vesting schedules, historical exercise patterns and post-vesting cancellations for terminated employees that have been exhibited historically, adjusted for specific factors that may influence future exercise patterns. The risk-free interest rate is based on factual data derived from public sources. The Company uses a dividend yield of zero as it has no intention to pay cash dividends in the foreseeable future. For performance-based awards with market conditions, the Company uses a Monte Carlo simulation model to determine the fair value of awards on the date of grant.

Determining the appropriate amount to expense for awards with performance conditions based on the achievement of stated goals requires judgment, including forecasting future performance results. The estimate of expense is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revisions is reflected in the period of change. If any applicable financial performance goals are not met, no compensation cost is recognized and any previously recognized compensation cost is reversed.

In the first quarter of 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09, Compensation – Stock Compensation (Topic 718), ("ASU 2016-09"). As a result of the adoption of ASU 2016-09, the Company recognizes, on a prospective basis, the impact of forfeitures when they occur, with no adjustment for estimated forfeitures, and recognizes excess tax benefits as a reduction of income tax expense regardless of whether the benefit reduces income taxes payable. Additionally, the Company now recognizes the cash flow impact of such excess tax benefits in operating activities in its consolidated statements of cash flows. The classification of excess tax benefits on the statement of cash flows for the prior period have not been adjusted. There was no net impact on the Company's opening accumulated deficit upon application of this guidance using the modified retrospective transition method as the total cumulative-effect adjustment for previously deferred excess tax benefits was offset by a related change in the valuation allowance.

Fair Value Measurements

The accounting standard for fair value measurements defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and requires detailed disclosures about fair value measurements. Under this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques are based on observable and

unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. This standard classifies these inputs into the following hierarchy:

- *Level 1 Inputs* — Quoted prices for identical instruments in active markets.
- *Level 2 Inputs* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- *Level 3 Inputs* — Instruments with primarily unobservable value drivers.

The fair value hierarchy level is determined by asset class based on the lowest level of significant input. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified between levels.

The carrying amount of cash and cash equivalents approximates its fair value due to the short-term nature of these amounts. The warrants liability was previously carried at fair value and was included within other current liabilities on the consolidated balance sheet at December 31, 2016, however, the warrants associated with the warrants liability expired in May 2017. The significant unobservable inputs used in the fair value measurement of the Company's warrants liability, which used a Black-Scholes valuation model, included the volatility of the Company's common shares and the expected term. The contingent consideration liability is also carried at fair value, and is recorded as separate short and long-term balances on the consolidated balance sheet at December 31, 2017. The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration liability include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. The use of different inputs in the valuation of the contingent consideration liability could result in materially different fair value estimates.

Advertising Costs

The Company expenses advertising costs as incurred and is included in selling, general and administrative expense in the consolidated statements of operations. Advertising costs were approximately $16.3 million, $12.2 million and $1.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Foreign Currency

The Company's reporting currency is the U.S. dollar. The assets and liabilities of subsidiaries that have a functional currency other than the U.S. dollar, primarily the Canadian dollar, are translated into U.S. dollars at the exchange rates in effect at the balance sheet date with the results of operations of subsidiaries translated at average exchange rates for the period. The cumulative foreign currency translation adjustment is recorded as a component of accumulated other comprehensive income within shareholders' equity.

Transactions in foreign currencies are remeasured into the functional currency of the relevant subsidiary at the exchange rate in effect at the date of the transaction. Any monetary assets and liabilities arising from these transactions are translated into the functional currency at exchange rates in effect at the balance sheet date or on settlement. Resulting gains and losses are recorded in other income (expense), net within the consolidated statements of operations.

Accumulated Other Comprehensive Income

The Company is required to present, either on the face of the statement where net income (loss) is presented, in a separate statement of comprehensive income or in the notes, significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items of net income. There were no amounts reclassified out of accumulated other comprehensive income (loss) for the years ended December 31, 2017, 2016 and 2015. Other comprehensive income for the year ended December 31, 2017 related to foreign currency translation adjustments.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue recognition based on the transfer of promised goods or services to customers in an amount that reflects consideration Aralez expects to be entitled to in exchange for goods or services. In August 2015, the FASB issued

updated guidance deferring the effective date of the revenue recognition standard. The new rules supersede prior revenue recognition requirements and most industry-specific accounting guidance. In March, April and May 2016, the FASB issued additional updated guidance, which clarifies certain aspects of the ASU and the related implementation guidance issued by the FASB-IASB Joint Transition Resource Group for Revenue Recognition. The ASU is effective for Aralez in the first quarter of 2018, with either full retrospective or modified retrospective application required.

Under Topic 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Topic 606 also impacts certain other areas, such as the accounting for costs to obtain or fulfill a contract. The standard also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted this new standard effective January 1, 2018, using the modified retrospective transition method. Under this method, the Company would employ retrospective application with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company will be required to provide significant additional disclosures about the Company's revenue recognition policies in the notes to the consolidated financial statements upon adoption.

The Company analyzed the impacts of ASU No. 2014-09 on its revenue streams, specifically focusing on (i) revenues from the sale of its products, and (ii) royalty revenues. The Company reviewed its accounting policies and practices to identify potential differences that would result from applying the guidance. The Company has assessed its customer contracts throughout 2017 and any impact the standard will have on its processes, systems and controls. The Company's assessment of the impacts of ASU No. 2014-09 determined that the adoption of the guidance did not have a material impact on the timing or measurement of the Company's revenue recognition. One of the most significant changes under the new guidance relates to the recognition of variable consideration. The new guidance requires the Company to estimate variable consideration and include in revenue amounts for which is it probable that a significant revenue reversal will not occur. For the majority of the Company's product revenues, the Company already makes these estimates using the expected value method in its sell in revenue recognition model. The adoption of Topic 606 will not have a significant impact on the Company's sell in revenue recognition model.

Under current GAAP, revenue recognition is deferred until the transaction price is fixed or determinable. The Company only has one product, Yosprala, where it lacks sufficient history to make reasonable and reliable estimates of the transaction price (returns, rebates, chargebacks, etc.) and, as such, defers revenues and costs of inventory for this product shipped to wholesalers in the United States until the product is sold through to the end customer. Under ASC 606, the Company will be required to estimate variable consideration when there is a "high degree of confidence" that a significant revenue reversal will not occur in a subsequent reporting period. However, if the possibility of significant revenue reversal in a subsequent reporting period exists, revenue deferral is appropriate until such time the uncertainty, or estimate constraint, associated with the variable consideration is subsequently resolved. In the case of the product using the sell through method of revenue recognition, this uncertainty still existed at December 31, 2017. As such, the Company will apply a significant estimate constraint related to its variable consideration for this product until such time as this uncertainty is resolved. The adoption of Topic 606 will not have a significant impact on the related revenue recognition for this product since the revenue and cost of inventory amounts deferred as of December 31, 2017 are not significant.

Under Topic 606, the Company's royalty revenue streams are to be recognized at the later of when (1) the sales occurs or (2) the performance obligation to which some or all of the sale-based royalty has been allocated is satisfied in whole or in part. In regards to the Company's royalty revenues, recognition would occur when the sales occur, which is consistent with current GAAP, and therefore the adoption of Topic 606 will not impact the Company's royalty revenue streams.

Finally, Topic 606 requires more robust disclosures than required by previous guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, the judgements made in revenue recognition determinations, adjustments to revenue which relate to activities from previous quarters or years, any significant reversals of revenue, and costs to obtain or fulfill contracts.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. The new standard is effective for the annual period ending after December 15, 2016, and for interim periods thereafter. The Company adopted ASU 2014-15 in the fourth quarter of 2016, which resulted in no change to the Company's financial statements. Additionally, the Company is required to perform quarterly evaluations to identify current conditions which may raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

Since the Merger in February 2016, the Company has incurred significant net losses. The Company incurred a net loss of $125.2 million for the year ended December 31, 2017. The Company's net cash used in its operating activities was $28.8 million during the year ended December 31, 2017. The Company's ability to become profitable and/or to generate positive cash from operations depends upon, among other things, its ability to generate revenues from sales of its products and prudently manage its expenses. New sources of product revenue have only recently been approved, in the case of Blexten in Canada, or acquired by the Company, in the case of Zontivity in the United States and Canada and the Toprol-XL Franchise in the United States. If the Company does not generate sufficient product revenues, or prudently manage its expenses, its business, financial condition, cash flows and results of operations could be materially and adversely affected.

As noted in its liquidity disclosure, the Company's principal sources of liquidity are the operating income of Aralez Canada; sales from the Toprol-XL Franchise, Zontivity, and Fibricor and its authorized generic; cash generated from the royalty payments received from our commercialization partners for net sales of Vimovo; and the financings completed on February 5, 2016 and October 31, 2016. The Company's principal liquidity requirements are for working capital; our debt service requirements; operational expenses; commercialization activities for products, including Zontivity, the Toprol-XL Franchise, Fibricor and the Company's Canadian product portfolio, and product candidates; contractual obligations, including any royalty and milestone payments that will or may become due; and capital expenditures. As of December 31, 2017, the Company had approximately $28.9 million of cash and cash equivalents which, together with cash expected to be generated from its business, it currently believes is sufficient to fund its operations for at least the next twelve months from March 13, 2018, the filing date of these annual financial statements on Form 10-K, including its principal liquidity requirements set forth above.

During 2017, we announced and/or implemented a number of cost savings initiatives designed to streamline our business, deliver profitability and support growth, as well as extend our cash runway. The cost-savings initiatives announced and/or implemented in 2017 are expected to result in a leaner and more effective performance-oriented operating model. These cost savings initiatives included a 32% reduction in its U.S. sales force and realignment of certain financial resources to support the launch of Zontivity, together with a significant decrease in marketing spend on Yosprala and other cost reductions across the business to attain profitability and enhance its liquidity position. In addition, the Company is continuing to explore and evaluate strategic business opportunities to enhance longer term liquidity, including by any combination of debt refinancing, additional cost savings initiatives and/or proceeds-generating transactions. There can be no assurances that these other initiatives will be available on reasonable terms, or at all. If the Company is not successful with respect to the initiatives described above, or if the Company's future operations fail to meet its current expectations (including as a result of increased generic competition with respect to the Toprol-XL Franchise), the Company's projected future liquidity may be limited, which may impact its assessment under this accounting standard in the future and could materially and adversely affect its business, financial condition, cash flows and results of operations.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amended guidance eliminates a step from the goodwill impairment test. Under the amended guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company adopted this new guidance in the fourth quarter of 2017. The adoption of ASU 2017-04 did not have any impact on its consolidated financial statements upon adoption of this new guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, providing additional guidance on eight specific cash flow classification issues. The goal of the ASU is to reduce diversity in practice of classifying certain items. The amendments in the ASU are effective for Aralez in the first quarter of 2018 using a retrospective transition method, and early adoption is permitted. The Company does not expect the adoption to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for Aralez in the first quarter of 2018 on a prospective basis and early adoption is permitted. The Company does not expect the adoption to have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*, which requires equity investments to be measured at fair value with changes in fair value recognized in net income. It allows an entity to choose to measure equity investments that do not have readily determinable fair values at cost minus impairment. It also simplifies the impairment assessment of equity investments without readily determinable fair values and eliminates the requirements to disclose the methods used to estimate fair value for instruments measured at amortized cost on the balance sheet. The amendments in the ASU are effective for Aralez in the first quarter of 2018. The Company does not expect the adoption to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes current lease accounting guidance. The primary difference between current GAAP and the new standard is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. The standard requires a modified retrospective approach upon adoption, with practical expedients that may be available to elect. The standard is effective for Aralez in the first quarter of 2019 and early adoption is permitted. The Company is evaluating the impact of the ASU on its consolidated financial statements.

2. BUSINESS AGREEMENTS

Agreements with AstraZeneca for Toprol-XL

On October 31, 2016, Aralez Ireland acquired the U.S. rights to the Toprol-XL Franchise pursuant to the Toprol-XL Asset Purchase Agreement. Toprol-XL is a cardioselective beta-blocker indicated for the treatment of hypertension, alone or in combination with other antihypertensives, the long term treatment of angina pectoris and treatment of stable, symptomatic (NYHA class II or III) heart failure of specific origins. In July 2017, AstraZeneca, Aralez Ireland and Aralez Pharmaceuticals Inc. entered into an amendment to the Toprol-XL Asset Purchase Agreement pursuant to which (1) the milestone payments payable under the Toprol-XL Asset Purchase Agreement were deferred and extended, and (2) the definition of net sales was amended. The purchase price under the Toprol-XL Asset Purchase Agreement, as amended, consists of (i) a payment of $175.0 million by Aralez Ireland to AstraZeneca, which was made on the closing date of the Toprol-XL acquisition; (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the acquisition, which the Company is obligated to pay in quarterly installments of approximately $5.6 million for eight consecutive quarters beginning in the second quarter of 2019 due to the occurrence of certain milestone events based on the annual aggregate net sales of the Toprol-XL Franchise and other contingent events; (iii) certain other milestone payments of up to an additional $3.0 million in the event the Company exceeds net sales thresholds for the Toprol-XL Franchise of $125 million and $135 million in a year; (iv) royalty payments of (A) 15% of total quarterly net sales of branded Toprol-XL and any other authorized or owned generic version of Toprol-XL that is marketed, distributed or sold by Aralez, and (B) 15% of quarterly net sales of the current or any other third party authorized

generic, but for purposes of royalty payments and clause (B) only, net sales do not include the supply price paid for the current or other third party authorized generic by Aralez Ireland to AstraZeneca under the supply agreement entered into between Aralez Ireland and AstraZeneca in respect of the applicable period and (v) a payment for the value of the finished inventory of Toprol-XL and the AG at closing of the Toprol-XL acquisition, not to exceed a cap specified in the Toprol-XL Asset Purchase Agreement.

On October 31, 2016, in connection with the Toprol-XL acquisition, Aralez Ireland entered into a Supply Agreement (the "Toprol-XL Supply Agreement") with AstraZeneca. Pursuant to the terms of the Toprol-XL Supply Agreement and except as otherwise expressly set forth therein, AstraZeneca will be the exclusive manufacturer and supplier to Aralez Ireland of Toprol-XL and the AG, each in finished bottled form for exploitation and commercialization in the United States. The initial term of the Toprol-XL Supply Agreement is 10 years (the "Toprol-XL Supply Initial Term"). The Toprol-XL Supply Agreement will continue indefinitely following the expiration of the Toprol-XL Supply Initial Term unless terminated in accordance with its terms. Except in the case of certain uncured material breaches of the Toprol-XL Supply Agreement by Aralez Ireland or certain insolvency related events affecting Aralez Ireland, AstraZeneca may not terminate the Toprol-XL Supply Agreement unless it satisfies certain conditions related to, among other things, the transfer of technology. In addition to termination rights upon certain uncured material breaches of the Toprol-XL Supply Agreement by AstraZeneca or certain insolvency related events affecting AstraZeneca, Aralez Ireland may terminate the Toprol-XL Supply Agreement at any time following the Toprol-XL Supply Initial Term upon providing 12 months prior written notice to AstraZeneca. AstraZeneca also provided certain transition services to Aralez Ireland through December 31, 2017 to facilitate the transition of the supply, sale and distribution of Toprol-XL and the AG, in exchange for compensation specified in the transition services agreement.

Agreement with the United States Government Regarding Toprol-XL

On February 23, 2017, Aralez Pharmaceuticals US Inc. ("Aralez US"), a Delaware company and a wholly-owned, indirect subsidiary of Aralez Pharmaceuticals Inc., entered into a Novation Agreement (the "Novation Agreement") with AstraZeneca Pharmaceuticals LP ("AstraZeneca LP") and the United States of America (the "Government") pursuant to which all of the rights and responsibilities of AstraZeneca LP under that certain VA National Contract signed February 11, 2016 and effective April 29, 2016 between AstraZeneca LP and the Government were novated to Aralez US (as novated, the "VA Contract"). The Novation Agreement was entered into pursuant to the Toprol-XL Asset Purchase Agreement.

Under the VA Contract, Aralez US provides all requirements of certain pharmaceutical products containing metoprolol succinate as the active pharmaceutical ingredient at fixed prices for the U.S. Department of Veterans Affairs and certain other United States federal government agencies. The VA Contract had an initial one-year term expiring April 28, 2017, renewable at the option of the Government for four successive additional one year terms. On April 6, 2017, Aralez US and the Government entered into a Modification of Contract with respect to the VA Contract, pursuant to which the Government exercised its first renewal option under the VA Contract, extending the term of the VA Contract by one year to April 28, 2018 with reduced pricing for the duration thereof. The VA Contract is terminable at the convenience of the Government at any time.

Agreements with Merck for Zontivity

On September 6, 2016, Aralez Ireland acquired the U.S. and Canadian rights to Zontivity, pursuant to the Zontivity Asset Purchase Agreement with Merck. Zontivity represents an addition to the Company's product portfolio in cardiovascular disease and is the first and currently the only approved therapy shown to inhibit the protease-activated receptor-1 (PAR-1), the primary receptor for thrombin, which is considered to be the most potent activator of platelets. The purchase price for Zontivity consists of (i) a payment of $25.0 million by Aralez Ireland to Merck, which was made on the closing date of the acquisition, (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the acquisition upon the occurrence of certain milestone events based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof, which in no event will exceed $80 million in the aggregate, and (iii) royalty payments in the low double digits based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof.

Pursuant to the terms of the Zontivity Asset Purchase Agreement and certain ancillary agreements entered into in connection with the Zontivity acquisition, Merck has agreed to supply Zontivity to Aralez Ireland for a period of up to

three years following the closing of the acquisition (although the packaging component has now been transferred to the Company's third party provider). Merck also provided certain transition services to Aralez Ireland following the closing of the Zontivity acquisition through March 31, 2017 to facilitate the transition of the supply, sale and distribution of Zontivity, including distributing Zontivity on behalf of Aralez Ireland in exchange for compensation specified in the transition services agreement. In addition, in connection with the foregoing transactions, Merck granted Aralez Ireland, among other things, (i) an exclusive and royalty-free license to certain trademarks solely to exploit Zontivity in the U.S. and Canada and their respective territories, and (ii) an exclusive and royalty-free license to certain know-how solely in connection with the manufacture of Zontivity for exploitation in the U.S. and Canada and their respective territories.

Agreement with AstraZeneca/Horizon regarding Vimovo®

In August 2006, the Company entered into a collaboration and license agreement, effective September 7, 2006 (the "Original AZ Agreement"), with AstraZeneca regarding the development and commercialization of proprietary fixed dose combinations of the proton pump inhibitor ("PPI") esomeprazole magnesium with the non-steroidal anti-inflammatory drug ("NSAID") naproxen in a single tablet for the management of pain and inflammation associated with conditions such as osteoarthritis and rheumatoid arthritis in patients who are at risk for developing NSAID-associated gastric ulcers. Under the terms of the Original AZ Agreement, the Company granted to AstraZeneca an exclusive, fee-bearing license, in all countries of the world except Japan, under the Company's patents and know-how relating to combinations of gastroprotective agents and NSAIDs (other than aspirin and its derivatives). The Company developed Vimovo with AstraZeneca pursuant to this collaboration arrangement, with AstraZeneca responsible for commercialization of Vimovo.

During 2013, AstraZeneca decided to cease promotion and sampling of Vimovo in certain countries, including the United States and all countries in Europe, other than Spain and Portugal, which have pre-existing contractual relationships with third parties. In November 2013, AstraZeneca divested of all of its rights, title and interest to develop, commercialize and sell Vimovo in the United States to Horizon Pharma USA, Inc. ("Horizon"). In connection with this divestiture, in November 2013, the Company and AstraZeneca entered into an Amended and Restated Collaboration and License Agreement for the United States (the "U.S. Agreement") and an Amended and Restated License and Collaboration Agreement for outside the United States and Japan (the "ROW Agreement"), which agreements collectively amended and restated the Original AZ Agreement (as amended prior to the date of the U.S. Agreement and ROW Agreement). With the Company's consent pursuant to a letter agreement among the Company, AstraZeneca and Horizon, AstraZeneca subsequently assigned the U.S. Agreement to Horizon in connection with the divestiture. Further, the letter agreement establishes a process for AstraZeneca and Horizon to determine if certain sales milestones are achieved on a global basis and provides other clarifications and modifications required as a result of the contractual framework implemented among, or as otherwise agreed by, the parties. An additional $260.0 million is potentially payable to the Company if such sales milestones are achieved, however, these sales milestones are not currently expected to be achieved.

Under the U.S. Agreement, Horizon is obligated to pay the Company a 10% royalty on net sales of Vimovo and certain other products covered thereby in the United States. Pursuant to an amendment of the U.S. Agreement (the "Amendment to the U.S. Agreement") between the Company and Horizon, the Company is guaranteed an annual minimum royalty amount of $7.5 million each calendar year, provided that the patents owned by the Company which cover such products are in effect and certain types of competing products are not in the marketplace. The Amendment to the U.S. Agreement also provides that Horizon has assumed AstraZeneca's right to lead the on-going Paragraph IV litigation relating to Vimovo currently pending in the United States District Court for the District of New Jersey and will assume all patent-related defense costs relating to such litigation, including reimbursement up to specified amounts of the cost of any counsel retained by us, amends certain time periods for Horizon's delivery of quarterly sales reports to the Company, and provides for quarterly update calls between the parties to discuss performance of Vimovo and Horizon's commercialization efforts. In February 2018, the Company entered into a second amendment to the U.S. Agreement that allows Horizon to settle the on-going patent litigation without the Company's consent under certain circumstances.

Pursuant to the ROW Agreement, AstraZeneca retained the rights to commercialize Vimovo and certain other products covered thereby outside of the United States and Japan and paid us a royalty of 6% on net sales within the applicable territory through 2015 and started paying us a royalty of 10% of net sales commencing in the first quarter of 2016.

The royalty rates above may be reduced due to the loss of market share as a result of certain competition inside and outside of the United States, as applicable. Furthermore, the Company's right to receive royalties from AstraZeneca or Horizon, as applicable, expires on a country-by country basis upon the later of (a) expiration of the last-to expire of certain patent rights related to the applicable product(s) in that country, and (b) ten years after the first commercial sale of such product(s) in such country. In June 2017, the United States District Court for the District of New Jersey upheld the validity of two patents owned by Aralez and licensed to Horizon covering Vimovo in the United States. Subject to the immediately following sentence or a successful appeal of the decision by the generic competitors party to the suit, this decision is expected to delay generic entry until the expiration of the applicable patents. There is ongoing litigation with respect to other patents covering Vimovo, which if we are successful (and subject to a provisional license granted to Actavis effective January 1, 2025), would further prevent generic entry by the remaining generic competitors until March 2031. See Note 13, "Commitments and Contingencies" for more information. As noted above, in February 2018, the Company entered into a second amendment to its license agreement with Horizon that allows Horizon to settle such patent litigation without the Company's consent under certain circumstances. As the result of an unfavorable outcome in certain patent litigation in Canada, Mylan's generic naproxen/esomeprazole magnesium tablets recently became available in Canada.

Certain Other Agreements

Agreements with Sun Pharma and Frontida for Fibricor®

In May 2015, Tribute Pharmaceuticals International Inc. ("TPII"), a Barbados corporation and a wholly-owned subsidiary of Aralez Canada, acquired the U.S. rights to Fibricor and its related authorized generic (collectively, the "Fibricor Products") from a wholly-owned step-down subsidiary of Sun Pharmaceutical Industries Ltd. ("Sun Pharma"). Financial terms include a total payment of $10.0 million of which approximately $3.0 million was included as a liability assumed in the Merger and subsequently paid in May 2016. In addition, we may be obligated to pay up to $4.5 million in milestone payments based on annual net sales of Fibricor and its authorized generic as well as royalties ranging from the high single digits to low double digits based on annual net sales of such products. In connection with its acquisition of Fibricor, TPII also entered into a supply agreement with Sun Pharma pursuant to which Sun Pharma agreed to manufacture and supply the Fibricor Products to TPII. On June 3, 2016, Sun Pharma assigned the supply agreement to Frontida BioPharm, Inc. On June 30, 2016, TPII assigned its interest in the Fibricor Products to Aralez Ireland.

Agreements with Novartis for Fiorinal®

In 2014, Aralez Canada entered into an asset purchase agreement (the "Asset Purchase Agreement") with Novartis AG and Novartis Pharma AG (collectively, "Novartis") pursuant to which Aralez Canada acquired from Novartis the Canadian rights to manufacture, market, promote, distribute and sell Fiorinal®, Fiorinal® C, Visken® and Viskazide® for the relief of pain from headache and for the treatment of cardiovascular conditions (the "Novartis Products"), as well as certain other assets relating to the Novartis Products, including certain intellectual property, marketing authorizations and related data, medical, commercial and technical information, and the partial assignment of certain manufacturing and supply agreements and tenders with third parties (the "Acquired Assets"). Aralez Canada also assumed certain liabilities arising out of the Acquired Assets and the Licensed Assets (as defined below) after the acquisition, including product liability claims or intellectual property infringement claims by third parties relating to the sale of the Novartis Products by Aralez Canada in Canada. In connection with the acquisition of the Acquired Assets, and pursuant to the terms of the Asset Purchase Agreement, Aralez Canada concurrently entered into a license agreement with Novartis AG, Novartis Pharma AG and Novartis Pharmaceuticals Canada Inc., under which the Novartis entities agreed to license to Aralez Canada certain assets relating to the Novartis Products, including certain intellectual property, marketing authorizations and related data, and medical, commercial and technical information (the "Licensed Assets").

Agreement with Faes for Blexten™

In 2014, Aralez Canada entered into an exclusive license and supply agreement with Faes Farma, S.A. ("Faes"), a Spanish pharmaceutical company, for the exclusive right to sell bilastine, a product for the treatment of allergic rhinitis and chronic idiopathic urticaria (hives) in Canada, which is now named Blexten in Canada. The exclusive license is inclusive of prescription and non-prescription rights for Blexten, as well as adult and pediatric presentations in Canada. On March 31, 2016, Aralez Canada assigned its interest in Blexten to Aralez Ireland. Regulatory approval to sell Blexten in Canada was received from Health Canada in April 2016 and the Company began commercializing Blexten in Canada

in December 2016. The Company will owe milestone payments of approximately $1.8 million to Faes if certain sales targets or other milestone events are achieved.

Agreement with Nautilus for Cambia®

In 2010, Aralez Canada signed a license agreement with Nautilus Neurosciences, Inc. ("Nautilus") for the exclusive rights to develop, register, promote, manufacture, use, market, distribute and sell Cambia in Canada. In 2011, Aralez Canada and Nautilus executed the first amendment to the license agreement and in 2012 executed the second amendment to the license agreement. The license was assigned by Nautilus to Depomed, Inc. ("Depomed") in December 2013. Up to $6.0 million in sales-based milestone payments may be payable over time. Royalty rates are tiered and payable at rates ranging from 22.5% to 27.5% of net sales.

Agreement with Actavis for Bezalip® SR and Soriatane®

In January 2018, Aralez Canada signed an Exclusive Distribution Agreement with Allergan Inc. ("Allergan") pursuant to which Aralez Canada was appointed as the exclusive distributor to promote, market, purchase, warehouse, distribute and sell the Bezalip SR and Soriatane in Canada. This Exclusive Distribution Agreement supersedes the previous Sales, Marketing and Distribution Agreement entered into between Aralez Canada and Allergan in 2008 with respect to Bezalip SR and Soriatane. Pursuant to the Exclusive Distribution Agreement, Aralez Canada will pay Allergan a minimum royalty amount as well as an incremental royalty based on net receipts above 2017 net receipts for the products. In 2011, Aralez Canada signed a Product Development and Profit Share Agreement with Allergan to develop, obtain regulatory approval of and market Bezalip SR and other formulations of bezafibrate in the United States, which U.S. agreement was amended in 2013 and 2017. The Company may owe a milestone payment to Allergan in the event that the Company pursues and obtains regulatory approval to market Bezalip SR or another bezafibrate formulation in the United States, which milestone will be either $2.5 million or $5.0 million depending on the form of the first product approved.

Agreements with GSK, Pernix and CII regarding MT 400 (including Treximet®)

In June 2003, the Company entered into an agreement with Glaxo Group Limited, d/b/a GlaxoSmithKline ("GSK") for the development and commercialization of proprietary combinations of a triptan (5-HT1B/1D agonist) and a long-acting NSAID (the "GSK Agreement"). The combinations covered by the GSK Agreement are among the combinations of MT 400 (including Treximet®). Under the terms of the GSK Agreement, GSK had exclusive rights in the United States to commercialize all combinations which combine GSK's triptans, including Imitrex® (sumatriptan succinate) or Amerge® (naratriptan hydrochloride), with a long-acting NSAID. The Company was responsible for development of the first combination product, while GSK provided formulation development and manufacturing.

In November 2011, the Company entered into a purchase agreement with CPPIB Credit Investments Inc. ("CII"), pursuant to which the Company sold, and CII purchased, the Company's right to receive future royalty payments arising from U.S. sales of MT 400, including Treximet. By virtue of the agreement, the Company will receive a 20% interest in royalties, if any, paid on net sales of Treximet and such other products in the United States to CII relating to the period commencing in the second quarter of 2018.

In May 2014, the Company, GSK, CII and Pernix Therapeutics Holdings, Inc. ("Pernix"), entered into certain agreements in connection with GSK's divestiture of all of its rights, title and interest to develop, commercialize and sell Treximet in the United States to Pernix. Upon the closing of the transaction in August 2014, with the Company's consent, GSK assigned the GSK Agreement to Pernix. Pernix assumed the obligation to pay two sales performance milestones totaling up to $80.0 million if certain sales thresholds are achieved as well as royalties on all net sales of marketed products until at least the expiration of the last-to-expire issued applicable patent based upon the scheduled expiration of currently issued patents. Pernix may reduce, but not eliminate, the royalty payable to the Company if generic competitors attain a pre-determined share of the market for the combination product, or if Pernix owes a royalty to one or more third parties for rights it licenses from such third parties to commercialize the product. Immediately following the closing of the transaction, the Company entered into an amendment to the GSK Agreement with Pernix. This amendment, among other things, amends the royalty provisions to provide for a guaranteed quarterly minimum royalty of $4 million for the calendar quarters commencing in January 2015 and ending in March 2018 and requires that Pernix continue certain of GSK's ongoing development activities and to undertake certain new activities, for which the Company will provide reasonable assistance. This amendment to the GSK Agreement also eliminates restrictions in the

GSK Agreement on the Company's right to develop and commercialize certain dosage forms of sumatriptan/naproxen combinations outside of the United States and permits the Company to seek approval for these combinations on the basis of the approved NDA for Treximet.

Distribution Agreements Regarding Toprol-XL AG

In November 2017, the Company signed a Distribution and Supply Agreement (the "Lannett-Toprol-XL AG Agreement") with Lannett Company, Inc. ("Lannett") pursuant to which the Company supplies, and Lannett distributes, the Toprol-XL authorized generic product. The Lannett-Toprol-XL AG Agreement replaces a previous Toprol-XL authorized generic distribution agreement with Endo Ventures Limited ("Endo"), which terminated in December 2017. Pursuant to the Lannett-Toprol-XL AG Agreement, Lannett has the exclusive rights in the United States to promote the Toprol-XL authorized generic, while we retain the right to promote the branded Toprol-XL. Pursuant to the terms of the Toprol-XL AG Agreement, the Company supplies the AG product to Lannett for a base supply price, which ranges depending on dosage strength. In addition to the base supply price, Lannett pays to the Company, on a quarterly basis, a profit share equal to a certain percentage of the specified profit of this business for the applicable period. The agreement expires at the end of 2020 and may be terminated by either party under certain circumstances, including performance measures.

3. BUSINESS COMBINATIONS AND ACQUISITIONS

Acquisition of Tribute

On February 5, 2016, Aralez completed its acquisition of Tribute Pharmaceuticals Canada Inc. (now known as Aralez Pharmaceuticals Canada Inc. and referred to herein as "Aralez Canada" or "Tribute"). The transaction provided Aralez with product portfolio diversity with several marketed products and product candidates acquired. Pursuant to the transaction, Tribute shareholders received 0.1455 common shares of Aralez, no par value per share (the "Aralez Shares") in exchange for each common share of Tribute, no par value per share (the "Tribute Shares") held by such shareholders. At the effective time of the Merger, each share of Pozen common stock, $0.001 par value per share, was cancelled and automatically converted into the right to receive one Aralez Share.

Aralez valued the entire issued and to be issued share capital of Tribute at approximately $115.1 million based on Pozen's closing share price of $5.94 on February 5, 2016 and an exchange ratio of 0.1455. Upon the close of the transaction, (a) each outstanding Tribute warrant entitled its respective holders the right to purchase 0.1455 fully-paid and non-assessable Aralez Shares for no additional consideration beyond that set out in the respective Tribute warrant; (b) each Tribute employee stock option entitled the respective holders of the option to either (i) exchange their Tribute option for a Tribute common share immediately prior to the Merger or (ii) convert into Aralez options entitling the holder to purchase that number of Aralez Shares equivalent to 0.1455 Aralez Shares for each Tribute Share originally issuable (with the exercise price of each Aralez option equal to the original exercise price adjusted for the 0.1455 conversion); and (c) each Tribute compensation option, previously granted to certain investors of Tribute in connection with private placement financings, entitled its respective holders the right to purchase 0.1455 fully-paid and non-assessable Aralez Shares, as well as 0.1455 one-half warrants for Aralez Shares, for no additional consideration beyond that set out in the respective compensation option certificate. As a result of the Merger, the warrants, employee stock options and compensation options are fully-vested and exercisable at any time prior to their respective expiration dates.

The acquisition-date fair value of the consideration transferred is as follows:

	At February 5, 2016
Equity consideration	$ 115,136
Repayment of Tribute indebtedness	22,488
Total consideration	$ 137,624

The acquisition-date fair value of total consideration transferred above excludes approximately $0.5 million related to the accelerated vesting of certain equity awards of Tribute pursuant to the Merger Agreement, which was included in share-based compensation expense during the year ended December 31, 2016.

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the tangible and identifiable intangible assets acquired and liabilities assumed were recorded at fair value as of the date of acquisition, with the remaining purchase price recorded as goodwill. The goodwill recognized is attributable primarily to strategic opportunities related to leveraging Tribute's existing infrastructure. Goodwill is not deductible for tax purposes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	At February 5, 2016 (as adjusted)
Cash	$ 4,601
Accounts receivable	3,790
Inventory	3,622
Prepaid expenses and other current assets	1,129
Property, plant and equipment	684
Intangible assets	84,034
In-process research and development	3,243
Accounts payable and accrued expenses	(10,295)
Note payable	(3,604)
Warrants liability	(4,618)
Other liabilities	(7,373)
Deferred tax liability	(6,913)
Total net assets acquired	$ 68,300
Goodwill	69,324
Total consideration	$ 137,624

The fair values of intangible assets and IPR&D were determined using an income approach, including a discount rate applied to the projected net cash flows. The fair value of intangible assets included the following:

	Fair Value (as adjusted)
Marketed products:	
Fiorinal	$ 26,954
Proferrin	9,513
Fibricor	10,018
Uracyst and Neovisc	9,874
Cambia	7,567
Other marketed products	20,108
Total acquired technology rights	$ 84,034

The deferred tax liability of $6.9 million related primarily to the temporary differences associated with the identifiable intangible assets, which are not deductible for tax purposes.

The operating results of Aralez Canada for the period from February 5, 2016 to December 31, 2017 are included in the consolidated financial statements as of and for the years ended December 31, 2017 and 2016, respectively. The net loss attributable solely to Aralez Canada is not practicably determinable for the year ended December 31, 2016 given the integration of Aralez Canada's operations within the combined company. The Company incurred $12.9 million in transaction costs in connection with the acquisition, which were included in selling, general and administrative expenses within the consolidated statements of operations for the year ended December 31, 2016.

Acquisition of Zontivity

On September 6, 2016, Aralez Ireland acquired the U.S. and Canadian rights to Zontivity (vorapaxar), pursuant to the Zontivity Asset Purchase Agreement with Merck.

The purchase price for Zontivity consists of (i) a payment of $25 million by Aralez Ireland to Merck which was made on the closing date of the acquisition, (ii) certain milestone payments to be payable by Aralez Ireland subsequent to the closing of the acquisition upon the occurrence of certain milestone events based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof, which in no event will exceed $80 million in the aggregate, and (iii) royalty payments in the low double digits based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof.

On October 31, 2016, Aralez Pharmaceuticals Inc., Pozen, Tribute (collectively, the "Credit Parties"), the Credit Parties borrowed $25.0 million under the Second Amended and Restated Debt Facility Agreement ("Facility Agreement") to replenish the Company's cash balance for the initial upfront payment of $25.0 million in cash previously paid at the closing of the Zontivity acquisition. See Note 9, "Debt," for additional information.

The acquisition-date fair value of the consideration transferred is as follows:

	At September 6, 2016
Cash	$ 25,000
Contingent consideration	17,600
Total consideration	$ 42,600

Pursuant to the terms of the Zontivity Asset Purchase Agreement and certain ancillary agreements entered into in connection with the acquisition, Merck agreed to supply Zontivity to Aralez Ireland for a period of up to three years following the closing of the acquisition (although the packaging component has now been transferred to the Company's third party provider). Merck provided certain transition services to Aralez Ireland following the closing of the acquisition to facilitate the transition of the supply, sale and distribution of Zontivity, including distributing Zontivity on behalf of Aralez Ireland in exchange for compensation specified in the transition services agreement. The transition services agreement was in effect from September 6, 2016 through March 31, 2017. At the end of each quarter during the transition period, Merck remitted net revenues to Aralez Ireland, which included a fee for its services. This net amount is included in other revenues while the transition services agreement was in effect. In connection with the Zontivity Agreement, which is more fully described in Note 2, "Business Agreements", Merck granted Aralez Ireland, among other things, (i) an exclusive and royalty-free license to certain trademarks solely to exploit Zontivity in the U.S. and Canada and their respective territories, and (ii) an exclusive and royalty-free license to certain know-how solely in connection with the manufacture of Zontivity for exploitation in the U.S. and Canada and their respective territories.

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the identifiable intangible asset acquired was recorded at fair value as of the date of acquisition, with the remaining purchase price recorded as goodwill. The goodwill recognized is attributable primarily to strategic and synergistic opportunities.

The following table summarizes the estimated preliminary fair value of the asset acquired at the date of acquisition:

	At September 6, 2016
Intangible asset	$ 40,800
Total net asset acquired	40,800
Goodwill	1,800
Total consideration	$ 42,600

The operating results of Zontivity for the period from September 6, 2016 to December 31, 2017 are included in the consolidated financial statements as of and for the years ended December 31, 2017 and 2016, respectively. The Company incurred a total of $0.9 million in product acquisition-related costs in connection with the acquisition, which were included in selling, general and administrative expenses within the consolidated statements of operations for the year ended December 31, 2016.

Acquisition of the Toprol-XL Franchise

On October 31, 2016, Aralez Ireland acquired the U.S. rights to Toprol-XL (metoprolol succinate) and the AG pursuant to the Toprol-XL Asset Purchase Agreement entered into between AstraZeneca, Aralez Ireland and Aralez Pharmaceuticals Inc. In July 2017, AstraZeneca, Aralez Ireland and Aralez Pharmaceuticals Inc. entered into an amendment to the Toprol-XL Asset Purchase Agreement pursuant to which (1) the milestone payments payable under the Toprol-XL Asset Purchase Agreement were deferred and extended, and (2) the definition of net sales was amended. Such agreements are more fully described in Note 2, "Business Agreements."

The purchase price payable under the Toprol-XL Asset Purchase Agreement as amended consists of (i) a payment of $175.0 million by Aralez Ireland to AstraZeneca, which was made on the closing date of the transaction; (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the acquisition, which the Company is obligated to pay in quarterly installments of approximately $5.6 million for eight consecutive quarters beginning in the second quarter of 2019 due to the occurrence of certain milestone events based on the annual aggregate net sales of the Toprol-XL Franchise and other contingent events; (iii) certain other milestone payments of up to an additional $3.0 million in the event the Company exceeds net sales thresholds for the Toprol-XL Franchise of $125 million and $135 million in a year; (iv) royalty payments of (A) 15% of total quarterly net sales of branded Toprol-XL and any other authorized or owned generic version of Toprol-XL that is marketed, distributed or sold by Aralez and (B) 15% of quarterly net sales of the current or any other third party authorized generic, but for purposes of royalty payments and clause (B) only, net sales do not include the supply price paid for the current or other third party authorized generic by Aralez Ireland to AstraZeneca under the supply agreement entered into between Aralez Ireland and AstraZeneca in respect of the applicable period and (v) a payment for the value of the finished inventory of Toprol-XL and the AG at closing of the Toprol-XL acquisition, not to exceed a cap specified in the Toprol-XL Asset Purchase Agreement. On October 31, 2016, in connection with the Toprol-XL Asset Purchase Agreement, the Company borrowed $175.0 million under the Facility Agreement to finance the closing date payment. See Note 9, "Debt," for additional information.

The acquisition date fair value of the consideration transferred is as follows:

	At October 31, 2016
Cash	$ 175,000
Contingent consideration	52,800
Cash paid for prepaid asset	1,492
Total consideration	$ 229,292

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the assets acquired were recorded at fair value as of the date of acquisition, with the remaining purchase price recorded as goodwill. The goodwill recognized is attributable primarily to strategic and synergistic opportunities.

The following table summarizes the estimated preliminary fair value of the assets acquired at the date of acquisition:

	At October 31, 2016
Prepaid asset	$ 1,492
Intangible asset	224,600
Total net assets acquired	226,092
Goodwill	3,200
Total consideration	$ 229,292

The operating results of the Toprol-XL Franchise for the period from October 31, 2016 to December 31, 2017, are included in the consolidated financial statements as of and for the years ended December 31, 2017 and 2016, respectively. The Company incurred a total of $1.6 million in product acquisition-related costs in connection with the acquisition, which were included in selling, general and administrative expenses within the consolidated statements of operations for the year ended December 31, 2016.

Pro Forma Impact of Business Combinations

The following supplemental unaudited pro forma information presents Aralez's financial results as if the acquisitions of Aralez Canada, Zontivity and the Toprol-XL Franchise had occurred on January 1, 2015:

	Years Ended December 31,	
	2016	2015
Total revenues, net	$ 145,696	$ 145,116
Net loss	$ (67,224)	$ (424,176)
Diluted net loss per share	$ (1.09)	$ (6.70)

The above unaudited pro forma information was determined based on the historical GAAP results of Aralez, Aralez Canada, Zontivity and the Toprol-XL Franchise. The unaudited pro forma consolidated results are provided for informational purposes only and are not necessarily indicative of what Aralez's consolidated results of operations actually would have been had the acquisition been completed on the dates indicated or what the consolidated results of operations will be in the future.

Revenues for the Toprol-XL Franchise, which was acquired on October 31, 2016 and was sold by AstraZeneca on our behalf under a transition services agreement from the acquisition date through December 31, 2017, were recognized net of related cost of product revenues and transition service fees paid to AstraZeneca. The impact of this revenue recognition method resulted in lower reported revenues relative to the revenue that would have been reported had the Company recognized gross revenues from sales of the Toprol-XL Franchise, which is the methodology used in the pro forma figures in the table above. However, this accounting treatment did not impact the Company's net loss or diluted net loss per share for the same periods. Beginning in 2018, the Company will begin recognizing gross revenues and cost of product revenues from sales of the Toprol-XL Franchise, which will be classified as product revenues, net and cost of product revenues in 2018.

The historical results of Zontivity for the year ended December 31, 2015 include an intangible asset impairment charge of $289.7 million. The pro forma financial statements also include the financial results of Medical Futures Inc. ("MFI"), a company that Aralez Canada acquired in June 2015, which included revenues of $3.8 million and net loss of $0.5 million, for the year ended December 31, 2015. The pro forma consolidated net loss includes pro forma adjustments relating to the following significant recurring and non-recurring items directly attributable to the business combinations, net of the pro forma tax impact utilizing applicable statutory tax rates, which were eliminated from the year ended December 31, 2016, and/or included in the year ended December 31, 2015, as applicable:

(i) elimination of $12.0 million of expense for excise tax equalization payments for the year ended December 31, 2016;

(ii) elimination of $3.9 million of severance charges for the year ended December 31, 2016;

(iii) elimination of $1.5 million of the inventory fair value step-up for the year ended December 31, 2016;

(iv) elimination of $0.5 million of stock based compensation expense for the year ended December 31, 2016;

(v) addition of $0.9 million and $1.9 million in cost of product sales related to the Zontivity supply agreement with Merck for the years ended December 31, 2016 and 2015, respectively;

(vi) elimination of $15.5 million of transaction costs incurred by the combined Company for the year ended December 31, 2016, and addition of $16.3 million of transaction costs for the year ended December 31, 2015;

(vii) elimination of $1.0 million in costs associated with the Zontivity and Toprol-XL transition services agreements for the year ended December 31, 2016, and the addition of $4.4 million in costs associated with the Zontivity and Toprol-XL transition services agreements for the year ended December 31, 2015;

(viii) elimination of $1.8 million and $14.3 million of amortization for the years ended December 31, 2016 and 2015, respectively, and the addition of amortization of finite-lived intangible assets acquired of $22.0 million and $33.7 million for the years ended December 31, 2016 and 2015, respectively; as well as

(ix) elimination of $0.3 million of interest expense related to the Tribute acquisition for the year ended December 31, 2016, and the addition of $20.8 million and $25.0 million in interest expense related to the financing of the Zontivity and Toprol-XL acquisitions for the years ended December 31, 2016 and 2015, respectively

4. FAIR VALUE

The following tables set forth the Company's assets and liabilities that are measured at fair value on a recurring basis (in thousands) at:

	December 31, 2017			
	Financial Instruments Carried at Fair Value			
	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 28,892	$ —	$ —	$ 28,892
Liabilities:				
Contingent consideration	$ —	$ —	$ 100,355	$ 100,355

	December 31, 2016			
	Financial Instruments Carried at Fair Value			
	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 64,943	$ —	$ —	$ 64,943
Liabilities:				
Contingent consideration	$ —	$ —	$ 71,115	$ 71,115
Warrants liability	$ —	$ —	$ 24	$ 24

Contingent Consideration

In connection with the acquisitions of Zontivity and the Toprol-XL Franchise, the Company recorded short-term and long-term contingent consideration liabilities for future cash payments based on the occurrence of certain milestone events and royalty payments. The contingent consideration liability for both Zontivity and the Toprol-XL Franchise is valued using a model, which incorporates Level 3 assumptions, including the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. During the year ended December 31, 2017, the Company recorded expense related to the contingent consideration for its acquisitions of Zontivity and the Toprol-XL Franchise totaling $15.6 million and $20.1 million, respectively.

Warrants Liability

In connection with the acquisition of Aralez Canada, the Company assumed a liability for warrants that are treated as derivatives under accounting guidance for derivatives and hedging as they were issued with exercise prices denominated in a currency different than the Company's reporting currency. Approximately 46 thousand of the total 0.9 million common shares underlying the warrants outstanding as of March 31, 2017 were classified as liabilities. These warrants, whose fair value was *de minimis* as of March 31, 2017, expired in May 2017. The warrants liability was valued using a Black-Scholes valuation model, which incorporates Level 3 assumptions including the volatility of the underlying share price and the expected term. A decrease in the fair value of the warrants liability of $24 thousand and $4.7 million for the years ended December 31, 2017 and 2016, respectively, is included within other income, net in the consolidated statements of operations. See Note 11, "Earnings Per Share," for additional information.

Level 3 Disclosures

The following table provides quantitative information associated with the fair value measurement of the Company's Level 3 inputs at December 31, 2017:

	Fair Value	Valuation technique	Unobservable Inputs	Range of Inputs Utilized
Contingent consideration	$ 100,355	Monte Carlo	Volatility	36% - 72%
			Discount rate	14%

The table below provides a roll-forward of the warrants liability fair value balances that used Level 3 inputs (in thousands):

Balance at December 31, 2015	$ —
Warrants liability assumed in Merger	4,618
Change in fair value during the period	(4,744)
Impact of foreign exchange	150
Balance at December 31, 2016	24
Change in fair value during the period	(24)
Balance at December 31, 2017	$ —

The table below provides a roll-forward of the contingent consideration liability fair value balances that used Level 3 inputs (in thousands):

Balance at December 31, 2015	$ —
Contingent consideration recorded in Zontivity acquisition	17,600
Contingent consideration recorded in Toprol-XL acquisition	52,800
Cash payments / settlements	(35)
Change in fair value during the period	750
Balance at December 31, 2016	$ 71,115
Change in fair value of Contingent consideration for Zontivity acquisition	15,627
Change in fair value of Contingent consideration for Toprol-XL acquisition	20,098
Cash payments / settlements	(6,485)
Balance at December 31, 2017	$ 100,355

In the third and fourth quarters of 2017, the Company updated its assumptions for the probability of success for certain milestone events in the Toprol-XL Asset Purchase Agreement. In addition, the Company adjusted the timing of projected milestone payments in connection with the July 2017 amendment to the Toprol-XL Asset Purchase Agreement. Further, the Company updated its assumptions with respect to financial projections for Zontivity. These changes in assumptions, along with accretion due to the passage of time, resulted in a net increase in the contingent consideration liability of $35.7 million during the year ended December 31, 2017. For the year ended December 31, 2016, the change in fair value of contingent consideration of $0.8 million was primarily due to the passage of time.

5. INVENTORY

Inventory consisted of the following at:

	December 31, 2017	December 31, 2016
Raw materials	$ 641	$ 1,129
Work-in-process	—	189
Finished goods	6,002	3,230
Total Inventory	$ 6,643	$ 4,548

Inventories are net of reserves for excess and obsolete inventory of approximately $1.1 million and $0.1 million as of December 31, 2017 and 2016, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at:

	December 31, 2017	December 31, 2016	Estimated Life (in years)
Furniture and fixtures	$ 2,236	$ 486	5 - 7
Computers, software and equipment	1,521	460	3 - 7
Leasehold improvements	5,399	895	5 - 10
Land, buildings and improvements	—	275	25 - 40
Construction in progress	—	5,437	
	9,156	7,553	
Less: Accumulated depreciation	(1,703)	(237)	
	$ 7,453	$ 7,316	

Depreciation expense was approximately $1.5 million, $0.4 million for the years ended December 31, 2017, and 2016, respectively. Depreciation expense was de minimis for the year ended December 31, 2015.

7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The table below provides a roll-forward of the goodwill balance (as adjusted, in thousands):

Goodwill balance at December 31, 2015	$ —
Goodwill from acquisition of Aralez Canada	69,324
Goodwill from acquisition of Zontivity	1,800
Goodwill from acquisition of Toprol-XL	3,200
Impact of foreign exchange	2,370
Goodwill balance at December 31, 2016	$ 76,694
Impact of foreign exchange	5,087
Goodwill balance at December 31, 2017	$ 81,781

There were no accumulated impairment losses to goodwill at December 31, 2017.

Other Intangible Assets, Net

Other intangible assets, net consisted of the following at:

	December 31, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
				(in years)
Toprol-XL	$ 224,600	$ (26,203)	$ 198,397	10
Zontivity	40,800	(5,100)	35,700	11
Aralez Canada and other	92,384	(16,135)	76,249	11
Acquired technology rights	$ 357,784	$ (47,438)	$ 310,346	

	December 31, 2016			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
				(in years)
Toprol-XL	$ 224,600	$ (1,275)	$ 223,325	10
Zontivity	40,800	(3,757)	37,043	11
Aralez Canada and other	87,268	(7,442)	79,826	11
Acquired technology rights	$ 352,668	$ (12,474)	$ 340,194	

The gross carrying amount of acquired technology rights increased by $5.1 million from December 31, 2016 due to the impact of foreign currency translation adjustments between the Canadian and U.S. dollars. Amortization expense was $34.3 million and $12.5 million for the years ended December 31, 2017 and 2016, respectively. There was no amortization expense for the year ended December 31, 2015.

The estimated aggregate amortization of intangible assets as of December 31, 2017, for each of the five succeeding years and thereafter is as follows:

For the Years Ending December 31,	Estimated Amortization Expense
2018	$ 34,537
2019	34,537
2020	34,537
2021	34,537
2022	34,537
Thereafter	137,661
Total amortization expense	$ 310,346

8. ACCRUED EXPENSES

Accrued expenses consisted of the following at:

	December 31, 2017	December 31, 2016
Accrued professional fees	$ 4,267	$ 6,258
Accrued marketing fees	605	4,852
Accrued revenue reserves	3,275	3,783
Accrued royalties	3,419	2,996
Accrued employee-related expenses	5,667	9,153
Accrued interest	6,774	4,719
Accrued manufacturing costs	4,429	48
Other accrued liabilities	60	332
Total accrued expenses	$ 28,496	$ 32,141

9. DEBT

Convertible Notes

On February 5, 2016, Aralez issued $75.0 million aggregate principal of 2.5% senior secured convertible notes due in February 2022 ("2022 Notes") resulting in net proceeds to Aralez, after debt issuance costs, of $74.5 million in connection with the Second Amended and Restated Debt Facility Agreement (the "Facility Agreement"), dated December 7, 2015, among Aralez Pharmaceuticals Inc., Pozen, and Aralez Canada (the "Credit Parties") and certain lenders. The 2022 Notes are convertible into common shares of Aralez at an initial conversion premium of 32.5%, subject to adjustment upon certain events, which is equivalent to an initial conversion price of approximately $8.28 per common share. Holders of the 2022 Notes may convert the 2022 Notes at any time and the 2022 Notes are not pre-payable by Aralez. Interest is payable to the note holders quarterly in arrears on the first business day of each January, April, July and October. Interest expense for the years ended December 31, 2017 and 2016 was $2.0 million and $1.8 million, respectively, which includes the amortization of debt issuance costs. The Company estimated the fair value of the $75.0 million aggregate principal amount of the outstanding 2022 Notes to be approximately $57.7 million as of December 31, 2017, using a bond plus call option model that utilizes Level 3 fair value inputs. The carrying amount of the 2022 Notes was $74.6 million as of December 31, 2017, which is the principal amount outstanding, net of $0.4 million of unamortized debt issuance costs to be amortized over the remaining term of the 2022 Notes.

Credit Facility

Under the terms of the Facility Agreement, Aralez also had the ability to borrow from the lenders up to $200.0 million under a credit facility until April 30, 2017. The credit facility was available to be drawn upon for permitted acquisitions and is to be repaid on the sixth anniversary from each draw. Amounts drawn under the credit facility will bear an interest rate of 12.5% per annum and shall be prepayable in whole or in part at any time following the end of the sixth month after the funding date of each draw. The Facility Agreement contains various representations and warranties, and affirmative and negative covenants, customary for financings of this type, including, among other things, limitations on asset sales, mergers and acquisitions, indebtedness, liens and dividends.

On October 31, 2016, Aralez drew down $25.0 million under the credit facility to replenish the Company's cash balance for the initial upfront payment of the $25.0 million in cash previously paid at the closing of the Zontivity acquisition in September 2016 and drew down an additional $175.0 million to finance the upfront cash payment for the acquisition of the Toprol-XL Franchise (the "Acquisition Loans"). The $200.0 million is due to be repaid in October 2022, with no principal payments due until such time.

Interest is payable on the Acquisition Loans to the note holders quarterly in arrears on the first business day of each January, April, July and October. Interest expense was $25.0 million and $4.2 million for the years ended December 31, 2017 and 2016, respectively, which includes the amortization of debt issuance costs. The Company estimated the fair value of the $200.0 million aggregate principal amount of the outstanding borrowings under the Acquisition Loans to be approximately $221.7 million as of December 31, 2017, using a bond model that utilizes Level 3

fair value inputs. The carrying amount of the borrowings under the Acquisition Loans was $199.9 million as of December 31, 2017, which is the principal amount outstanding, net of $0.1 million of unamortized debt issuance costs to be amortized over the remaining term of the Acquisition Loans.

In addition, pursuant to a consent to the Facility Agreement entered into in connection with the acquisition of the Toprol-XL Franchise, the lenders under the Facility Agreement agreed that they and/or affiliated funds will have available sufficient capital to make additional loans to Aralez in an aggregate amount of up to $250.0 million for the payment of the purchase price of any acquisitions permitted by the terms of the Facility Agreement (as modified by such consent) with respect to target businesses mutually approved by, and as otherwise mutually agreed upon, by Aralez and the lenders, subject to the satisfaction of certain conditions set forth in the Facility Agreement. At the time of such consent, the Facility Agreement was amended to include additional financial performance thresholds, including a minimum adjusted EBITDA threshold (beginning in the third quarter of 2018) and a minimum specified revenue threshold relating to net sales of the Toprol-XL Franchise received by the Company. As of December 31, 2017, the Company was in compliance with all applicable financial performance thresholds.

10. INCOME TAXES

Income (loss) before income taxes, classified by source of income (loss), is as follows:

	For the Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
Canadian	$ (39,812)	$ (25,424)	$ —
U.S.	(1,938)	(6,582)	(8,508)
Irish	(114,065)	(85,294)	(29,101)
Other Foreign	33,010	14,258	—
Loss before income taxes	$ (122,805)	$ (103,042)	$ (37,609)

Income tax expense (benefit) consists of the following:

	For the Years Ended December 31,		
	2017	2016	2015
Current provision:	(in thousands)		
Canadian	$ 368	$ 45	$ —
U.S. Federal	401	2,182	—
U.S. State	332	1,629	174
Irish	—	—	—
Other Foreign	233	32	—
Total current provision	1,334	3,888	174
Deferred benefit:			
Canadian	255	(3,147)	—
U.S. Federal	624	(614)	—
U.S. State	187	(182)	—
Irish	—	—	—
Other Foreign	—	(9)	—
Total deferred provision (benefit)	1,066	(3,952)	—
Total current and deferred provision (benefit)	$ 2,400	$ (64)	$ 174

The actual income tax expense (benefit) for the years ended December 31, 2017, 2016 and 2015, differed from the amounts computed by applying the Canadian federal tax rate in 2017 and 2016 of 26.5% resulting from the Merger and the U.S. federal tax rate of 35% in 2015 to income (loss) before taxes as a result of the following:

	For the Years Ended December 31,		
	2017	2016	2015
		(in thousands)	
(Loss) income before income tax	$ (122,805)	$ (103,042)	$ (37,609)
Statutory tax rate	26.5 %	26.5 %	35 %
Income tax provision at statutory rate	(32,543)	(27,306)	(13,163)
U.S. State tax provision	354	1,140	(48)
	(32,189)	(26,166)	(13,211)
Decrease (increase) in income tax benefit resulting from:			
Foreign tax rate differential	17,727	12,594	6,548
Research and development credits	—	(296)	(574)
Non-deductible expenses and other	2,665	171	819
Non-deductible executive compensation	2,162	3,965	1,279
Non-deductible transaction costs	—	3,272	—
Non-deductible excise tax	—	2,160	—
Notional interest deduction	(8,607)	(4,115)	—
Changes in tax law	8,800	—	—
Deferred tax asset adjustment	685	1,533	2,629
Change in valuation allowance	11,157	6,818	2,684
Income tax expense	$ 2,400	$ (64)	$ 174

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Aralez's deferred tax assets are as follows:

	December 31,	
	2017	2016
Non-current		
Deferred tax assets:		
Tax loss carryforwards	$ 40,366	$ 35,430
Research and development credits	15,082	15,064
Equity compensation	4,429	6,258
Transaction costs	—	308
Other	6,222	2,268
Total deferred tax assets	66,099	59,328
Less valuation allowance	(64,144)	(50,706)
Net deferred tax assets	$ 1,955	$ 8,622
Deferred tax liabilities:		
Intangible assets	(5,729)	(11,066)
Total deferred tax liabilities	(5,729)	(11,066)
Net deferred tax liability	$ (3,774)	$ (2,444)

The net deferred tax liability as of December 31, 2016 of $2.4 million consisted of the deferred tax liability of $11.1 million offset by a deferred tax asset of $8.6 million included within other long-term assets on the balance sheet.

At December 31, 2017, Aralez had Canadian net operating loss carryforwards of approximately $67.4 million, U.S. federal net operating loss carryforwards of approximately $33.8 million, U.S. state net operating loss carryforwards of approximately $20.5 million, Irish net operating loss carryforwards of $132.0 million and U.S. research and development credit carryforwards of approximately $14.5 million. The Canadian, U.S. federal and U.S. state net operating loss carryforwards begin to expire in 2026, 2030 and 2017, respectively, and the U.S. research and development credit carryforwards begin to expire in 2019. As a result of the adoption of ASU 2016-09, the Company will no longer include excess tax benefits in its U.S. federal and U.S. state net operating loss carryforwards. There was no net impact on our opening accumulated deficit upon application of this guidance using the modified retrospective

transition method as the total cumulative-effect adjustment for previously deferred excess tax benefits was offset by a related change in the valuation allowance. Based upon the accumulation of historical losses in material jurisdictions, a valuation allowance has been recognized to offset a significant portion of the deferred tax assets due to the uncertainty surrounding Aralez's ability to realize these deferred tax assets in future periods. Certain deferred tax assets in Canada are considered to be realizable due to reversing deferred tax liabilities.

The utilization of the loss carryforwards to reduce future income taxes will depend on Aralez's ability to generate sufficient taxable income prior to the expiration of the loss carryforwards. In addition, the maximum annual use of net operating loss and research credit carryforwards is limited in certain situations where changes occur in stock ownership, including the change in ownership resulting from the Merger. The cash tax benefit related to net operating loss carryforwards was approximately $2.1 million, $3.2 million and $2.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

On December 22, 2017, the U.S. government enacted the Tax Act, which significantly revises U.S. tax law by, among other provisions, lowering the U.S. federal statutory corporate income tax rate from 35% to 21%, imposing a mandatory one-time transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

ASC 740, *Income Taxes* requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the Tax Act's provisions, the SEC issued SAB 118, which allows companies to record the tax effects of the Tax Act on a provisional basis based on a reasonable estimate, and then, if necessary, subsequently adjust such amounts during a limited measurement period as more information becomes available. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year from enactment.

The Tax Act did not have a material impact on the Company's financial statements since its deferred temporary differences are fully offset by a valuation allowance and the Company does not have any significant off shore earnings from which to record the mandatory transition tax. However, given the significant complexity of the Tax Act, anticipated guidance from the U.S. Treasury about implementing the Tax Act, and the potential for additional guidance from the SEC or the FASB related to the Tax Act, these estimates may be adjusted during the measurement period. The provisional amounts disclosed in the Company's footnotes were based on the its present interpretations of the Tax Act and current available information, including assumptions and expectations about future events, such as its projected financial performance, and are subject to further refinement as additional information becomes available and further analyses are completed. The Company continues to analyze the changes in certain income tax deductions, assess calculations of earnings and profits in certain foreign subsidiaries, including if those earnings are held in cash or other assets and gather additional data to compute the full impacts on the Company's deferred and current tax assets and liabilities. As a result of the reduction in the U.S. corporate income tax rate, the Company revalued its ending net deferred tax liabilities as of December 31, 2017 and recognized a provisional tax expense of $8.8 million.

Aralez had gross unrecognized tax benefits of approximately $0.7 million and $0.6 million as of December 31, 2017 and 2016, respectively, and of these amounts, none would reduce Aralez's effective tax rate if recognized. Aralez does not anticipate a significant change in total unrecognized tax benefits or Aralez's effective tax rate due to the settlement of audits or the expiration of statutes of limitations within the next 12 months.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

	For the Years Ended December 31,		
	2017	2016	2015
		(in thousands)	
Beginning balance	$ 588	$ 572	$ 537
Increases related to prior year tax positions	72	16	32
Increases related to current year tax positions	—	—	3
Ending balance	$ 660	$ 588	$ 572

Aralez's policy for recording interest and penalties associated with tax audits is to record them as a component of provision for income taxes. Aralez has not recorded any interest or penalty since adoption of FASB ASC 740-10.

Aralez files federal and state income tax returns, as applicable, with the tax authorities in various jurisdictions including Canada, Ireland and the United States. Pozen is no longer subject to U.S. federal or North Carolina state income tax examinations by tax authorities for years before 2014. Aralez Canada is no longer subject to Canadian income tax examinations by tax authorities for years before 2011. However, the loss and credit carryforwards generated by Pozen and Aralez Canada may still be subject to change to the extent these losses and credits are utilized in a year that is subject to examination by tax authorities.

The Company has not provided for taxes as it relates to permanently reinvested foreign earnings. While it is not practicable to estimate the potential income taxes the Company does not believe the distribution of existing foreign earnings would result in a material tax cost.

11. EARNINGS PER SHARE

Basic and Diluted Net Loss Per Common Share

Basic net loss per common share has been computed by dividing net loss by the weighted average number of shares outstanding during the period. Except where the result would be antidilutive to income from continuing operations, diluted net loss per common share is computed assuming the conversion of convertible obligations and the elimination of the interest expense related to the 2022 Notes, the exercise of options to purchase common shares, the exercise of warrants, and the vesting of restricted stock units ("RSUs"), as well as their related income tax effects. Diluted net loss per common share differs from basic net loss per common share for the years ended December 31, 2017 and 2016, respectively, given potential common shares underlying the warrants liability were dilutive (prior to expiration in May 2017) when considering the unrealized gain recognized for the change in the fair value of the warrants during the period.

	For the Year Ended December 31,		
	2017	2016	2015
Net loss, basic	$ (125,205)	$ (102,978)	$ (37,783)
Effect of dilutive securities:			
Change in fair value of warrants liability	(24)	(4,744)	—
Net loss, diluted	$ (125,229)	$ (107,722)	$ (37,783)
Shares used in calculating basic net loss per common share	66,389	61,831	32,590
Effect of dilutive securities:			
Effect of dilutive stock options, RSUs	—	—	—
Warrants to purchase common shares - liability-classified	—	52	—
Shares used in calculating diluted net loss per common share	66,389	61,883	32,590
Net loss per common share, basic	$ (1.89)	$ (1.67)	$ (1.16)
Net loss per common share, diluted	$ (1.89)	$ (1.74)	$ (1.16)

Potential common shares excluded from the calculation of diluted net loss per common share as their inclusion would have been antidilutive were:

	For the Year Ended December 31,		
	2017	2016	2015
Options to purchase common shares, RSUs and PSUs	7,804	7,388	—
Warrants to purchase common shares - equity-classified	884	92	—
2022 Notes convertible into common shares	9,056	8,191	—

The Company assumed outstanding warrants in connection with the acquisition of Aralez Canada. The warrants are classified either as a liability, if the exercise price is denominated in Canadian dollars, or as equity if the exercise price is denominated in U.S. dollars. The following is a summary of warrants outstanding and exercisable as of December 31, 2017, and grouped in accordance with their respective expiration dates:

Quarterly period of expiration	No. of Warrants Outstanding	Weighted-Average Exercise Price
Q1 2018	599	$ 4.12
Q3 2018	16	$ 3.78
Q4 2019	108	$ 4.81
Q3 2020	110	$ 4.09
Q1 2021	51	$ 2.91
	884	$ 4.13

12. SHARE-BASED COMPENSATION

Summary of Share-Based Compensation Plans

In December 2015, the Company's Board of Directors adopted the Aralez Pharmaceuticals 2016 Long-Term Incentive Plan, which became effective on February 5, 2016, upon consummation of the Merger. On May 3, 2017, the Company's shareholders approved the Amended and Restated 2016 Long-Term Incentive Plan (the "Plan"), which increased the number of common shares covered by and reserved for issuance under this Plan by 4,300,000 common shares. The Plan is the only existing plan in which the Company is authorized to grant equity-based awards. The Plan provides for grants of stock options, stock appreciation rights, stock awards, stock units, performance shares, performance units, and other stock-based awards to employees, directors, and consultants. At December 31, 2017, there were approximately 3,553,000 common shares remaining available for grant under the Plan.

Summary of Share-Based Compensation Expense

Share-based compensation expense recorded in the consolidated statements of operations for the years ended December 31, 2017, 2016 and 2015, was as follows:

	Years Ended December 31,		
	2017	2016	2015
		(in thousands)	
Selling, general and administrative	$ 11,337	$ 11,537	$ 6,870
Research and development	11	328	173
Total non-cash share-based compensation expense	$ 11,348	$ 11,865	$ 7,043

Included in the table above is approximately $0.5 million of share-based compensation expense related to the accelerated vesting of certain Aralez Canada equity awards upon consummation of the Merger, which was recorded as selling, general and administrative expense for the year ended December 31, 2016.

Options to Purchase Common Shares

A summary of option activity for the year ended December 31, 2017 is as follows:

Stock Option Awards	Underlying Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Intrinsic Value
Outstanding at December 31, 2016	3,065	$ 5.85	4.8 years	
Granted	1,603	$ 1.75		
Exercised	(41)	$ 2.63		
Forfeited or expired	(1,424)	$ 7.10		
Outstanding at December 31, 2017	3,203	$ 3.28	7.3 years	$ 16
Exercisable at December 31, 2017	1,208	$ 4.54	4.4 years	$ —

The weighted average grant date fair value for option awards granted during the years ended December 31, 2017 and 2016 was $0.99 and $2.54 per option, respectively. No option awards were granted during the year ended December 31, 2015.

A total of approximately 41 thousand stock options were exercised during the year ended December 31, 2017 with an intrinsic value of $0.1 million, a total of approximately 682,000 stock options were exercised during the year ended December 31, 2016 with an intrinsic value of $0.8 million and a total of approximately 727,000 stock options were exercised during the year ended December 31, 2015 with an intrinsic value of $2.0 million. The fair value of shares vested during the years ended December 31, 2017, 2016 and 2015 was $0.9 million, $1.8 million and $1.1 million, respectively.

Unrecognized stock-based compensation expense related to stock options, expected to be recognized over an estimated weighted-average amortization period of 1.7 years, was $4.4 million as of December 31, 2017.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option valuation model. The weighted-average assumptions used in the Black-Scholes option valuation model for the years ended December 31, 2017 and 2016 are shown in the following table:

	2017	2016
Expected volatility	64.1 %	50.7 %
Expected dividends	—	—
Expected term	5.6 Years	4.0 Years
Risk-free interest rate	2.0 %	0.8 %

For the year ended December 31, 2017 and 2016, the expected volatility rate was estimated based on an equal weighting of the historical volatility of the Company's common shares over a period matching the expected term and the expected term was based upon average historical terms to exercise. The risk-free interest rate was based on U.S. Treasury securities with a maturity matching the expected term.

RSUs and PSUs

A summary of RSU, including performance restricted stock units ("PSUs"), activity for the year ended December 31, 2017, is as follows:

Restricted Stock Units, including PSUs	Underlying Underlying Shares	Weighted-Average Grant Date Fair Value
Nonvested restricted stock units at December 31, 2016	4,324	$ 6.62
Granted	2,039	$ 2.03
Vested	(1,321)	$ 6.63
Forfeited or expired	(441)	$ 3.62
Nonvested restricted stock units at December 31, 2017	4,601	$ 4.87

During the years ended December 31, 2017 and 2016, the Company granted approximately 1,072,000 and 654,000 PSUs, respectively, which include both market-based and service conditions and had a grant-date fair value of $2.5 million and $2.8 million, respectively. The PSUs granted in 2017 and 2016 are tied to a three-year relative total shareholder return ("TSR") as the performance goal (measured against companies in the NASDAQ biotechnology index with annual revenue between $50 million and $500 million). The PSUs vest at the end of a three-year period based on the achievement of the pre-determined goals. TSR relative to peers is considered a market condition under applicable authoritative guidance and the Company used a Monte Carlo simulation model to determine the fair value of these awards as of the grant date.

Unrecognized stock-based compensation expense related to RSUs, expected to be recognized over an estimated weighted-average amortization period of 1.5 years, was $15.0 million at December 31, 2017.

13. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space and certain equipment under cancellable and non-cancelable operating lease agreements. Rent expense was approximately $2.0 million, $0.8 million, $0.4 million for the years ended December 31, 2017, 2016 and 2015 respectively. Future minimum payments under our non-cancelable lease agreements at December 31, 2017 were as follows:

2018	$ 2,242
2019	2,224
2020	2,206
2021	1,745
2022	1,601
Thereafter	8,012
Total minimum payments	$ 18,030

In April 2016, the Company entered into an agreement to lease approximately 36,602 square feet of office space for its U.S. headquarters in Princeton, New Jersey. Pursuant to the lease agreement, the Company issued a letter of credit in the amount of $0.3 million to the property owner as a security deposit, which is classified as restricted cash and included within other assets on the consolidated balance sheet as of December 31, 2017.

Supply Agreements

The Company has various supply, license, distribution and manufacturing agreements with third parties that include purchase minimums or minimum royalties. Pursuant to these agreements, the Company has minimum future obligations of approximately $24.6 million as of December 31, 2017.

Legal Proceedings

The Company is currently party to legal proceedings arising in the normal course of business, principally patent litigation matters. The Company has assessed such legal proceedings and does not believe that it is probable that a liability has been incurred or that the amount of any potential liability or range of losses can be reasonably estimated. As a result, the Company has not recorded any loss contingencies for any of these matters as of December 31, 2017. While it is not possible to determine the outcome of these matters, in the event of an adverse outcome or outcomes, the Company's business could be materially harmed. The Company intends to vigorously defend its intellectual property rights.

Vimovo® ANDA Litigation

Between March 14, 2011 and May 16, 2013, Pozen, now a subsidiary of the Company, received Paragraph IV Notice Letters from Dr. Reddy's Laboratories ("DRL"), Lupin Ltd. ("Lupin"), Watson Laboratories, Inc. – Florida ("Watson," now part of Actavis), and Mylan Pharmaceuticals Inc. ("Mylan"), stating that each had filed an Abbreviated New Drug Application ("ANDA") with the FDA seeking regulatory approval to market a generic version of our Vimovo product before the expiration of U.S. Patent No. 6,926,907 (the "'907 patent"). On November 20, 2012, Pozen received a second Notice Letter from DRL stating that DRL had filed a second ANDA with the FDA seeking regulatory approval to market a different generic formulation of the Vimovo product before the expiration of the '907 patent. The '907 patent is assigned to Pozen and listed for the Vimovo product in the FDA's publication titled "Approved Drug Products with Therapeutic Equivalence Evaluations" (also known as the "Orange Book").

On April 21, 2011, Pozen filed suit against the first ANDA filer, DRL, in the United States District Court for the District of New Jersey (the "District Court"), asserting infringement of the '907 patent. Pozen subsequently filed suit against the other three ANDA filers within 45 days of receipt of their respective Paragraph IV Notice Letters. Horizon, the Company's current marketing partner for the Vimovo product in the U.S., is Pozen's co-plaintiff in each suit.

On October 15, 2013, the United States Patent & Trademark Office ("USPTO") issued to Pozen U.S. Patent No. 8,557,285 (the "'285 patent"). The '285 patent is listed in the Orange Book for the Vimovo product and is related to the '907 patent. On October 23, 2013, Pozen filed suits against DRL, Lupin, Watson and Mylan in the District Court asserting infringement of the '285 patent. These suits have each been consolidated with the above referenced suits involving the '907 patent. Between January 12 and 20, 2017, the District court conducted a 6-day bench trial involving Defendants DRL and Mylan relating solely to the validity and infringement of the '907 and '285 patents. On July 21, 2017, the District Court issued a Final Judgment that the '907 and '285 patents are not invalid and that the DRL and Mylan ANDA products infringe the asserted claims of the '285 patent and that the Mylan ANDA product infringes the asserted claims of the '907 patent. The Final Judgment further orders that the effective date of any final approval by the FDA of the DRL and Mylan ANDA's not be earlier than the expiration of the patents at issue. Based upon a pre-trial agreement between the parties, Lupin is also bound by the District Court's Final Judgment. The parties filed notices of appeal on August 25, 2017. Those appeals are currently pending. Subject to the immediately following sentence or a successful appeal of the decision by the generic competitors party to the suit, this decision is expected to delay generic entry until the expiration of the applicable patents. There is ongoing litigation with respect to other patents covering Vimovo, which if we are successful and subject to the Actavis license discussed below, would further prevent generic entry by the remaining generic competitors until March 2031.

Between October 7, 2014 and July 19, 2016, the USPTO issued to Pozen U.S. Patent Nos. 8,852,636 (the "'636 patent"), 8,858,996 (the "'996 patent"), 8,865,190 (the "190 patent"), 8,945,621 (the "'621 patent"), 9,161,920 (the "'920 patent"), 9,198,888 (the "'888 patent"), 9,220,698 (the "'698 patent"), 9,345,695 (the "'695 patent") and 9,393,208 (the "'208 patent"). The '636, '996, '190, '621, '920, '888, '698, '695 and '208 patents are each listed in the Orange Book for the Vimovo product.

On May 13, 2015, Pozen and Horizon filed suit against DRL, Lupin, Actavis (formerly known as Watson) and Mylan in the District Court asserting infringement of the '636 and '996 patents. On June 18, 2015, Pozen filed Amended Complaints in each of the suits to assert infringement of the '190 patent.

On January 25, 2016, Pozen and Horizon filed suit against Actavis in the District Court asserting infringement of the '920 and '888 patents. On February 10, 2016, Pozen filed Amended Complaints against DRL, Lupin and Mylan to assert infringement of the '920 and '888 patents. On August 11, 2016, Pozen and Horizon filed suit against DRL, Lupin, Actavis and Mylan in the District Court asserting infringement of the '621, '698, '695 and '208 patents. The cases

involving the '636, '996, '190, '621, '920, '888, '698, '695 and '208 patents have been consolidated for pretrial and discovery. On December 20, 2016, Mylan moved to dismiss claims related to the '621 patent against its ANDA. On April 24, 2017, DRL moved to dismiss claims related to the '621 patent against its second filed ANDA. On August 18, 2017, the District Court granted Mylan's and DRL's motions to dismiss. On August 24, 2017, the District Court stayed the claims involving the '636, '996, '190, '920, '888, and '695 patents pending the outcome of the appeal on the '907 and '285 patents. The cases are proceeding with respect to the remaining patents. The District Court has yet to set a trial date.

On December 19, 2016, defendant Actavis filed a motion to compel enforcement of an alleged settlement agreement related to those Vimovo cases in which it was involved.. On December 30, 2016, the District Court Judge ordered the enforcement of the settlement. On January 10, 2017, an Order of Dismissal was entered for all claims against Actavis in the Vimovo cases. The Company filed a Notice of Appeal with the Court of Appeals for the Federal Circuit on February 8, 2017.

On March 5, 2018, Horizon and Pozen entered into a confidential settlement agreement with Actavis granting Actavis a provisional license under the Orange Book listed patents to Vimovo, effective January 1, 2025. Pursuant to the terms of this agreement, on March 7, 2018, the appeal and the underlying Vimovo cases against Actavis were dismissed.

As with any litigation proceeding, we cannot predict with certainty the outcome of the patent infringement suits against DRL, Lupin, and Mylan relating to generic versions of Vimovo. Furthermore, while Horizon is responsible for this litigation, including the costs of same, we nevertheless will have to incur additional expenses in connection with the lawsuits relating to Vimovo, which may be substantial. Moreover, responding to and defending pending litigation results in a significant diversion of management's attention and resources and an increase in professional fees.

Inter Partes Review

On August 24, 2017, Mylan filed a Petition ("IPR Petition") seeking Patent Trial and Appeal Board ("PTAB") review of the '698 patent. On March 8, 2018, the PTAB instituted review of the claims of the '698 patent. Pozen and Horizon have until three months to file a Patent Owner Response.

14. SEGMENT INFORMATION

Aralez has one operating segment, the acquisition, development and commercialization of products primarily in cardiovascular and other specialty areas for the purpose of delivering meaningful products to improve patients' lives while focusing on creating shareholder value. The Company's entire business is managed by a single management team, which reports to the Chief Executive Officer.

The geographic segment information provided below is classified based on the major geographic regions in which the Company operates.

	For the Years Ended December 31,		
	2017	2016	2015
Net revenues:			
United States	$ 79,184	$ 30,077	$ 21,391
Canada	26,763	24,193	—
Total revenues, net	105,947	54,270	21,391

	December 31, 2017	December 31, 2016
Long-lived assets:		
United States	$ 258,318	$ 281,399
Canada	142,484	143,647
Total long-lived assets	$ 400,802	$ 425,046

15. RETIREMENT SAVINGS PLAN

The Company has an employee savings and retirement plan which is qualified under Section 401(k) of the Internal Revenue Code. The Company made matching contributions for the years ended December 31, 2017, 2016 and 2015 of $0.5 million, $0.5 million and $0.2 million, respectively.

16. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly financial data for the years ended December 31, 2017 and 2016.

	Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Total revenues, net	$ 25,969	$ 27,618	$ 24,338	$ 28,022
Cost of product revenues	2,756	2,948	3,054	4,748
Other operating costs	43,896	45,090	38,725	61,233
Net loss	$ (27,477)	$ (27,520)	$ (24,441)	$ (45,767)
Basic net loss per common share	$ (0.42)	$ (0.42)	$ (0.37)	$ (0.68)
Diluted net loss per common share	$ (0.42)	$ (0.42)	$ (0.37)	$ (0.68)

	Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(In thousands, except per share data)			
Total revenues, net	$ 8,057	$ 12,578	$ 13,628	$ 20,007
Cost of product revenues	2,538	3,360	3,362	2,505
Other operating costs	43,143	26,339	29,900	45,707
Net loss	$ (33,788)	$ (17,475)	$ (20,599)	$ (31,116)
Basic net loss per common share	$ (0.65)	$ (0.27)	$ (0.32)	$ (0.48)
Diluted net loss per common share	$ (0.73)	$ (0.27)	$ (0.32)	$ (0.48)

TAB C

Exhibit "C" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands, except share and per share data)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,887	$ 28,892
Accounts receivable, net	40,680	13,453
Inventory	5,672	6,643
Prepaid expenses and other current assets	3,067	3,687
Total current assets	93,306	52,675
Property and equipment, net	6,603	7,453
Goodwill	79,683	81,781
Other intangible assets, net	299,610	310,346
Other long-term assets	1,976	1,222
Total assets	$ 481,178	$ 453,477
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,587	$ 23,631
Accrued expenses	89,876	28,496
Short-term contingent consideration	10,460	11,482
Other current liabilities	5,901	4,251
Total current liabilities	116,824	67,860
Long-term debt, net	274,573	274,546
Deferred tax liability	2,545	3,797
Long-term contingent consideration	90,781	88,873
Other long-term liabilities	3,034	3,182
Total liabilities	487,757	438,258
Commitments and Contingencies		
Preferred shares, no par value; unlimited shares authorized, issuable in series; none outstanding	—	—
Common shares, no par value, unlimited shares authorized, 67,194,277 and 66,972,742 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	365,608	363,792
Accumulated other comprehensive income	10,443	14,298
Accumulated deficit	(382,630)	(362,871)
Total shareholders' (deficit) equity	(6,579)	15,219
Total liabilities and shareholders' equity	$ 481,178	$ 453,477

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Product revenues, net	$ 34,005	$ 6,686
Other revenues	4,076	19,283
Total revenues, net	38,081	25,969
Costs and expenses:		
Cost of product revenues (exclusive of amortization shown separately below)	11,536	2,756
Selling, general and administrative	26,502	30,846
Research and development	37	94
Amortization of intangible assets	8,990	8,513
Change in fair value of contingent consideration	5,085	4,443
Total costs and expenses	52,150	46,652
Loss from operations	(14,069)	(20,683)
Interest expense	(6,658)	(6,653)
Other income (expense), net	(212)	411
Loss before income taxes	(20,939)	(26,925)
Income tax expense (benefit)	(1,198)	552
Net loss	$ (19,741)	$ (27,477)
Basic net loss per common share	$ (0.29)	$ (0.42)
Diluted net loss per common share	$ (0.29)	$ (0.42)
Shares used in computing basic net loss per common share	67,025	65,690
Shares used in computing diluted net loss per common share	67,025	65,690

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
(in thousands)

	Three Months Ended March 31,	
	2018	2017
Net loss	$ (19,741)	$ (27,477)
Other comprehensive income:		
Foreign currency translation adjustment	(3,855)	1,281
Other comprehensive income (loss)	(3,855)	1,281
Total comprehensive loss	$ (23,596)	$ (26,196)

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Three Months Ended March 31,	
	2018	2017
Operating Activities		
Net loss	$ (19,741)	$ (27,477)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,365	8,875
Amortization of debt issuance costs	26	26
Change in fair value of contingent consideration	5,085	4,443
Payment of contingent consideration	(775)	—
Unrealized foreign currency transaction (gain) loss	102	7
(Gain)loss on sale of fixed assets	181	(266)
Change in fair value of warrants liability	—	(24)
Share-based compensation expense	1,760	2,824
Benefit from deferred income taxes	(1,147)	—
Changes in operating assets and liabilities:		
Accounts receivable	(27,711)	11,421
Inventory	816	452
Prepaid expenses and other current assets	613	(1,302)
Accounts payable	(13,120)	17,109
Accrued expenses and other liabilities	61,048	(5,600)
Deferred revenue	2,646	—
Other assets	(571)	—
Net cash provided by operating activities	18,577	10,488
Investing activities		
Purchases of property and equipment	(32)	(1,461)
Proceeds from sale of property and equipment	2	—
Other	—	(215)
Net cash used in investing activities	(30)	(1,676)
Financing activities		
Payment of contingent consideration	(3,424)	(125)
Proceeds from exercise of stock options / warrants	56	108
Net cash used in financing activities	(3,368)	(17)
Net increase in cash and cash equivalents	15,179	8,795
Effect of change in foreign exchange rates on cash and cash equivalents	(184)	(9)
Cash and cash equivalents at beginning of period	28,892	64,943
Cash and cash equivalents at end of period	$ 43,887	$ 73,729
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 40	$ 5
Interest paid	$ 6,774	$ 4,719

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(tabular dollars and shares in thousands, except per share data)

1. ORGANIZATION, BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Organization

Aralez Pharmaceuticals Inc., together with its wholly-owned subsidiaries ("Aralez" or the "Company"), is a specialty pharmaceutical company focused on delivering meaningful products to improve patients' lives while creating shareholder value by acquiring, developing and commercializing products in various specialty areas. The Company's parent corporation, Aralez Pharmaceuticals Inc., was incorporated under the British Columbia Business Corporations Act ("BCBCA") on December 2, 2015. Aralez's global headquarters is located in Mississauga, Ontario, Canada, and its Irish headquarters is located in Dublin, Ireland. The Company's common shares are listed on the NASDAQ Global Market under the trading symbol "ARLZ" and on the Toronto Stock Exchange under the trading symbol "ARZ." Aralez was formed for the purpose of facilitating the business combination of POZEN Inc., a Delaware corporation ("Pozen"), and Aralez Pharmaceuticals Canada Inc. (formerly known as Tribute Pharmaceuticals Canada Inc.), a corporation incorporated under the laws of the Province of Ontario, Canada ("Aralez Canada"), which closed on February 5, 2016.

On February 5, 2016, pursuant to an Agreement and Plan of Merger and Arrangement between Aralez Pharmaceuticals Inc., Pozen, Aralez Canada and other related parties (as amended, the "Merger Agreement"), Aralez completed the acquisition of Aralez Canada by way of a court approved plan of arrangement in a stock transaction with a purchase price of $137.6 million made up of (i) $115.1 million related to Aralez Canada shares, equity awards and certain warrants outstanding and (ii) $22.5 million in repayments of Aralez Canada indebtedness. In connection with this transaction, Pozen and Aralez Canada were combined under and became wholly-owned subsidiaries of Aralez (the "Merger"). Pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, Aralez Pharmaceuticals Inc. is the successor issuer to Pozen.

On September 6, 2016, Aralez Pharmaceuticals Trading DAC, a wholly-owned subsidiary of Aralez ("Aralez Ireland"), acquired the U.S. and Canadian rights to Zontivity® (vorapaxar), pursuant to an asset purchase agreement (the "Zontivity Asset Purchase Agreement") with MSD International GmbH (as successor to Schering-Plough (Ireland) Company), an affiliate of Merck & Co., Inc. ("Merck").

On October 31, 2016, Aralez Ireland acquired the U.S. rights to Toprol-XL® (metoprolol succinate) and its authorized generic (the "AG", and collectively, the "Toprol-XL Franchise") pursuant to an asset purchase agreement (the "Toprol-XL Asset Purchase Agreement") entered into between AstraZeneca AB ("AstraZeneca"), Aralez Ireland and Aralez Pharmaceuticals Inc.

Since the Merger in February 2016, the Company has incurred significant net losses. The Company incurred a net loss of $19.7 million for the three months ended March 31, 2018 and $125.2 million for the year ended December 31, 2017. Although the Company generated cash from operations for the quarter ended March 31, 2018 of $18.6 million, this relates to a temporary improvement in our working capital. The Company has a history of negative cash flows from operations, including net cash used in operating activities of $28.8 million during the year ended December 31, 2017. The Company's ability to become profitable and/or to generate positive cash from operations depends upon, among other things, its ability to generate revenues from sales of its products and prudently manage its expenses. If the Company does not generate sufficient product revenues, or prudently manage its expenses, its business, financial condition, cash flows, results of operations and ability to continue as a going concern could be materially and adversely affected.

The Company's principal sources of liquidity are the operating income of Aralez Canada; sales from the Toprol-XL Franchise; cash generated from the royalty payments received from our commercialization partners for net sales of Vimovo®; and the financings completed on February 5, 2016 and October 31, 2016. The Company's principal liquidity requirements are for working capital; our debt service requirements; operational expenses; commercialization

activities for products, including the Company's Canadian product portfolio, the Toprol-XL Franchise, and product candidates; contractual obligations, including any royalty and milestone payments that will or may become due; and capital expenditures.

During 2017 and early 2018, we implemented a number of cost savings initiatives designed to streamline our business, deliver profitability and support growth, as well as extend our cash runway. The cost-savings initiatives are expected to result in a leaner and more effective performance-oriented operating model. These cost savings initiatives included a 32% reduction in its U.S. sales force and realignment of certain financial resources to support the launch of Zontivity, together with a significant decrease in marketing spend on Yosprala and other cost reductions across the business designed to attain profitability and enhance the Company's liquidity position. Further, in March 2018, the Company announced its intention to discontinue Yosprala.

On May 8, 2018, the Company announced that it has determined that a new strategic direction is in the best interests of the Company and its stakeholders. This strategic direction will involve (i) a focus on the Company's strong Canadian business, supported by the Toprol-XL Franchise as well as Vimovo royalties, and (ii) the discontinuation of the remaining U.S. commercial business. Decisive actions are being taken to wind down our U.S. commercial business immediately and ultimately close the U.S. operations. In addition, the Company continues to explore and evaluate a range of strategic business opportunities, including (i) active discussions for the continued commercialization of Zontivity with a focus on divesting or out-licensing the U.S. rights, (ii) active discussions to divest the U.S. rights to Yosprala, Fibricor® and Bezalip® SR, and (iii) broader strategic and refinancing alternatives for its business. This new strategic direction is expected to significantly reduce the Company's cost structure. See Note 13, "Subsequent Events" for further discussion.

In addition, the Company has very recently experienced increased generic competition with respect to the Toprol-XL Franchise with a new generic entrant to the market, which may cause a negative impact on future business.

Based on recent events described above, and despite the cost savings initiatives also described above, the Company has determined that there is a reasonable possibility that the Company will not have sufficient liquidity to fund its current and planned operations through the next 12 months, which raises substantial doubt about the Company's ability to continue as a going concern. The Company has based this belief on assumptions and estimates that may prove to be wrong, and the Company could generate more or less revenues than expected or spend its available cash and cash equivalents less or more rapidly than expected.

The Company is continuing to explore and evaluate strategic business opportunities to enhance liquidity, including by any combination of debt refinancing, additional cost savings initiatives, proceeds-generating transactions, such as the divestiture or out-license of certain assets, M&A activities and/or other strategic opportunities. There can be no assurances that these other initiatives will be available on reasonable terms, or at all. If the Company is not successful with respect to the initiatives described above, or if the Company's future operations fail to meet its current expectations (including as a result of increased generic competition with respect to the Toprol-XL Franchise), the Company's projected future liquidity may be negatively impacted, which could continue to negatively impact its assessment under this accounting standard in the future and could materially and adversely affect its business, financial condition, cash flows and results of operations.

The unaudited condensed financial statements as of March 31, 2018 have been prepared under the assumption that the Company will continue as a going concern for the next 12 months. The Company's ability to continue as a going concern is dependent upon its uncertain ability to obtain additional capital, generate sufficient revenues and reduce expenditures. The unaudited condensed financial statements as of March 31, 2018 do not include any adjustments that might result from the outcome of this uncertainty.

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Aralez in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and pursuant to, and in accordance with, the instructions to Form 10-Q and Article 10 of Regulation S-X. The condensed

consolidated balance sheet at December 31, 2017 was derived from audited financial statements, but certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited financial statements contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and with applicable Canadian securities regulators on SEDAR on March 14, 2018 (the "2017 Form 10-K").

The condensed consolidated financial statements, in the opinion of management, reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations. Certain reclassifications with respect to the presentation of accrued expenses were made to prior year figures to conform with current year presentation.

The accompanying condensed consolidated financial statements include the accounts of Aralez Pharmaceuticals Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the extensive use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. The most significant assumptions are employed in estimates used in determining values of: inventories; long-lived assets, including goodwill, other intangible assets; accrued expenses; contingent consideration; income taxes; share-based compensation expense; as well as estimates used in accounting for contingencies and revenue recognition. Actual results could differ from these estimates.

Concentration of Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, including money market funds. The Company's investment policy places restrictions on credit ratings, maturities, and concentration by type and issuer. The Company is exposed to credit risk in the event of a default by the financial institutions holding our cash and cash equivalents to the extent recorded on the balance sheet.

The Company is also subject to credit risk from accounts receivable related to product sales and monitors its exposure within accounts receivable and records a reserve against uncollectible accounts receivable as necessary. The Company extends credit to pharmaceutical wholesale distributors and specialty pharmaceutical distribution companies, primarily in Canada and the United States, and to other international distributors. Customer creditworthiness is monitored and collateral is not required.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and short-term, interest-bearing instruments with original maturities of 90 days or less at the date of purchase.

Inventory

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Cost is determined to be the purchase price for raw materials and the production cost, including materials, labor and indirect manufacturing costs, for work-in-process and finished goods. The Company analyzes its inventory levels quarterly and writes-down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, inventory in excess of expected sales requirements or inventory that fails to meet commercial sale specifications to cost of product revenues. Expired inventory is disposed of and the related costs are written off to cost of product revenues.

Property, Plant and Equipment

Fixed assets are stated at cost. Depreciation is provided using the straight-line method based on estimated useful lives or, in the case of leasehold improvements, over the lesser of the useful lives or the lease terms. Repairs and maintenance costs are expensed as incurred.

Intangible Assets

Goodwill

Goodwill relates to amounts that arose in connection with the acquisitions of Aralez Canada, Zontivity and the Toprol-XL Franchise. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations. Goodwill is not amortized but is evaluated for impairment on an annual basis, in the fourth quarter, or more frequently if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of the Company's reporting unit below its carrying amount. See Note 13, "Subsequent Events," for further discussion relating to the Company's goodwill.

Other Intangible Assets, net

Other intangible assets consist of acquired technology rights. The Company amortizes its intangible assets using the straight-line method over their estimated economic lives. Costs to obtain, maintain and defend the Company's patents are expensed as incurred. The Company will evaluate the potential impairment of other intangible assets if events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Events giving rise to impairment are an inherent risk in the pharmaceutical industry and many factors cannot be predicted. Factors that are considered in deciding when to perform an impairment review include significant changes in forecasted projections for the asset or asset group for reasons including, but not limited to, significant under-performance of a product in relation to expectations, significant changes or planned changes in our use of the assets, significant negative industry or economic trends, and new or competing products that enter the marketplace. The impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset group and its eventual disposition to the carrying value of the asset group. If impairment is indicated, the asset is written down by the amount by which the carrying value of the asset exceeds the related fair value of the asset with the related impairment charge recognized within the statements of operations. Such impairment charges may be material to the Company's results. The valuation techniques utilized in performing the initial valuation of other intangible assets or subsequent quantitative impairment tests incorporate significant assumptions and judgments to estimate the fair value. The use of different valuation techniques or assumptions could result in significantly different fair value estimates. There were no impairment charges during the three months ended March 31, 2018 and 2017, respectively. See Note 13, "Subsequent Events," for further discussion relating to the Company's intangible assets.

Contingent Consideration

Certain of the Company's business acquisitions involve the potential for future payment of consideration that is contingent upon the achievement of operational and commercial milestones and royalty payments on future product sales. The fair value of contingent consideration liabilities is determined at the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability is remeasured at current fair value with changes recorded in the consolidated statements of operations. Changes in any of the inputs may result in a significantly different fair value adjustment. See Note 13, "Subsequent Events," for further discussion relating to the Company's contingent consideration.

Revenue Recognition

Principal sources of revenue are (i) product revenues from sales of the product portfolio acquired with the Company's acquisition of Aralez Canada (ii) product revenues from sales of the Toprol-XL Franchise and Zontivity, and (iii) royalty revenues from sales of Vimovo® by the Company's commercialization partners.

In January 2018, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective transition method. Under this method, the Company employed retrospective application with the cumulative effect of initially applying the guidance recognized at the date of initial application (January 1, 2018). For a complete discussion of accounting for product revenues, net and other revenues, see Note 3, "Revenue Recognition."

Income Taxes

The Company accounts for income taxes using the liability method in accordance with FASB ASC Topic 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax basis assets and liabilities and are measured by applying enacted rates and laws to taxable years in which differences are expected to be recovered or settled. Further, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate changes. A valuation allowance is required when it is "more-likely-than-not" that all or a portion of deferred tax assets will not be realized. Since the Company's inception, substantial cumulative losses have been incurred and substantial and recurring losses may be incurred in future periods. The utilization of the loss carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the loss carryforwards. In addition, the maximum annual use of net operating loss and research credit carryforwards is limited in certain situations where changes occur in stock ownership.

Aralez files federal and state income tax returns, as applicable, with the tax authorities in various jurisdictions including Canada, Ireland and the United States. Pozen is no longer subject to U.S. federal or North Carolina state income tax examinations by tax authorities for years before 2014. Aralez Canada is no longer subject to Canadian income tax examinations by tax authorities for years before 2011. However, the loss and credit carryforwards generated by Pozen and Aralez Canada may still be subject to change to the extent these losses and credits are utilized in a year that is subject to examination by tax authorities.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, referred to as the Tax Cuts and Jobs Act (the "Tax Act"), which significantly revises U.S. tax law by, among other provisions, lowering the U.S. federal statutory corporate income tax rate from 35% to 21%, imposing a mandatory one-time transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

ASC 740, *Income Taxes* requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the Tax Act's provisions, the Securities and Exchange Commission ("SEC") staff issued SAB 118, which allows companies to record the tax effects of the Tax Act on a provisional basis based on a reasonable estimate, and then, if necessary, subsequently adjust such amounts during a limited measurement period as more information becomes available. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year from enactment.

The Tax Act did not have a material impact on the Company's financial statements since the Company's deferred temporary differences are fully offset by a valuation allowance and the Company does not have any significant off shore earnings from which to record the mandatory transition tax. However, given the significant complexity of the Tax Act, anticipated guidance from the U.S. Treasury about implementing the Tax Act, and the potential for additional guidance from the SEC or the FASB related to the Tax Act, these estimates may be adjusted during the measurement period. The provisional amounts disclosed in the Company's footnotes were based on the its present interpretations of the Tax Act and current available information, including assumptions and expectations about future events, such as its projected financial performance, and are subject to further refinement as additional information becomes available and further analyses are

completed. The Company continues to analyze the changes in certain income tax deductions, assess calculations of earnings and profits in certain foreign subsidiaries, including if those earnings are held in cash or other assets and gather additional data to compute the full impacts on the Company's deferred and current tax assets and liabilities.

ASC 740 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return, including a decision whether to file or not file a return in a particular jurisdiction. The financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts. The Company recognizes any interest and penalties accrued related to unrecognized tax benefits as income tax expense.

Share-Based Compensation

The Company expenses the fair value of employee share-based compensation over the employees' service periods, which are generally the vesting period of the equity award. For awards with performance conditions granted, the Company recognizes compensation cost over the expected period to achieve the performance conditions, provided achievement of the performance conditions are deemed probable. Awards with market-based conditions are expensed over the service period regardless of whether achievement of the market condition is deemed probable or is ultimately achieved. Compensation expense is measured using the fair value of the award at the grant date. The Company recognizes the impact of forfeitures of share-based awards when they occur, with no adjustment for estimated forfeitures.

In order to determine the fair value of option awards on the grant date, the Company uses the Black-Scholes option pricing model. Inherent in this model are assumptions related to expected share price volatility, estimated option life, risk-free interest rate and dividend yield. The expected share price volatility assumption is based on the historical volatility of the Company's common shares, which is obtained from public data sources. The expected life represents the weighted average period of time that share-based awards are expected to be outstanding giving consideration to vesting schedules, historical exercise patterns and post-vesting cancellations for terminated employees that have been exhibited historically, adjusted for specific factors that may influence future exercise patterns. The risk-free interest rate is based on factual data derived from public sources. The Company uses a dividend yield of zero as it has no intention to pay cash dividends in the foreseeable future. For performance-based awards with market conditions, the Company uses a Monte Carlo simulation model to determine the fair value of awards on the date of grant.

Determining the appropriate amount to expense for awards with performance conditions based on the achievement of stated goals requires judgment, including forecasting future performance results. The estimate of expense is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revisions is reflected in the period of change. If any applicable financial performance goals are not met, no compensation cost is recognized and any previously recognized compensation cost is reversed.

Fair Value Measurements

The accounting standard for fair value measurements defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and requires detailed disclosures about fair value measurements. Under this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. This standard classifies these inputs into the following hierarchy:

- *Level 1 Inputs* — Quoted prices for identical instruments in active markets.
- *Level 2 Inputs* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- *Level 3 Inputs* — Instruments with primarily unobservable value drivers.

The fair value hierarchy level is determined by asset class based on the lowest level of significant input. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified between levels.

The carrying amount of cash and cash equivalents approximates its fair value due to the short-term nature of these amounts. The contingent consideration liability is also carried at fair value, and is recorded as separate short and long-term balances on the consolidated balance sheet at March 31, 2018. The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration liability include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. The use of different inputs in the valuation of the contingent consideration liability could result in materially different fair value estimates.

Foreign Currency

The Company's reporting currency is the U.S. dollar. The assets and liabilities of subsidiaries that have a functional currency other than the U.S. dollar, primarily the Canadian dollar, are translated into U.S. dollars at the exchange rates in effect at the balance sheet date with the results of operations of subsidiaries translated at average exchange rates for the period. The cumulative foreign currency translation adjustment is recorded as a component of accumulated other comprehensive income within shareholders' equity.

Transactions in foreign currencies are remeasured into the functional currency of the relevant subsidiary at the exchange rate in effect at the date of the transaction. Any monetary assets and liabilities arising from these transactions are translated into the functional currency at exchange rates in effect at the balance sheet date or on settlement. Resulting gains and losses are recorded in other income (expense), net within the consolidated statements of operations.

Accumulated Other Comprehensive Income

A company is required to present, either on the face of the statement where net income (loss) is presented, in a separate statement of comprehensive income (loss) or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income (loss). There were no amounts reclassified out of accumulated other comprehensive income for the three months ended March 31, 2018 and 2017, respectively. Other comprehensive income for the three months ended March 31, 2018 and 2017 related to foreign currency translation adjustments.

Going Concern

FASB Accounting Standards Update No. 2014-15, *Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. The Company performs quarterly evaluations to identify current conditions which may raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. See Note 1 "Organization, Basis of Presentation and Accounting Policies" for additional information on our liquidity risks and management's plans.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers ("Topic 606")*, which amends the guidance for accounting for revenue from contracts with customers and requires revenue recognition based on the transfer of promised goods or services to customers in an amount that reflects consideration Aralez expects to be entitled to in exchange for goods or services. Topic 606 supersedes prior revenue recognition requirements in ASC Topic 605 and most industry-specific accounting guidance. In 2015 and 2016, the FASB issued additional updated guidance, which clarified certain aspects of the Topic 606 and the related implementation guidance issued by the FASB-IASB Joint Transition Resource Group for Revenue Recognition.

The Company adopted this Topic 606 effective January 1, 2018, using the modified retrospective transition method. Under this method, the Company employed retrospective application with the cumulative effect of initially applying the guidance recognized at the date of initial application.

The Company analyzed the impacts of Topic 606 on its revenue streams, specifically focusing on (i) revenues from the sale of its products, and (ii) royalty revenues. The Company reviewed its accounting policies and practices to identify potential differences that would result from applying the guidance. The Company assessed its customer contracts throughout 2017 and any impact the standard would have on its processes, systems and controls. The Company's assessment of the impacts of Topic 606 determined that the adoption of the guidance did not have a material impact on the timing or measurement of the Company's revenue recognition. One of the most significant changes under the new guidance related to the recognition of variable consideration. The new guidance requires the Company to estimate variable consideration and include in revenue amounts for which is it probable that a significant revenue reversal will not occur. For the majority of the Company's product revenues, the Company already accounted for these estimates using the expected value method in accordance with topic 605 and as such, the adoption of Topic 606 did not have a significant impact on the Company's revenue recognition model.

In accordance with Topic 605, *Revenue Recognition*, revenue recognition is deferred until the transaction price is fixed or determinable. In 2017, the Company only had one product, Yosprala, where it lacked sufficient history to make reasonable and reliable estimates of the transaction price (returns, rebates, chargebacks, etc.) and, as such, the Company previously deferred revenues and costs of inventory for Yosprala shipped to wholesalers in the United States until the product was sold through to the end customer. Under Topic 606, the Company is required to estimate variable consideration when there is a "high degree of confidence" that a significant revenue reversal will not occur in a subsequent reporting period. However, if the possibility of significant revenue reversal in a subsequent reporting period exists, revenue deferral is appropriate until such time the uncertainty, or estimate constraint, associated with the variable consideration is subsequently resolved. In the case of Yosprala, this uncertainty still existed at December 31, 2017. As such, the Company applied a significant estimate constraint related to its variable consideration for this product until such time as this uncertainty is resolved. The adoption of Topic 606 did not have a significant impact on the related revenue recognition for this product since the revenue and cost of inventory amounts deferred as of December 31, 2017 were not significant.

Under Topic 606, the Company's royalty revenue streams are to be recognized at the later of when (1) the sales occurs or (2) the performance obligation to which some or all of the sales-based royalty has been allocated is satisfied in whole or in part. With regards to the Company's royalty revenues, recognition occurs when the sales occur, which is consistent with Topic 605, and therefore the adoption of Topic 606 did not impact the Company's royalty revenue streams.

Finally, Topic 606 requires more robust disclosures than required by previous guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, the judgements made in revenue recognition determinations, adjustments to revenue which relate to activities from previous quarters or years, any significant reversals of revenue, and costs to obtain or fulfill contracts. See Note 3, "Revenue Recognition."

The Company's cumulative effect of adopting Topic 606 resulted in an immaterial adjustment to accumulated deficit during the three months ended March 31, 2018.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amended guidance eliminates a step from the goodwill impairment test. Under the amended guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company adopted this new guidance in the fourth quarter of 2017. The adoption of ASU 2017-04 did not have any impact on its consolidated financial statements upon adoption of this new guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, providing additional guidance on eight specific cash flow classification issues. The goal of the ASU is to reduce diversity in practice of classifying certain items. The amendments in the ASU are effective for Aralez in the first quarter of 2018 using a retrospective transition method, and early adoption is permitted. The Company's adoption of ASU-2016-15 did not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for Aralez in the first quarter of 2018 on a prospective basis and early adoption is permitted. The Company's adoption of ASU-2017-01 did not have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*, which requires equity investments to be measured at fair value with changes in fair value recognized in net income. It allows an entity to choose to measure equity investments that do not have readily determinable fair values at cost minus impairment. It also simplifies the impairment assessment of equity investments without readily determinable fair values and eliminates the requirements to disclose the methods used to estimate fair value for instruments measured at amortized cost on the balance sheet. The amendments in the ASU are effective for Aralez in the first quarter of 2018. The Company's adoption of ASU-2016-01 did not have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes current lease accounting guidance. The primary difference between current GAAP and the new standard is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. The standard requires a modified retrospective approach upon adoption, with practical expedients that may be available to elect. The standard is effective for Aralez in the first quarter of 2019 and early adoption is permitted. The Company is evaluating the impact of the ASU on its consolidated financial statements.

2. BUSINESS AGREEMENTS

Agreements with AstraZeneca for Toprol-XL

On October 31, 2016, Aralez Ireland acquired the U.S. rights to the Toprol-XL Franchise pursuant to the Toprol-XL Asset Purchase Agreement. Toprol-XL is a cardioselective beta-blocker indicated for the treatment of hypertension, alone or in combination with other antihypertensives, the long term treatment of angina pectoris and treatment of stable, symptomatic (NYHA class II or III) heart failure of specific origins. In July 2017, AstraZeneca, Aralez Ireland and Aralez Pharmaceuticals Inc. entered into an amendment to the Toprol-XL Asset Purchase Agreement pursuant to which (1) the milestone payments payable under the Toprol-XL Asset Purchase Agreement were deferred and extended, and (2) the definition of net sales was amended. The purchase price under the Toprol-XL Asset Purchase Agreement, as amended, consists of (i) a payment of $175.0 million by Aralez Ireland to AstraZeneca, which was made on the closing date of the Toprol-XL acquisition; (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the acquisition, which the Company is obligated to pay in quarterly installments of approximately $5.6 million for eight consecutive quarters beginning in the second quarter of 2019 due to the occurrence of certain milestone events based on the annual aggregate net sales of the Toprol-XL Franchise and other contingent events; (iii) certain other milestone payments of up to an additional $3.0 million in the event the net sales of the Toprol-XL Franchise exceed $125 million or $135 million in a year; (iv) royalty payments of (A) 15% of total quarterly net sales of branded Toprol-XL and any other authorized or owned generic version of Toprol-XL that is marketed, distributed or sold by Aralez, and (B) 15% of quarterly net sales of the current or any other third party authorized generic, but for purposes of royalty payments and clause (B) only, net sales do not include the supply price paid for the current or other third party authorized generic by Aralez Ireland to AstraZeneca under the supply agreement entered into between Aralez Ireland and AstraZeneca in respect of the applicable period and (v) a payment for the value of the finished inventory of the Toprol-XL Franchise at closing of the Toprol-XL acquisition, not to exceed a cap specified in the Toprol-XL Asset Purchase Agreement.

On October 31, 2016, in connection with the Toprol-XL acquisition, Aralez Ireland entered into a Supply Agreement (the "Toprol-XL Supply Agreement") with AstraZeneca. Pursuant to the terms of the Toprol-XL Supply Agreement and except as otherwise expressly set forth therein, AstraZeneca will be the exclusive manufacturer and supplier to Aralez Ireland of the Toprol-XL Franchise, each in finished bottled form for exploitation and commercialization in the United States. The initial term of the Toprol-XL Supply Agreement is 10 years (the "Toprol-XL Supply Initial Term"). The Toprol-XL Supply Agreement will continue indefinitely following the expiration of the Toprol-XL Supply Initial Term unless terminated in accordance with its terms. Except in the case of certain uncured material breaches of the Toprol-XL Supply Agreement by Aralez Ireland or certain insolvency related events affecting Aralez Ireland, AstraZeneca may not terminate the Toprol-XL Supply Agreement unless it satisfies certain conditions related to, among other things, the transfer of technology. In addition to termination rights upon certain uncured material breaches of the Toprol-XL Supply Agreement by AstraZeneca or certain insolvency related events affecting AstraZeneca, Aralez Ireland may terminate the Toprol-XL Supply Agreement at any time following the Toprol-XL Supply Initial Term upon providing 12 months prior written notice to AstraZeneca. AstraZeneca also provided certain transition services to Aralez Ireland through December 31, 2017 to facilitate the transition of the supply, sale and distribution of the Toprol-XL Franchise, in exchange for compensation specified in the transition services agreement.

Agreement with the United States Government Regarding Toprol-XL

On February 23, 2017, Aralez Pharmaceuticals US Inc. ("Aralez US"), a Delaware company and a wholly-owned, indirect subsidiary of Aralez Pharmaceuticals Inc., entered into a Novation Agreement (the "Novation Agreement") with AstraZeneca Pharmaceuticals LP ("AstraZeneca LP") and the United States of America (the "Government") pursuant to which all of the rights and responsibilities of AstraZeneca LP under that certain VA National Contract signed February 11, 2016 and effective April 29, 2016 between AstraZeneca LP and the Government were novated to Aralez US (as novated, the "VA Contract"). The Novation Agreement was entered into pursuant to the Toprol-XL Asset Purchase Agreement.

Under the VA Contract, Aralez US provides all requirements of certain pharmaceutical products containing metoprolol succinate as the active pharmaceutical ingredient at fixed prices for the U.S. Department of Veterans Affairs and certain other United States federal government agencies. The VA Contract had an initial one-year term expiring April 28, 2017, renewable at the option of the Government for four successive additional one year terms. On April 6, 2017, Aralez US and the Government entered into a Modification of Contract with respect to the VA Contract, pursuant to which the Government exercised its first renewal option under the VA Contract, extending the term of the VA Contract by one year to April 28, 2018 with modified pricing as set forth therein. On April 3, 2018, Aralez US and the Government entered into a Modification of Contract pursuant to which the Government exercised its second renewal option under the VA Contract, extending the term of the VA Contract by one year to April 28, 2019 on the same pricing as had been in effect during the April 29, 2017 to April 28, 2018 annual term, except for a price decrease to the 200mg SKUs only (which are currently the smallest selling SKUs). The VA Contract is terminable at the convenience of the Government at any time.

Agreements with Merck for Zontivity

On September 6, 2016, Aralez Ireland acquired the U.S. and Canadian rights to Zontivity, pursuant to the Zontivity Asset Purchase Agreement with Merck. Zontivity represents an addition to the Company's product portfolio in cardiovascular disease and is the first and currently the only approved therapy shown to inhibit the protease-activated receptor-1 (PAR-1), the primary receptor for thrombin, which is considered to be the most potent activator of platelets. The purchase price for Zontivity consists of (i) a payment of $25.0 million by Aralez Ireland to Merck, which was made on the closing date of the acquisition, (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the acquisition upon the occurrence of certain milestone events based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof, which in no event will exceed $80 million in the aggregate, and (iii) royalty payments in the low double digits based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof.

Pursuant to the terms of the Zontivity Asset Purchase Agreement and certain ancillary agreements entered into

in connection with the Zontivity acquisition, Merck has agreed to supply Zontivity to Aralez Ireland for a period of up to three years following the closing of the acquisition (although the packaging component has now been transferred to the Company's third party provider). Merck also provided certain transition services to Aralez Ireland following the closing of the Zontivity acquisition through March 31, 2017 to facilitate the transition of the supply, sale and distribution of Zontivity, including distributing Zontivity on behalf of Aralez Ireland in exchange for compensation specified in the transition services agreement. In addition, in connection with the foregoing transactions, Merck granted Aralez Ireland, among other things, (i) an exclusive and royalty-free license to certain trademarks solely to exploit Zontivity in the U.S. and Canada and their respective territories, and (ii) an exclusive and royalty-free license to certain know-how solely in connection with the manufacture of Zontivity for exploitation in the U.S. and Canada and their respective territories.

Agreement with AstraZeneca/Horizon regarding Vimovo®

In August 2006, the Company entered into a collaboration and license agreement, effective September 7, 2006 (the "Original AZ Agreement"), with AstraZeneca regarding the development and commercialization of proprietary fixed dose combinations of the proton pump inhibitor ("PPI") esomeprazole magnesium with the non-steroidal anti-inflammatory drug ("NSAID") naproxen in a single tablet for the management of pain and inflammation associated with conditions such as osteoarthritis and rheumatoid arthritis in patients who are at risk for developing NSAID-associated gastric ulcers. Under the terms of the Original AZ Agreement, the Company granted to AstraZeneca an exclusive, fee-bearing license, in all countries of the world except Japan, under the Company's patents and know-how relating to combinations of gastroprotective agents and NSAIDs (other than aspirin and its derivatives). The Company developed Vimovo with AstraZeneca pursuant to this collaboration arrangement, with AstraZeneca responsible for commercialization of Vimovo.

During 2013, AstraZeneca decided to cease promotion and sampling of Vimovo in certain countries, including the United States and all countries in Europe, other than Spain and Portugal, which have pre-existing contractual relationships with third parties. In November 2013, AstraZeneca divested of all of its rights, title and interest to develop, commercialize and sell Vimovo in the United States to Horizon Pharma USA, Inc. ("Horizon"). In connection with this divestiture, in November 2013, the Company and AstraZeneca entered into an Amended and Restated Collaboration and License Agreement for the United States (the "U.S. Agreement") and an Amended and Restated License and Collaboration Agreement for outside the United States and Japan (the "ROW Agreement"), which agreements collectively amended and restated the Original AZ Agreement (as amended prior to the date of the U.S. Agreement and ROW Agreement). With the Company's consent pursuant to a letter agreement among the Company, AstraZeneca and Horizon, AstraZeneca subsequently assigned the U.S. Agreement to Horizon in connection with the divestiture. Further, the letter agreement establishes a process for AstraZeneca and Horizon to determine if certain sales milestones are achieved on a global basis and provides other clarifications and modifications required as a result of the contractual framework implemented among, or as otherwise agreed by, the parties. An additional $260.0 million is potentially payable to the Company if such sales milestones are achieved, however, these sales milestones are not currently expected to be achieved.

Under the U.S. Agreement, Horizon is obligated to pay the Company a 10% royalty on net sales of Vimovo and certain other products covered thereby in the United States. Pursuant to an amendment of the U.S. Agreement (the "Amendment to the U.S. Agreement") between the Company and Horizon, the Company is guaranteed an annual minimum royalty amount of $7.5 million each calendar year, provided that the patents owned by the Company which cover such products are in effect and certain types of competing products are not in the marketplace. The Amendment to the U.S. Agreement also provides that Horizon has assumed AstraZeneca's right to lead the on-going Paragraph IV litigation relating to Vimovo currently pending in the United States District Court for the District of New Jersey and will assume all patent-related defense costs relating to such litigation, including reimbursement up to specified amounts of the cost of any counsel retained by us, amends certain time periods for Horizon's delivery of quarterly sales reports to the Company, and provides for quarterly update calls between the parties to discuss performance of Vimovo and Horizon's commercialization efforts. In February 2018, the Company entered into a second amendment to the U.S. Agreement that allows Horizon to settle the on-going patent litigation without the Company's consent under certain circumstances.

Pursuant to the ROW Agreement, AstraZeneca retained the rights to commercialize Vimovo and certain other products covered thereby outside of the United States and Japan and paid us a royalty of 6% on net sales within the applicable territory through 2015 and started paying us a royalty of 10% of net sales commencing in the first quarter of 2016.

The royalty rates above may be reduced due to the loss of market share as a result of certain competition inside and outside of the United States, as applicable. Furthermore, the Company's right to receive royalties from AstraZeneca or Horizon, as applicable, expires on a country-by country basis upon the later of (a) expiration of the last-to expire of certain patent rights related to the applicable product(s) in that country, and (b) ten years after the first commercial sale of such product(s) in such country. In June 2017, the United States District Court for the District of New Jersey upheld the validity of two patents owned by Aralez and licensed to Horizon covering Vimovo in the United States. Subject to the immediately following sentence or a successful appeal of the decision by the generic competitors party to the suit, this decision is expected to delay generic entry until the expiration of the applicable patents. There is ongoing litigation with respect to other patents covering Vimovo, which if we are successful (and subject to a provisional license granted to Actavis effective January 1, 2025), would further prevent generic entry by the remaining generic competitors until March 2031. See Note 11, "Commitments and Contingencies" for more information. As noted above, in February 2018, the Company entered into a second amendment to its license agreement with Horizon that allows Horizon to settle such patent litigation without the Company's consent under certain circumstances. As the result of an unfavorable outcome in certain patent litigation in Canada, Mylan's generic naproxen/esomeprazole magnesium tablets recently became available in Canada.

Certain Other Agreements

Distribution Agreements Regarding Toprol-XL AG

In November 2017, the Company signed a Distribution and Supply Agreement (the "Lannett-Toprol-XL AG Agreement") with Lannett Company, Inc. ("Lannett") pursuant to which the Company supplies, and Lannett distributes, the Toprol-XL authorized generic product. The Lannett-Toprol-XL AG Agreement replaces a previous Toprol-XL authorized generic distribution agreement with Endo Ventures Limited ("Endo"), which terminated in December 2017. Pursuant to the Lannett-Toprol-XL AG Agreement, Lannett has the exclusive rights in the United States to promote the Toprol-XL authorized generic, while we retain the right to promote the branded Toprol-XL. Pursuant to the terms of the Toprol-XL AG Agreement, the Company supplies the AG product to Lannett for a base supply price, which ranges depending on dosage strength. In addition to the base supply price, Lannett pays to the Company, on a quarterly basis, a profit share equal to a certain percentage of the specified profit of this business for the applicable period. The Lannett-Toprol-XL AG Agreement expires at the end of 2020 and may be terminated by either party under certain circumstances, including performance measures.

Agreements with Sun Pharma and Frontida for Fibricor®

In May 2015, Tribute Pharmaceuticals International Inc. ("TPII"), a Barbados corporation and a wholly-owned subsidiary of Aralez Canada, acquired the U.S. rights to Fibricor® and its related authorized generic (collectively, the "Fibricor Products") from a wholly-owned step-down subsidiary of Sun Pharmaceutical Industries Ltd. ("Sun Pharma"). Financial terms include a total payment of $10.0 million of which approximately $3.0 million was included as a liability assumed in the Merger and subsequently paid in May 2016. In addition, we may be obligated to pay up to $4.5 million in milestone payments based on annual net sales of Fibricor and its authorized generic as well as royalties ranging from the high single digits to low double digits based on annual net sales of such products. In connection with its acquisition of Fibricor, TPII also entered into a supply agreement with Sun Pharma pursuant to which Sun Pharma agreed to manufacture and supply the Fibricor Products to TPII. On June 3, 2016, Sun Pharma assigned the supply agreement to Frontida BioPharm, Inc. On June 30, 2016, TPII assigned its interest in the Fibricor Products to Aralez Ireland.

Agreements with Novartis for Fiorinal®

In 2014, Aralez Canada entered into an asset purchase agreement (the "Asset Purchase Agreement") with Novartis AG and Novartis Pharma AG (collectively, "Novartis") pursuant to which Aralez Canada acquired from

Novartis the Canadian rights to manufacture, market, promote, distribute and sell Fiorinal®, Fiorinal® C, Visken® and Viskazide® for the relief of pain from headache and for the treatment of cardiovascular conditions (the "Novartis Products"), as well as certain other assets relating to the Novartis Products, including certain intellectual property, marketing authorizations and related data, medical, commercial and technical information, and the partial assignment of certain manufacturing and supply agreements and tenders with third parties (the "Acquired Assets"). Aralez Canada also assumed certain liabilities arising out of the Acquired Assets and the Licensed Assets (as defined below) after the acquisition, including product liability claims or intellectual property infringement claims by third parties relating to the sale of the Novartis Products by Aralez Canada in Canada. In connection with the acquisition of the Acquired Assets, and pursuant to the terms of the Asset Purchase Agreement, Aralez Canada concurrently entered into a license agreement with Novartis AG, Novartis Pharma AG and Novartis Pharmaceuticals Canada Inc., under which the Novartis entities agreed to license to Aralez Canada certain assets relating to the Novartis Products, including certain intellectual property, marketing authorizations and related data, and medical, commercial and technical information (the "Licensed Assets").

Agreement with Faes for Blexten™

In 2014, Aralez Canada entered into an exclusive license and supply agreement with Faes Farma, S.A. ("Faes"), a Spanish pharmaceutical company, for the exclusive right to sell bilastine, a product for the treatment of allergic rhinitis and chronic idiopathic urticaria (hives) in Canada, which is now named Blexten™ in Canada. The exclusive license is inclusive of prescription and non-prescription rights for Blexten, as well as adult and pediatric presentations in Canada. On March 31, 2016, Aralez Canada assigned its interest in Blexten to Aralez Ireland. Regulatory approval to sell Blexten in Canada was received from Health Canada in April 2016 and the Company began commercializing Blexten in Canada in December 2016. In April 2018, an ophthalmic formulation under development was added to this agreement. The Company will owe milestone payments of approximately $3.5 million to Faes if certain sales targets or other milestone events are achieved.

Agreement with Nautilus for Cambia®

In 2010, Aralez Canada signed a license agreement with Nautilus Neurosciences, Inc. ("Nautilus") for the exclusive rights to develop, register, promote, manufacture, use, market, distribute and sell Cambia® in Canada. In 2011, Aralez Canada and Nautilus executed the first amendment to the license agreement and in 2012 executed the second amendment to the license agreement. The license was assigned by Nautilus to Depomed, Inc. ("Depomed") in December 2013. Up to $6.0 million in sales-based milestone payments may be payable over time. Royalty rates are tiered and payable at rates ranging from 22.5% to 27.5% of net sales.

Agreement with Actavis for Bezalip® SR and Soriatane®

In January 2018, Aralez Canada signed an Exclusive Distribution Agreement with Allergan Inc. ("Allergan") pursuant to which Aralez Canada was appointed as the exclusive distributor to promote, market, purchase, warehouse, distribute and sell the Bezalip® SR and Soriatane® in Canada. This Exclusive Distribution Agreement supersedes the previous Sales, Marketing and Distribution Agreement entered into between Aralez Canada and Allergan in 2008 with respect to Bezalip SR and Soriatane. Pursuant to this Exclusive Distribution Agreement, Aralez Canada will pay Allergan a minimum royalty amount as well as an incremental royalty based on net receipts above 2017 net receipts for the products. In 2011, Aralez Canada signed a Product Development and Profit Share Agreement with Allergan to develop, obtain regulatory approval of, and market Bezalip SR and other formulations of bezafibrate in the United States, which U.S. agreement was amended in 2013 and 2017. The Company may owe a milestone payment to Allergan in the event that the Company pursues and obtains regulatory approval to market Bezalip SR or another bezafibrate formulation in the United States, which milestone will be either $2.5 million or $5.0 million depending on the form of the first product approved.

Agreements with GSK, Pernix and CII regarding MT 400 (including Treximet®)

In June 2003, the Company entered into an agreement with Glaxo Group Limited, d/b/a GlaxoSmithKline ("GSK") for the development and commercialization of proprietary combinations of a triptan (5-HT1B/1D agonist) and a

long-acting NSAID (the "GSK Agreement"). The combinations covered by the GSK Agreement are among the combinations of MT 400 (including Treximet®). Under the terms of the GSK Agreement, GSK had exclusive rights in the United States to commercialize all combinations which combine GSK's triptans, including Imitrex® (sumatriptan succinate) or Amerge® (naratriptan hydrochloride), with a long-acting NSAID. The Company was responsible for development of the first combination product, while GSK provided formulation development and manufacturing.

In November 2011, the Company entered into a purchase agreement with CPPIB Credit Investments Inc. ("CII"), pursuant to which the Company sold, and CII purchased, the Company's right to receive future royalty payments arising from U.S. sales of MT 400, including Treximet. By virtue of the agreement, the Company will receive a 20% interest in royalties, if any, paid on net sales of Treximet and such other products in the United States to CII relating to the period commencing in the second quarter of 2018.

In May 2014, the Company, GSK, CII and Pernix Therapeutics Holdings, Inc. ("Pernix"), entered into certain agreements in connection with GSK's divestiture of all of its rights, title and interest to develop, commercialize and sell Treximet in the United States to Pernix. Upon the closing of the transaction in August 2014, with the Company's consent, GSK assigned the GSK Agreement to Pernix. Pernix assumed the obligation to pay two sales performance milestones totaling up to $80.0 million if certain sales thresholds are achieved as well as royalties on all net sales of marketed products until at least the expiration of the last-to-expire issued applicable patent based upon the scheduled expiration of currently issued patents. Pernix may reduce, but not eliminate, the royalty payable to the Company if generic competitors attain a pre-determined share of the market for the combination product, or if Pernix owes a royalty to one or more third parties for rights it licenses from such third parties to commercialize the product. Immediately following the closing of the transaction, the Company entered into an amendment to the GSK Agreement with Pernix. This amendment, among other things, amends the royalty provisions to provide for a guaranteed quarterly minimum royalty of $4.0 million for the calendar quarters commencing in January 2015 and ending in March 2018 and requires that Pernix continue certain of GSK's ongoing development activities and to undertake certain new activities, for which the Company will provide reasonable assistance. This amendment to the GSK Agreement also eliminates restrictions in the GSK Agreement on the Company's right to develop and commercialize certain dosage forms of sumatriptan/naproxen combinations outside of the United States and permits the Company to seek approval for these combinations on the basis of the approved new drug application for Treximet.

3. REVENUE RECOGNITION

Principal sources of revenue are (i) product revenues from sales of the product portfolio acquired in the Company's acquisition of Aralez Canada, (ii) product revenues from sales of the Toprol-XL Franchise and Zontivity, and (iii) royalty revenues from sales of Vimovo by the Company's commercialization partners.

Product Revenue, Net

The Company's products are distributed through a limited number of specialty distributors, specialty pharmacy providers and wholesalers in the U.S. and Canada (each a "Customer", or collectively, its "Customers"). These Customers subsequently resell the Company's products to healthcare providers, pharmacies and patients. In addition to distribution agreements with Customers, the Company enters into arrangements with payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products.

Revenues from product sales are recognized when the Customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the Customer. When the Company performs shipping and handling activities after the transfer of control to the Customer (e.g., when control transfers prior to delivery), they are considered fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that the Company would have recognized is one year or less.

Prior to 2018, revenues from the Toprol-XL Franchise, which was acquired on October 31, 2016 and sold by AstraZeneca on the Company's behalf under a transition services agreement from the acquisition date through December 31, 2017, were recorded net of related cost since the Company was not the principal in the arrangement. The Company recorded this revenue in other revenues, similar to a royalty arrangement through December 31, 2017 (other than sales under the Lannett Toprol-XL AG Agreement, which was executed in November 2017). Under a transition services agreement with AstraZeneca, the Company established reserves based on estimates of amounts for rebates, chargebacks, discounts, distributors fees, and returns and allowances earned or to be claimed on the related sales based on information provided by AstraZeneca in accordance with the Toprol-XL Asset Purchase Agreement.

When the Company is the principal in the sales of marketing of a product, the Company recognizes gross revenues and cost of product revenues from the sales of that product. which are classified as product revenues, net and cost of product revenues. Beginning on January 1, 2018, the Company is deemed to be the principal in the sales and marketing of Toprol-XL branded products. The Company became the principal in the sales and marketing of the Toprol-XL AG upon the execution of the Lannett Toprol-XL AG Agreement in November 2017.

Reserves for Variable Consideration

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration for which reserves are established and which result from discounts, returns, chargebacks, rebates, co-pay assistance and other allowances that are offered within contracts between the Company and its Customers, health care providers, payors and other indirect customers relating to the Company's sales of its products. These reserves are based on the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to the Customer) or a current liability (if the amount is payable to a party other than a Customer). Where appropriate, these estimates take into consideration a range of possible outcomes and contemplates relevant factors such as the Company's historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract. The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates.

The Company believes that the reserves it has established are reasonable based upon current facts and circumstances. Applying different judgments or interpretations to the same facts and circumstances could result in the estimated amount for reserves to vary. If actual results vary with respect to the Company's reserves, the Company may need to adjust its estimates, which could have a material effect on the Company's results of operations in the period of adjustment. To date, such adjustments have not been material.

Trade Discounts and Allowances

The Company generally provides Customers with discounts which include incentive fees that are explicitly stated in the Company's contracts and are recorded as a reduction of revenue in the period the related product revenue is recognized. In addition, the Company receives sales order management, data and distribution services from certain Customers. To the extent the services received are distinct from the Company's sale of products to the Customer, these payments are classified in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss of the Company.

Product Returns

Consistent with industry practice, the Company generally allows the customer to return pharmaceutical products within a specified period of time both prior to and subsequent to the product's expiration date. The Company estimates the amount of its product sales that may be returned by its Customers and records this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company's estimate of the provision for returns is analyzed

quarterly and is based upon many factors, including historical data of actual returns and analysis of the level of inventory in the distribution channel, if any.

Provider Chargebacks and Discounts

Chargebacks for fees and discounts to providers represent the estimated obligations resulting from contractual commitments to sell products to qualified healthcare providers at prices lower than the list prices charged to Customers who directly purchase the product from the Company. Customers charge the Company for the difference between what they pay for the product and the ultimate selling price to the qualified healthcare providers. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable. Chargeback amounts are generally determined at the time of resale to the qualified healthcare provider by Customers, and the Company generally issues credits for such amounts within a few weeks of the Customer's notification to the Company of the resale. Reserves for chargebacks consist of credits that the Company expects to issue for units that remain in the distribution channel inventories at each reporting period end that the Company expects will be sold to qualified healthcare providers, and chargebacks that Customers have claimed but for which the Company has not yet issued a credit.

Government Rebates

The Company is subject to discount obligations under state Medicaid programs and Medicare. The Company estimates its Medicaid and Medicare rebates based upon a range of possible outcomes that contemplates its estimated payor mix. These reserves are recorded in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability which is included in accrued expenses on the consolidated balance sheet. For Medicare, the Company makes estimates for prescription drug coverage gap for patients whom the Company will owe an additional liability under the Medicare Part D program. The Company's liability for these rebates consists of invoices received for claims from prior quarters that have not been paid or for which an invoice has not yet been received, estimates of claims for the current quarter, and estimated future claims that will be made for product that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period.

Payor Rebates

The Company contracts with various private payor organizations, primarily insurance companies and pharmacy benefit managers, for the payment of rebates with respect to utilization of its products. The Company estimates these rebates and records such estimates in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability.

Other Incentives

Other incentives which the Company offers include voluntary patient assistance programs, such as co-pay assistance programs which are intended to provide financial assistance to commercially insured patients with prescription drug co-payments required by payors. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that the Company expects to receive associated with product that has been recognized as revenue, but remains in the distribution channel inventories at the end of each reporting period.

The following table summarizes activity in each of the product revenue allowance and reserve categories for the three months ended March 31, 2018:

	Chargebacks, discounts and fees	Government and other rebates	Returns	Total
Balance at December 31, 2017	$ 934	$ 26,201	$ 1,907	$ 29,042
Provision related to current period sales	63,668	83,438	926	148,032
Adjustments related to prior period sales	—	192	72	264
Credits or payments made during the period	(36,037)	(44,298)	(427)	(80,762)
Balance at March 31, 2018	$ 28,565	$ 65,533	$ 2,478	$ 96,576

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. As part of the accounting for these arrangements, the Company must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. The Company uses key assumptions to determine the stand-alone selling price, which may include forecasted revenues, development timelines, reimbursement rates for personnel costs, discount rates and probabilities of technical and regulatory success.

Other Revenues

The Company enters into licensing agreements, from time to time, which are within the scope of Topic 606, under which it may license certain rights to its products or product candidates to third parties. The terms of these arrangements typically include payment to the Company of one or more of the following: non-refundable, up-front license fees; development, regulatory and commercial milestone payments; and royalties on net sales of licensed products. Each of these payments results in revenues recognized and classified as other revenues.

Licenses of intellectual property: If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, up-front fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone Payments: At the inception of each arrangement that includes development milestone payments, the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Company re-evaluates the probability of achievement of such development milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect license, collaboration and other revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Under the Company's various contracts, the Company may receive up-front payments and fees, which may require deferral of revenue recognition to a future period until the Company performs its obligations under these arrangements. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

The following table presents changes in the Company's contract assets and liabilities during the three months ended March 31, 2018:

	Balance at December 31, 2017	Additions	Deductions	Balance at March 31, 2018
Contract assets	$ —	$ —	$ —	$ —
Contract liabilities:				
Deferred revenue	$ 2,430	$ 2,855	$ (208)	$ 5,077

During the three months ended March 31, 2018, the Company recognized the following revenues as a result of changes in the contract asset and the contract liability balances in the respective periods:

	For the three months ended March 31, 2018
Revenue recognized in the period from:	
Amounts included in contract liability at the beginning of the period	$ 2,430
Performance obligations satisfied in previous periods	$ 208

4. FAIR VALUE

The following tables set forth the Company's assets and liabilities that are measured at fair value on a recurring basis at:

	March 31, 2018			
	Financial Instruments Carried at Fair Value			
	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 43,887	$ —	$ —	$ 43,887
Liabilities:				
Contingent consideration	$ —	$ —	$ 101,241	$ 101,241

	December 31, 2017			
	Financial Instruments Carried at Fair Value			
	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 28,892	$ —	$ —	$ 28,892
Liabilities:				
Contingent consideration	$ —	$ —	$ 100,355	$ 100,355

Level 3 Disclosures

The following table provides quantitative information associated with the fair value measurement of the Company's Level 3 inputs at March 31, 2018:

	Fair Value	Valuation technique	Unobservable Inputs	Range of Inputs Utilized
Contingent consideration	$ 101,241	Monte Carlo	Volatility	36% - 72%
			Discount rate	14%

In connection with the acquisitions of Zontivity and the Toprol-XL Franchise, the Company recorded short-term and long-term contingent consideration liabilities for future cash payments based on the occurrence of certain milestone events and royalty payments. The contingent consideration liability for both Zontivity and the Toprol-XL Franchise is valued using a model, which incorporates Level 3 assumptions, including the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows.

In the third and fourth quarters of 2017, the Company updated its assumptions for the probability of success for certain milestone events in the Toprol-XL Asset Purchase Agreement. In addition, the Company adjusted the timing of projected milestone payments in connection with the July 2017 amendment to the Toprol-XL Asset Purchase Agreement. Further, the Company updated its assumptions with respect to financial projections for Zontivity and the Toprol-XL Franchise. These changes in assumptions, along with accretion due to the passage of time, resulted in a net increase in

the contingent consideration liability of $35.7 million during the year ended December 31, 2017. During the first quarter of 2018, the Company did not make any significant changes to its contingent consideration assumptions.

During the three months ended March 31, 2018 and 2017, the Company recorded expense related to the contingent consideration for its acquisition of Zontivity totaling $0.1 million and $0.6 million, respectively. During the three months ended March 31, 2018 and 2017, the Company recorded expense related to the contingent consideration for its acquisition of the Toprol-XL Franchise totaling $5.0 million and $3.7 million, respectively.

The table below provides a roll-forward of the contingent consideration liability fair value balances that used Level 3 inputs:

Balance at December 31, 2017	$	100,355
Change in fair value during the period		5,085
Cash settlements		(4,199)
Balance at March 31, 2018	$	101,241

5. INVENTORY

Inventory consisted of the following at:

	March 31, 2018	December 31, 2017
Raw materials	$ 77	$ 641
Finished goods	5,595	6,002
Total Inventory	$ 5,672	$ 6,643

Inventories are net of reserves for excess and obsolete inventory of approximately $0.6 million and $1.1 million as of March 31, 2018 and December 31, 2017, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The table below provides a roll-forward of the Company's goodwill balances:

Goodwill balance at December 31, 2017	$	81,781
Impact of foreign exchange		(2,098)
Goodwill balance at March 31, 2018	$	79,683

Other Intangible Assets, Net

Other intangible assets, net consisted of the following at:

	March 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
				(in years)
Toprol-XL Franchise	$ 224,600	$ (31,818)	$ 192,782	10
Zontivity	40,800	(6,056)	34,744	11
Aralez Canada and other	90,274	(18,190)	72,084	11
Acquired technology rights	$ 355,674	$ (56,064)	$ 299,610	

	December 31, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
				(in years)
Toprol-XL Franchise	$ 224,600	$ (26,203)	$ 198,397	10
Zontivity	40,800	(5,100)	35,700	11
Aralez Canada and other	92,384	(16,135)	76,249	11
Acquired technology rights	$ 357,784	$ (47,438)	$ 310,346	

The gross carrying amount of acquired technology rights decreased by $2.1 million from December 31, 2017 due to the impact of foreign currency translation adjustments between the Canadian and U.S. dollars. Amortization expense was $9.0 million and $8.5 million for the three months ended March 31, 2018 and 2017, respectively.

The estimated aggregate amortization of intangible assets as of March 31, 2018, for each of the five succeeding years and thereafter is as follows:

For the Years Ending December 31,	Remaining Estimated Amortization Expense
2018	$ 25,724
2019	34,298
2020	34,298
2021	34,298
2022	34,298
Thereafter	136,694
Total amortization expense	$ 299,610

7. ACCRUED EXPENSES

Accrued expenses consisted of the following at:

	March 31, 2018	December 31, 2017
Accrued revenue reserves	$ 70,986	$ 3,275
Accrued interest	6,627	6,774
Accrued royalties	3,545	3,419
Accrued employee-related expenses	3,216	5,667
Accrued professional fees	2,596	4,267
Accrued marketing fees	1,539	605
Accrued manufacturing costs	1,221	4,429
Other accrued liabilities	146	60
Total accrued expenses	$ 89,876	$ 28,496

Accrued revenue reserves as of March 31, 2018 now include amounts for variable consideration which is payable to direct and indirect customers related to the Toprol-XL Franchise, which the Company began recording on a gross basis on January 1, 2018. During 2017, sales of the Toprol-XL Franchise were recorded net of related costs as the Toprol-XL Franchise was sold on the Company's behalf by AstraZeneca under a transition services agreement that expired on December 31, 2017. The amounts for the variable consideration related to the Toprol-XL Franchise were recorded on a net basis in accounts payable as of December 31, 2017.

8. DEBT

Convertible Notes

On February 5, 2016, Aralez issued $75.0 million aggregate principal of 2.5% senior secured convertible notes due February 2022 ("2022 Notes") resulting in net proceeds to Aralez, after debt issuance costs, of $74.5 million in connection with the Second Amended and Restated Debt Facility Agreement (the "Facility Agreement"), dated December 7, 2015, among Aralez Pharmaceuticals Inc., Pozen, Aralez Canada and certain lenders party thereto. The 2022 Notes are convertible into common shares of Aralez at an initial conversion premium of 32.5%, subject to adjustment upon certain events, which is equivalent to an initial conversion price of approximately $8.28 per common share. Holders of the 2022 Notes may convert the 2022 Notes at any time and the 2022 Notes are not pre-payable by Aralez. Interest is payable to the note holders quarterly in arrears on the first business day of each January, April, July and October. Interest expense, which includes the amortization of debt issuance costs, was $0.5 million for each of the three months ended March 31, 2018 and 2017, respectively. The Company estimated the fair value of the $75.0 million aggregate principal amount of the outstanding 2022 Notes to be approximately $59.4 million as of March 31, 2018, using a bond plus call option model that utilizes Level 3 fair value inputs. The carrying amount of the 2022 Notes was $74.7 million as of March 31, 2018, which is the principal amount outstanding, net of $0.3 million of unamortized debt issuance costs to be amortized over the remaining term of the 2022 Notes.

Credit Facility

Under the terms of the Facility Agreement, Aralez also had the ability to borrow from the lenders up to $200.0 million under a credit facility until April 30, 2017. On October 31, 2016, Aralez drew down $25.0 million under the credit facility to replenish the Company's cash balance for the initial upfront payment of the $25.0 million in cash previously paid at the closing of the Zontivity acquisition in September 2016 and drew down an additional $175.0 million to finance the upfront cash payment for the acquisition of the Toprol-XL Franchise. Amounts drawn under the credit facility must be repaid on the sixth anniversary from each draw, bear an interest rate of 12.5% per annum and are prepayable in whole or in part at any time following the end of the sixth month after the funding date of each draw. The Facility Agreement contains various representations and warranties, and affirmative and negative covenants, customary for financings of this type, including, among other things, limitations on asset sales, mergers and acquisitions, indebtedness, liens and dividends.

Interest is payable to the noteholders under the credit facility quarterly in arrears on the first business day of each January, April, July and October. Interest expense, which includes the amortization of debt issuance costs, was $6.2 million for each of the three months ended March 31, 2018 and 2017, respectively. The Company estimated the fair value of the $200.0 million aggregate principal amount of the outstanding borrowings under the credit facility under the Facility Agreement to be approximately $220.7 million as of March 31, 2018, using a bond model that utilizes Level 3 fair value inputs. The carrying amount of the borrowings under the credit facility was $199.9 million as of March 31, 2018, which is the principal amount outstanding, net of $0.1 million of unamortized debt issuance costs to be amortized over the remaining term of the credit facility.

In addition, pursuant to a consent to the Facility Agreement entered into in connection with the acquisition of the Toprol-XL Franchise, the Facility Agreement was amended to include additional financial performance thresholds, including a minimum adjusted EBITDA threshold and a minimum specified revenue threshold relating to net sales of the Toprol-XL Franchise received by the Company. As of March 31, 2018, the Company was in compliance with all applicable financial performance thresholds.

9. EARNINGS PER SHARE

Basic and Diluted Net Loss Per Common Share

Basic net loss per common share has been computed by dividing net loss by the weighted average number of shares outstanding during the period. Except where the result would be antidilutive to income from continuing operations, diluted net loss per common share is computed assuming the conversion of convertible obligations and the elimination of the interest expense related to the 2022 Notes, the exercise of options to purchase common shares, the exercise of warrants, and the vesting of restricted stock units ("RSUs"), as well as their related income tax effects. Diluted net loss per common share differs from basic net loss per common share for the three months ended March 31, 2018 and 2017, respectively, given potential common shares underlying the warrants liability were dilutive (prior to expiration in May 2017) when considering the unrealized gain recognized for the change in the fair value of the warrants during the period.

	Three Months Ended March 31,	
	2018	2017
Net loss, basic	$ (19,741)	$ (27,477)
Effect of dilutive securities:		
Change in fair value of warrants liability	—	(24)
Net loss, diluted	$ (19,741)	$ (27,501)
Shares used in calculating basic net loss per common share	67,025	65,690
Effect of dilutive securities:		
Effect of dilutive stock options, RSUs	—	—
Warrants to purchase common shares - liability-classified	—	—
Shares used in calculating diluted net loss per common share	67,025	65,690
Net loss per common share, basic	$ (0.29)	$ (0.42)
Net loss per common share, diluted	$ (0.29)	$ (0.42)

Potential common shares excluded from the calculation of diluted net loss per common share as their inclusion would have been antidilutive were:

	Three Months Ended March 31,	
	2018	2017
Options to purchase common shares, RSUs and PSUs	8,038	8,441
Warrants to purchase common shares - equity-classified	285	930
2022 Notes convertible into common shares	9,057	9,057

The Company assumed outstanding warrants in connection with the acquisition of Aralez Canada. The warrants are classified either as a liability, if the exercise price is denominated in Canadian dollars, or as equity if the exercise price is denominated in U.S. dollars. The following is a summary of warrants outstanding and exercisable as of March 31, 2018, and grouped in accordance with their respective expiration dates, with Canadian dollar exercise prices translated to U.S. dollars at the foreign exchange rate in effect at March 31, 2018:

Quarterly period of expiration	No. of Warrants Outstanding	Weighted-Average Exercise Price
Q3 2018	16	$ 3.78
Q4 2019	108	$ 4.81
Q3 2020	110	$ 4.09
Q1 2021	51	$ 2.91
	285	$ 4.14

10. SHARE-BASED COMPENSATION

Summary of Share-Based Compensation Plans

In December 2015, the Company's Board of Directors adopted the Aralez Pharmaceuticals 2016 Long-Term Incentive Plan, which became effective on February 5, 2016, upon consummation of the Merger. On May 3, 2017, the Company's shareholders approved the Amended and Restated 2016 Long-Term Incentive Plan (the "Plan"), which increased the number of common shares covered by and reserved for issuance under this Plan by 4,300,000 common shares. The Plan is the only existing plan in which the Company is authorized to grant equity-based awards. The Plan provides for grants of stock options, stock appreciation rights, stock awards, stock units, performance shares, performance units, and other stock-based awards to employees, directors, and consultants. At March 31, 2018, there were approximately 2,750,000 common shares remaining available for grant under the Plan.

Summary of Share-Based Compensation Expense

Share-based compensation expense recorded in the condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017, was as follows:

	Three Months Ended March 31,	
	2018	2017
Selling, general and administrative	$ 1,760	$ 2,820
Research and development	—	4
Total non-cash share-based compensation expense	$ 1,760	$ 2,824

Options to Purchase Common Shares

A summary of option activity for the three months ended March 31, 2018 is as follows:

Stock Option Awards	Underlying Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Intrinsic Value
Outstanding at December 31, 2017	3,203	$ 3.28	7.3 years	
Granted	379	$ 1.75		
Exercised	(36)	$ 1.56		
Forfeited or expired	(510)	$ 4.46		
Outstanding at March 31, 2018	3,036	$ 2.91	7.7 years	$ 16
Exercisable at March 31, 2018	1,021	$ 4.07	5.0 years	$ 19

The weighted average grant date fair value for option awards granted during the three months ended March 31, 2018 was $1.05 per option.

As of March 31, 2018, there was approximately $4.2 million of unrecognized compensation costs related to option awards, which are expected to be recognized over a remaining weighted average period of 1.6 years.

RSUs and PSUs

A summary of RSU, including performance share unit ("PSU"), activity for the three months ended March 31, 2018, is as follows:

Restricted Stock Units, including PSUs	Underlying Underlying Shares	Weighted-Average Grant Date Fair Value
Nonvested restricted stock units at December 31, 2017	4,601	$ 4.87
Granted	1,555	$ 2.51
Vested	(186)	$ 3.49
Forfeited or expired	(968)	$ 3.24
Nonvested restricted stock units at March 31, 2018	5,002	$ 4.50

During the three months ended March 31, 2018, approximately 1,380,000 PSUs with both market-based and service conditions were granted with an aggregate grant-date fair value of $3.8 million. The PSUs vest at the end of a three-year performance period based on the achievement of pre-determined market-based performance goals.

As of March 31, 2018, there was approximately $14.5 million of unrecognized compensation costs related to RSUs, which are expected to be recognized over a remaining weighted average period of 1.6 years.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space and certain equipment under cancellable and non-cancelable operating lease agreements.

Supply Agreements

The Company has various supply, license, distribution and manufacturing agreements with third parties that include purchase minimums or minimum royalties. Pursuant to these agreements, the Company has minimum future obligations of approximately $15.3 million as of March 31, 2018.

See the "Contractual Obligations" section on page 45 of this Quarterly Report on Form 10-Q for a summary of the Company's operating lease obligations and commitments under supply and certain other agreements.

Legal Proceedings

The Company is currently party to legal proceedings arising in the normal course of business, principally patent litigation matters. The Company has assessed such legal proceedings and does not believe that it is probable that a liability has been incurred or that the amount of any potential liability or range of losses can be reasonably estimated. As a result, the Company has not recorded any loss contingencies for any of these matters as of March 31, 2018. While it is not possible to determine the outcome of these matters, in the event of an adverse outcome or outcomes, the Company's business could be materially harmed. The Company intends to vigorously defend its intellectual property rights.

Vimovo® ANDA Litigation

Between March 14, 2011 and May 16, 2013, Pozen, now a subsidiary of the Company, received Paragraph IV Notice Letters from Dr. Reddy's Laboratories ("DRL"), Lupin Ltd. ("Lupin"), Watson Laboratories, Inc. – Florida ("Watson," now part of Actavis), and Mylan Pharmaceuticals Inc. ("Mylan"), stating that each had filed an Abbreviated New Drug Application ("ANDA") with the FDA seeking regulatory approval to market a generic version of our Vimovo product before the expiration of U.S. Patent No. 6,926,907 (the "'907 patent"). On November 20, 2012, Pozen received a second Notice Letter from DRL stating that DRL had filed a second ANDA with the FDA seeking regulatory approval to market a different generic formulation of the Vimovo product before the expiration of the '907 patent. The '907 patent is assigned to Pozen and listed for the Vimovo product in the FDA's publication titled "Approved Drug Products with Therapeutic Equivalence Evaluations" (also known as the "Orange Book").

On April 21, 2011, Pozen filed suit against the first ANDA filer, DRL, in the United States District Court for the District of New Jersey (the "District Court"), asserting infringement of the '907 patent. Pozen subsequently filed suit against the other three ANDA filers within 45 days of receipt of their respective Paragraph IV Notice Letters. Horizon, the Company's current marketing partner for the Vimovo product in the U.S., is Pozen's co-plaintiff in each suit.

On October 15, 2013, the United States Patent & Trademark Office ("USPTO") issued to Pozen U.S. Patent No. 8,557,285 (the "'285 patent"). The '285 patent is listed in the Orange Book for the Vimovo product and is related to the '907 patent. On October 23, 2013, Pozen filed suits against DRL, Lupin, Watson and Mylan in the District Court asserting infringement of the '285 patent. These suits have each been consolidated with the above referenced suits involving the '907 patent. Between January 12 and 20, 2017, the District court conducted a 6-day bench trial involving Defendants DRL and Mylan relating solely to the validity and infringement of the '907 and '285 patents. On July 21, 2017, the District Court issued a Final Judgment that the '907 and '285 patents are not invalid and that the DRL and Mylan ANDA products infringe the asserted claims of the '285 patent and that the Mylan ANDA product infringes the asserted claims of the '907 patent. The Final Judgment further orders that the effective date of any final approval by the FDA of the DRL and Mylan ANDA's not be earlier than the expiration of the patents at issue. Based upon a pre-trial agreement between the parties, Lupin is also bound by the District Court's Final Judgment. The parties filed notices of appeal on August 25, 2017. Those appeals are currently pending. Subject to the immediately following sentence or a successful appeal of the decision by the generic competitors party to the suit, this decision is expected to delay generic entry until the expiration of the applicable patents. There is ongoing litigation with respect to other patents covering Vimovo, which if we are successful and subject to the Actavis license discussed below, would further prevent generic entry by the remaining generic competitors until March 2031.

Between October 7, 2014 and July 19, 2016, the USPTO issued to Pozen U.S. Patent Nos. 8,852,636 (the "'636 patent"), 8,858,996 (the "'996 patent"), 8,865,190 (the "190 patent"), 8,945,621 (the "'621 patent"), 9,161,920 (the

"'920 patent"), 9,198,888 (the "'888 patent"), 9,220,698 (the "'698 patent"), 9,345,695 (the "'695 patent") and 9,393,208 (the "'208 patent"). The '636, '996, '190, '621, '920, '888, '698, '695 and '208 patents are each listed in the Orange Book for the Vimovo product.

On May 13, 2015, Pozen and Horizon filed suit against DRL, Lupin, Actavis (formerly known as Watson) and Mylan in the District Court asserting infringement of the '636 and '996 patents. On June 18, 2015, Pozen filed Amended Complaints in each of the suits to assert infringement of the '190 patent.

On January 25, 2016, Pozen and Horizon filed suit against Actavis in the District Court asserting infringement of the '920 and '888 patents. On February 10, 2016, Pozen filed Amended Complaints against DRL, Lupin and Mylan to assert infringement of the '920 and '888 patents. On August 11, 2016, Pozen and Horizon filed suit against DRL, Lupin, Actavis and Mylan in the District Court asserting infringement of the '621, '698, '695 and '208 patents. The cases involving the '636, '996, '190, '621, '920, '888, '698, '695 and '208 patents have been consolidated for pretrial and discovery. On December 20, 2016, Mylan moved to dismiss claims related to the '621 patent against its ANDA. On April 24, 2017, DRL moved to dismiss claims related to the '621 patent against its second filed ANDA. On August 18, 2017, the District Court granted Mylan's and DRL's motions to dismiss. On August 24, 2017, the District Court stayed the claims involving the '636, '996, '190, '920, '888, and '695 patents pending the outcome of the appeal on the '907 and '285 patents. The cases are proceeding with respect to the remaining patents. The District Court has yet to set a trial date.

On March 5, 2018, Horizon and Pozen entered into a confidential settlement agreement with Actavis granting Actavis a provisional license under the Orange Book listed patents to Vimovo, effective January 1, 2025. Pursuant to the terms of this agreement, on March 7, 2018, the appeal and the underlying Vimovo cases against Actavis were dismissed.

As with any litigation proceeding, we cannot predict with certainty the outcome of the patent infringement suits against DRL, Lupin, and Mylan relating to generic versions of Vimovo. Furthermore, while Horizon is responsible for this litigation, including the costs of same, we nevertheless will have to incur additional expenses in connection with the lawsuits relating to Vimovo, which may be substantial. Moreover, responding to and defending pending litigation results in a significant diversion of management's attention and resources and an increase in professional fees.

Inter Partes Review

On August 24, 2017, Mylan filed a Petition seeking Patent Trial and Appeal Board ("PTAB") review of the '698 patent. On March 8, 2018, the PTAB instituted review of the claims of the '698 patent. Pozen and Horizon have until three months to file a Patent Owner Response. On April 6, 2018, DRL filed an IPR Petition seeking to join the instituted IPR filed by Mylan on the '698 patent. Pozen and Horizon have until three months to file a Patent Owner Response.

On December 4, 2017, Mylan filed a Petition seeking PTAB review of the '208 patent. On March 20, 2018, Pozen and Horizon filed their Preliminary Response to Mylan's Petition. A decision on institution from the PTAB is anticipated to issue in June 2018.

12. SEGMENT INFORMATION

Aralez has one operating segment, the acquisition, development and commercialization of products in various specialty areas for the purpose of delivering meaningful products to improve patients' lives while focusing on creating shareholder value. The Company's entire business is managed by a single management team, which reports to the Chief Executive Officer.

13. SUBSEQUENT EVENTS

On May 8, 2018, the Company announced that, based on its continuing exploration and evaluation of numerous opportunities to streamline the business, reduce costs, and improve its capital structure and liquidity, it has determined that a new strategic direction is in the best interests of the Company and its stakeholders. This strategic direction will involve (i) a focus on the Company's strong Canadian business, supported by the Toprol-XL Franchise, as well as Vimovo royalties, and (ii) the discontinuation of the remaining U.S. commercial business. Decisive actions are being taken to wind down our U.S. commercial business immediately and ultimately close the U.S. operations. This new strategic direction is expected to significantly reduce the Company's cost structure. In addition, the Company continues to explore and evaluate a range of strategic business opportunities to enhance liquidity, including (i) active discussions for the continued commercialization of Zontivity with a focus on divesting or out-licensing the U.S. rights, (ii) active discussions to divest the U.S. rights to Yosprala, Fibricor and Bezalip SR, and (iii) broader strategic and refinancing alternatives for its business.

The Company expects to record a restructuring charge as a result of the implementation of the plan in 2018, mainly related to severance costs and contract termination costs related to the shutdown of the U.S. business, with additional charges possible following decisions on divestments and closures of U.S. headquarters and other office locations.

The Company is also in the process of evaluating its intangible assets and goodwill, as it relates to the U.S. business, for impairment, as well as the fair value of the related contingent consideration liabilities. The carrying amounts for intangible assets related to the U.S. business total approximately $236.3 million as of March 31, 2018. Goodwill related to the U.S. business was approximately $5.0 million as of March 31, 2018. See Note 6, "Goodwill and Other Intangible Assets, Net," for further detail. As of March 31, 2018, the Company had approximately $101.2 million in contingent consideration liabilities recorded in connection with its acquisitions of the Toprol-XL Franchise and Zontivity. See Note 4, "Fair Value," for further detail of the Company's contingent consideration liabilities.

TAB D

Exhibit "D" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands, except share and per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40,731	$ 64,943
Accounts receivable, net	11,336	20,405
Inventory	4,920	4,548
Prepaid expenses and other current assets	3,325	2,435
Total current assets	60,312	92,331
Property and equipment, net	7,715	7,316
Goodwill	82,184	76,694
Other intangible assets, net	319,324	340,194
Other long-term assets	1,732	842
Total assets	$ 471,267	$ 517,377
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 22,145	$ 8,833
Accrued expenses	26,046	32,141
Short-term contingent consideration	8,930	10,430
Other current liabilities	3,223	5,870
Total current liabilities	60,344	57,274
Long-term debt, net	274,520	274,441
Deferred tax liability	3,522	3,273
Long-term contingent consideration	70,559	60,685
Other long-term liabilities	3,201	2,218
Total liabilities	412,146	397,891
Commitments and Contingencies		
Preferred shares, no par value; unlimited shares authorized, issuable in series; none outstanding	—	—
Common shares, no par value, unlimited shares authorized, 66,848,770 and 65,640,607 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	361,181	352,336
Accumulated other comprehensive income	15,044	4,816
Accumulated deficit	(317,104)	(237,666)
Total shareholders' equity	59,121	119,486
Total liabilities and shareholders' equity	$ 471,267	$ 517,377

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Product revenues, net	$ 9,462	$ 8,058	$ 24,916	$ 18,998
Other revenues	14,876	5,570	53,009	15,265
Total revenues, net	24,338	13,628	77,925	34,263
Costs and expenses:				
Cost of product revenues (exclusive of amortization shown separately below)	3,054	3,362	8,758	9,260
Selling, general and administrative	24,686	25,445	87,766	85,635
Research and development	736	2,037	1,558	7,923
Amortization of intangible assets	8,671	2,418	25,718	5,824
Change in fair value of contingent consideration	4,632	—	12,669	—
Total costs and expenses	41,779	33,262	136,469	108,642
Loss from operations	(17,441)	(19,634)	(58,544)	(74,379)
Interest expense	(6,803)	(495)	(20,183)	(1,395)
Other income (expense), net	84	(173)	604	4,354
Loss before income taxes	(24,160)	(20,302)	(78,123)	(71,420)
Income tax expense	281	297	1,315	442
Net loss	$ (24,441)	$ (20,599)	$ (79,438)	$ (71,862)
Basic net loss per common share	$ (0.37)	$ (0.32)	$ (1.20)	$ (1.19)
Diluted net loss per common share	$ (0.37)	$ (0.32)	$ (1.20)	$ (1.26)
Shares used in computing basic net loss per common share	66,837	65,229	66,217	60,599
Shares used in computing diluted net loss per common share	66,837	65,229	66,217	60,676

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$ (24,441)	$ (20,599)	$ (79,438)	$ (71,862)
Other comprehensive income:				
Foreign currency translation adjustments	5,575	(2,062)	10,228	8,085
Other comprehensive income (loss)	5,575	(2,062)	10,228	8,085
Total comprehensive loss	$ (18,866)	$ (22,661)	$ (69,210)	$ (63,777)

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating Activities		
Net loss	$ (79,438)	$ (71,862)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	26,819	6,019
Amortization of debt issuance costs	79	59
Change in fair value of contingent consideration	12,669	—
Payment of contingent consideration	(158)	—
Unrealized foreign currency transaction (gain) loss	(36)	(43)
Gain on sale of property and equipment	(266)	200
Change in fair value of warrants liability	(24)	(4,722)
Share-based compensation expense	8,738	9,202
Benefit from deferred income taxes	—	(1,261)
Changes in operating assets and liabilities:	—	
Accounts receivable	6,959	2,135
Inventory	(62)	(926)
Prepaid expenses and other current assets	(878)	(563)
Accounts payable	13,197	(2,554)
Accrued expenses	(6,049)	(3,260)
Other liabilities	(809)	(1,088)
Other, net	68	—
Net cash used in operating activities	(19,191)	(68,664)
Investing activities		
Acquisitions of businesses, net of cash acquired	—	(42,887)
Purchases of property and equipment	(1,702)	(2,014)
Proceeds from sale of property and equipment	523	—
Change in restricted cash balance	—	(281)
Other	(215)	(520)
Net cash used in investing activities	(1,394)	(45,702)
Financing activities		
Proceeds from issuance of convertible debt	—	75,000
Proceeds from issuance of common stock	—	75,000
Payment of debt and equity issuance costs	—	(673)
Repayment of convertible note	—	(3,922)
Payment of contingent consideration	(4,137)	—
Proceeds from exercise of stock options / warrants	108	1,998
Payments related to settlement of stock awards	—	(1,660)
Net cash (used in) provided by financing activities	(4,029)	145,743
Net (decrease) increase in cash and cash equivalents	(24,614)	31,377
Effect of change in foreign exchange rates on cash and cash equivalents	402	340
Cash and cash equivalents at beginning of period	64,943	24,816
Cash and cash equivalents at end of period	$ 40,731	$ 56,533
Supplemental non-cash activities:		
Fair value of assets acquired and liabilities assumed through acquisition of business (See Note 3)	$ —	$ 115,136
Fair value of contingent consideration payable in connection with acquisition of business (See Note 3)	$ —	$ 19,500
Non-cash additions to intangible assets (See Note 6)	$ —	$ 415
Non-cash additions to property and equipment	$ —	$ —
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 2,141	$ 1,282
Interest paid	$ 18,046	$ 1,047

The accompanying unaudited notes are an integral part of the condensed consolidated financial statements.

ARALEZ PHARMACEUTICALS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(tabular dollars and shares in thousands, except per share data)

1. ORGANIZATION, BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Organization

Aralez Pharmaceuticals Inc., together with its wholly-owned subsidiaries ("Aralez" or the "Company"), is a global specialty pharmaceutical company focused on delivering meaningful products to improve patients' lives while creating shareholder value by acquiring, developing and commercializing products primarily in cardiovascular and other specialty areas. Aralez's global headquarters is located in Mississauga, Ontario, Canada, its U.S. headquarters is located in Princeton, New Jersey, United States, and its Irish headquarters is located in Dublin, Ireland. The Company's common shares are listed on the NASDAQ Global Market under the trading symbol "ARLZ" and on the Toronto Stock Exchange under the trading symbol "ARZ." Aralez was formed for the purpose of facilitating the business combination of POZEN Inc., a Delaware corporation ("Pozen"), and Tribute Pharmaceuticals Canada Inc., a corporation incorporated under the laws of the Province of Ontario, Canada ("Tribute"), which closed on February 5, 2016.

On February 5, 2016, pursuant to an Agreement and Plan of Merger and Arrangement between Aralez Pharmaceuticals Inc., Pozen, Tribute and other related parties (as amended, the "Merger Agreement"), Aralez completed the acquisition of Tribute by way of a court approved plan of arrangement in a stock transaction with a purchase price of $137.6 million made up of (i) $115.1 million related to Tribute shares, equity awards and certain warrants outstanding and (ii) $22.5 million in repayments of Tribute indebtedness. In connection with this transaction, Pozen and Tribute were combined under and became wholly-owned subsidiaries of Aralez (the "Merger"). Pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended, Aralez Pharmaceuticals Inc. is the successor issuer to Pozen.

On September 6, 2016, Aralez Pharmaceuticals Trading DAC, a wholly-owned subsidiary of Aralez ("Aralez Ireland"), acquired the U.S. and Canadian rights to Zontivity® (vorapaxar), pursuant to an asset purchase agreement (the "Zontivity Asset Purchase Agreement") with Schering-Plough (Ireland) Company, an Irish private unlimited company and an affiliate of Merck & Co., Inc., which subsequently assigned the Zontivity Asset Purchase Agreement to its affiliate MSD International GmbH ("Merck").

On September 15, 2016, the Company announced that the U.S. Food and Drug Administration ("FDA") approved Yosprala® (aspirin and omeprazole) for the secondary prevention of cardiovascular and cerebrovascular events in patients at risk for aspirin-associated gastric ulcers.

On October 31, 2016, Aralez Ireland acquired the U.S. rights to Toprol-XL® (metoprolol succinate) and its authorized generic (the "AG") pursuant to an asset purchase agreement (the "Toprol-XL Asset Purchase Agreement") entered into between AstraZeneca AB ("AstraZeneca"), Aralez Ireland and Aralez Pharmaceuticals Inc.

Basis of Presentation and Consolidation

For financial reporting and accounting purposes, Pozen was the acquirer of Tribute pursuant to the Merger in a business combination that was completed on February 5, 2016. Aralez's condensed consolidated financial statements for the three and nine months ended September 30, 2016 include the results of Tribute only from the closing date of the Merger and the results of Zontivity only from September 6, 2016, its acquisition date. Aralez's condensed consolidated financial statements for the three and nine months ended September 30, 2016 do not include the results of Toprol-XL and the AG as this acquisition was completed on October 31, 2016. Aralez's results of operations for the three and nine months ended September 30, 2017 include the results of Tribute, Zontivity and Toprol-XL and the AG (See Note 2).

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Aralez in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and pursuant to, and in accordance with, the instructions to Form 10-Q and Article 10 of Regulation S-X. The condensed

consolidated balance sheet at December 31, 2016 was derived from audited financial statements, but certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited financial statements contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") and with applicable Canadian securities regulators on SEDAR on March 13, 2017 (the "2016 Form 10-K").

The condensed consolidated financial statements, in the opinion of management, reflect all normal and recurring adjustments necessary for a fair statement of the Company's financial position and results of operations. Certain reclassifications with respect to the presentation of accrued expenses were made to prior year figures to conform with current year presentation.

The accompanying condensed consolidated financial statements include the accounts of Aralez Pharmaceuticals Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the extensive use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. The most significant assumptions are employed in estimates used in determining values of: inventories; long-lived assets, including goodwill and other intangible assets; accrued expenses; contingent consideration; income taxes; share-based compensation expense; as well as estimates used in accounting for contingencies and revenue recognition. Actual results could differ from these estimates.

Concentration of Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, including money market funds. The Company's investment policy places restrictions on credit ratings, maturities, and concentration by type and issuer. The Company is exposed to credit risk in the event of a default by the financial institutions holding its cash and cash equivalents to the extent recorded on the balance sheet.

The Company is also subject to credit risk from accounts receivable related to product sales and monitors its exposure within accounts receivable and records a reserve against uncollectible accounts receivable as necessary. The Company extends credit to pharmaceutical wholesale distributors and specialty pharmaceutical distribution companies, primarily in Canada and the United States, and to other international distributors. Customer creditworthiness is monitored and collateral is not required.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and short-term, interest-bearing instruments with original maturities of 90 days or less at the date of purchase.

Inventory

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Cost is determined to be the purchase price for raw materials and the production cost, including materials, labor and indirect manufacturing costs, for work-in-process and finished goods. The Company analyzes its inventory levels quarterly and writes-down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, inventory in excess of expected sales requirements or inventory that fails to meet commercial sale specifications to cost of product revenues. Expired inventory is disposed of and the related costs are written off to cost of product revenues.

Intangible Assets

Goodwill

Goodwill relates to amounts that arose in connection with the acquisitions of Tribute, Zontivity and Toprol-XL and the AG. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations. Goodwill is not amortized but is evaluated for impairment on an annual basis, in the fourth quarter, or more frequently if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of the Company's reporting unit below its carrying amount.

Other Intangible Assets, net

Other intangible assets consist of acquired technology rights. The Company amortizes its intangible assets using the straight-line method over their estimated economic lives. Costs to obtain, maintain and defend the Company's patents are expensed as incurred. The Company will evaluate the potential impairment of other intangible assets if events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Events giving rise to impairment are an inherent risk in the pharmaceutical industry and many factors cannot be predicted. Factors that are considered in deciding when to perform an impairment review include significant changes in forecasted projections for the asset or asset group for reasons including, but not limited to, significant under-performance of a product in relation to expectations, significant changes or planned changes in the Company's use of the assets, significant negative industry or economic trends, and new or competing products that enter the marketplace. The impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset group and its eventual disposition to the carrying value of the asset group. If impairment is indicated, the asset is written down by the amount by which the carrying value of the asset exceeds the related fair value of the asset with the related impairment charge recognized within the statements of operations. Such impairment charges may be material to the Company's results. The valuation techniques utilized in performing the initial valuation of other intangible assets or subsequent quantitative impairment tests incorporate significant assumptions and judgments to estimate the fair value. The use of different valuation techniques or assumptions could result in significantly different fair value estimates.

Contingent Consideration

Certain of the Company's business acquisitions involve the potential for future payment of consideration that is contingent upon the achievement of operational and commercial milestones and royalty payments on future product sales. The fair value of contingent consideration liabilities is determined at the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability is remeasured at current fair value with changes recorded in the consolidated statements of operations. Changes in any of the inputs may result in a significantly different fair value adjustment.

Revenue Recognition

Principal sources of revenue are (i) net revenues from sales of Zontivity, Toprol-XL and the AG, and Yosprala (ii) product sales from the product portfolio acquired with the Company's acquisition of Tribute, and (iii) royalty revenues from sales of Vimovo® by the Company's commercialization partners. In all instances, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, and collectibility of the resulting receivable is reasonably assured.

Product Revenues, net

The Company's products are distributed through a limited number of specialty distributors, specialty pharmacy providers and wholesalers in the U.S. and Canada (each a "Customer", or collectively, its "Customers"). These Customers subsequently resell the Company's products to healthcare providers, pharmacies and patients. In addition to

distribution agreements with Customers, the Company enters into arrangements with payors that provide for government-mandated and/or privately-negotiated rebates, chargebacks and discounts with respect to the purchase of the Company's products.

Except for Yosprala and Toprol-XL and the AG, which are described below, the Company recognizes gross revenues from sales of its products on the sell in method when the Customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the Customer. The Company establishes reserves based on estimates of amounts for rebates, chargebacks, discounts, distributors fees, and returns and allowances earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to the Customer) or a current liability (if the amount is payable to a party other than a Customer). On March 31, 2017, the Company began recognizing gross revenues from sales of Zontivity on the sell in method. Previously, revenues from sales of Zontivity were recognized in other revenues, net of related cost of product revenues and fees paid to Merck under a transition services agreement in effect through March 31, 2017. Product sales from Fibricor® are also recorded on a sell in method.

Revenues from the sale of Yosprala in the United States are recorded on a sell through method since the Company does not have sufficient historical data to estimate returns. As such, the Company defers revenue and costs of inventory for all Yosprala products shipped to wholesalers in the United States until the product is sold through to the end customer.

All of the Company's products have a returns policy that allows the customer to return pharmaceutical products within a specified period of time both prior to and subsequent to the product's expiration date. The Company's estimate of the provision for returns for those products that use a sell in method is analyzed quarterly and is based upon many factors, including historical data of actual returns and analysis of the level of inventory in the distribution channel, if any. The Company believes that the reserves it has established are reasonable based upon current facts and circumstances. Applying different judgments to the same facts and circumstances could result in the estimated amount for reserves to vary. If actual results vary with respect to the Company's reserves, the Company may need to adjust its estimates, which could have a material effect on the Company's results of operations in the period of adjustment. To date, such adjustments have not been material.

Other Revenues

Other revenues include revenues from licensing arrangements with other biopharmaceutical companies, including license fee payments, milestones payments and royalties. Revenue from license fee payments, milestone payments and royalties are recognized when the Company has fulfilled its performance obligations under the terms of its contractual agreements, has no future obligations, and the amount of the license fee payment, milestone payment or royalty fee is determinable. Royalty revenue that is reasonably estimable and determinable is recognized based on estimates utilizing information reported to the Company by its commercialization partners.

Other revenues also includes net revenues from sales of Toprol-XL and the AG from its acquisition date, recognized net of related cost of product revenues and fees paid to AstraZeneca under a transition services agreement in effect through December 31, 2017. The Company records these revenues net of related cost since it is not the principal in the arrangements and expects to record this revenue similar to a royalty arrangement until the Company is deemed to be the principal in the sales and marketing of these products, at which point it will record net sales and costs of revenue separately. Other revenues also include net revenues from sales of Zontivity until March 31, 2017, recognized net of related cost of product revenues and fees paid to Merck under a transition services agreement in effect through March 31, 2017. On March 31, 2017, the Company began recognizing gross revenues from sales of Zontivity on the sell in method, which are classified as product revenues, net.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Topic 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax

basis assets and liabilities and are measured by applying enacted rates and laws to taxable years in which differences are expected to be recovered or settled. Further, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the rate changes. A valuation allowance is required when it is "more-likely-than-not" that all or a portion of deferred tax assets will not be realized. Since the Company's inception, substantial cumulative losses have been incurred and substantial and recurring losses may be incurred in future periods. The utilization of the loss carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the loss carryforwards. In addition, the maximum annual use of net operating loss and research credit carryforwards is limited in certain situations where changes occur in stock ownership.

Aralez files federal and state income tax returns, as applicable, with the tax authorities in various jurisdictions including Canada, Ireland and the United States. Pozen is no longer subject to U.S. federal or North Carolina state income tax examinations by tax authorities for years before 2013. Tribute is no longer subject to Canadian income tax examinations by tax authorities for years before 2011. However, the loss and credit carryforwards generated by Pozen and Tribute may still be subject to change to the extent these losses and credits are utilized in a year that is subject to examination by tax authorities.

ASC 740 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return, including a decision whether to file or not file a return in a particular jurisdiction. The financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts. The Company recognizes any interest and penalties accrued related to unrecognized tax benefits as income tax expense.

Share-Based Compensation

The Company expenses the fair value of employee share-based compensation over the employees' service periods, which are generally the vesting period of the equity award. For awards with performance conditions granted, the Company recognizes compensation cost over the expected period to achieve the performance conditions, provided achievement of the performance conditions are deemed probable. Awards with market-based conditions are expensed over the service period regardless of whether achievement of the market condition is deemed probable or is ultimately achieved. Compensation expense is measured using the fair value of the award at the grant date.

In order to determine the fair value of option awards on the grant date, the Company uses the Black-Scholes option pricing model. Inherent in this model are assumptions related to expected share price volatility, estimated option life, risk-free interest rate and dividend yield. The expected share price volatility assumption is based on the historical volatility of the Company's common shares, which is obtained from public data sources. The expected life represents the weighted average period of time that share-based awards are expected to be outstanding giving consideration to vesting schedules, historical exercise patterns and post-vesting cancellations for terminated employees that have been exhibited historically, adjusted for specific factors that may influence future exercise patterns. The risk-free interest rate is based on factual data derived from public sources. The Company uses a dividend yield of zero as it has no intention to pay cash dividends in the foreseeable future. For performance-based awards with market conditions, the Company uses a Monte Carlo simulation model to determine the fair value of awards on the date of grant.

Determining the appropriate amount to expense for awards with performance conditions based on the achievement of stated goals requires judgment, including forecasting future performance results. The estimate of expense is revised periodically based on the probability of achieving the required performance targets and adjustments are made as appropriate. The cumulative impact of any revisions is reflected in the period of change. If any applicable financial performance goals are not met, no compensation cost is recognized and any previously recognized compensation cost is reversed.

In the first quarter of 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09, Compensation – Stock Compensation (Topic 718), ("ASU 2016-09"). As a result of the adoption of ASU 2016-09, the Company recognizes, on a prospective basis, the impact of forfeitures when they occur, with no adjustment for estimated forfeitures, and recognizes excess tax benefits as a reduction of income tax expense regardless of whether the benefit

reduces income taxes payable. Additionally, the Company now recognizes the cash flow impact of such excess tax benefits in operating activities in its condensed consolidated statements of cash flows. The classification of excess tax benefits on the statement of cash flows for the prior period have not been adjusted. There was no net impact on the Company's opening accumulated deficit upon application of this guidance using the modified retrospective transition method as the total cumulative-effect adjustment for previously deferred excess tax benefits was offset by a related change in the valuation allowance.

Fair Value Measurements

The accounting standard for fair value measurements defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and requires detailed disclosures about fair value measurements. Under this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. This standard classifies these inputs into the following hierarchy:

- *Level 1 Inputs* — Quoted prices for identical instruments in active markets.
- *Level 2 Inputs* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- *Level 3 Inputs* — Instruments with primarily unobservable value drivers.

The fair value hierarchy level is determined by asset class based on the lowest level of significant input. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified between levels.

The carrying amount of cash and cash equivalents approximates its fair value due to the short-term nature of these amounts. The warrants liability was previously carried at fair value and was included within other current liabilities on the consolidated balance sheet at December 31, 2016, however, the warrants associated with the warrants liability expired in May 2017. The significant unobservable inputs used in the fair value measurement of the Company's warrants liability, which used a Black-Scholes valuation model, included the volatility of the Company's common shares and the expected term. The contingent consideration liability is also carried at fair value, and is recorded as separate short and long-term balances on the consolidated balance sheet at September 30, 2017. The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration liability include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. The use of different inputs in the valuation of the contingent consideration liability could result in materially different fair value estimates.

Foreign Currency

The Company's reporting currency is the U.S. dollar. The assets and liabilities of the Company's subsidiaries that have a functional currency other than the U.S. dollar, primarily the Canadian dollar, are translated into U.S. dollars at the exchange rates in effect at the balance sheet date with the results of operations of subsidiaries translated at average exchange rates for the period. The cumulative foreign currency translation adjustment is recorded as a component of accumulated other comprehensive income within shareholders' equity.

Transactions in foreign currencies are remeasured into the functional currency of the relevant subsidiary at the exchange rate in effect at the date of the transaction. Any monetary assets and liabilities arising from these transactions are translated into the functional currency at exchange rates in effect at the balance sheet date or on settlement. Resulting gains and losses are recorded in other income, net within the condensed consolidated statements of operations.

Accumulated Other Comprehensive Income

A company is required to present, either on the face of the statement where net income (loss) is presented, in a separate statement of comprehensive income (loss) or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income (loss). There were no amounts reclassified out of accumulated other comprehensive income for the three and nine months ended September 30, 2017 and 2016. Other comprehensive income for the three and nine months ended September 30, 2017 related to foreign currency translation adjustments.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue recognition based on the transfer of promised goods or services to customers in an amount that reflects consideration Aralez expects to be entitled to in exchange for goods or services. In August 2015, the FASB issued updated guidance deferring the effective date of the revenue recognition standard. The new rules supersede prior revenue recognition requirements and most industry-specific accounting guidance. In March, April and May 2016, the FASB issued additional updated guidance, which clarifies certain aspects of the ASU and the related implementation guidance issued by the FASB-IASB Joint Transition Resource Group for Revenue Recognition. The ASU will be effective for Aralez in the first quarter of 2018, with either full retrospective or modified retrospective application required.

The Company has created a project team to analyze the impacts of ASU No. 2014-09 on its revenue streams, specifically focusing on (i) revenues from the sale of its products, and (ii) royalty revenues. The Company is reviewing its current accounting policies and practices to identify potential differences that would result from applying the guidance. The Company currently expects the most significant impact of the new guidance relates to the recognition of variable consideration. The new guidance requires the Company to estimate variable consideration and include in revenue amounts for which is it probable that a significant revenue reversal will not occur. This may result in revenue being recognized earlier than under the current guidance, particularly for products where the Company uses the sell through revenue recognition model. The Company will continue to assess new customer contracts throughout 2017 and any impact the standard will have on its processes, systems and controls. While the Company's assessment of the impacts of ASU No. 2014-09 is still in process, the adoption of the guidance is not expected to have a material impact on the timing or measurement of the Company's revenue recognition, however, it is likely that the Company will be required to provide significant additional disclosures about the Company's revenue recognition policies in the notes to the consolidated financial statements upon adoption. The Company currently intends to adopt the standard using the modified retrospective method.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. The new standard is effective for the annual period ending after December 15, 2016, and for interim periods thereafter. The Company adopted ASU 2014-15 in the fourth quarter of 2016, which resulted in no change to the Company's financial statements. Additionally, the Company is required to perform quarterly evaluations to identify current conditions which may raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

As noted in its liquidity disclosure, the Company's principal sources of liquidity are cash generated from the royalty payments received from its commercialization partners for net sales of Vimovo; the operating income of Tribute; sales of Fibricor and its authorized generic, Yosprala, Zontivity, and Toprol-XL and the AG; and the financings completed on February 5, 2016 and October 31, 2016. The Company's principal liquidity requirements are for working capital; operational expenses; commercialization activities for products, including Yosprala, Zontivity, Toprol-XL and the AG, Fibricor and the Company's Canadian product portfolio, and product candidates; contractual obligations, including any royalty and milestone payments that may become due; capital expenditures; and debt service payments. As of September 30, 2017, the Company had approximately $40.7 million of cash and cash equivalents which, together with cash expected to be generated from its business, it currently believes is sufficient to fund its operations for at least

the next twelve months from November 9, 2017, the filing date of these quarterly financial statements on Form 10-Q, including its principal liquidity requirements set forth above.

Since the merger with Tribute in February 2016, the Company has incurred significant net losses. The Company has incurred net losses of $79.4 million for the nine months ended September 30, 2017, and $103.0 million for the year ended December 31, 2016. The Company's ability to become profitable and/or to generate positive cash from operations depends upon, among other things, its ability to generate revenues from sales of its products and prudently manage its expenses. New sources of product revenue have only recently been approved, in the case of Yosprala in the United States and Blexten in Canada, or acquired by the Company, in the case of Zontivity in the United States and Canada and Toprol-XL and the AG in the United States. If the Company does not generate sufficient product revenues, or prudently manage its expenses, its business, financial condition, cash flows and results of operations could be materially and adversely affected.

During the second quarter of 2017, the Company implemented a program of cost savings initiatives, which included a 32% reduction in its U.S. sales force and realignment of certain financial resources to support the launch of Zontivity, together with a significant decrease in marketing spend on Yosprala and other cost reductions across the business. On November 9, 2017, the Company announced that it will implement new cost savings initiatives to increase profitability and enhance its liquidity position. In addition, the Company is actively exploring other initiatives, such as business development opportunities and financing options, to improve its future liquidity. There can be no assurances that these other initiatives will be available on reasonable terms, or at all. If the Company is not successful with respect to the initiatives described above, or if the Company's future operations fail to meet its current expectations, the Company's projected future liquidity may be limited, which may impact its assessment under this accounting standard in the future and could materially and adversely affect its business, financial condition, cash flows and results of operations.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10)*, which requires equity investments to be measured at fair value with changes in fair value recognized in net income. It allows an entity to choose to measure equity investments that do not have readily determinable fair values at cost minus impairment. It also simplifies the impairment assessment of equity investments without readily determinable fair values and eliminates the requirements to disclose the methods used to estimate fair value for instruments measured at amortized cost on the balance sheet. The amendments in the ASU are effective for Aralez in the first quarter of 2018. The Company does not expect the adoption to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes current lease accounting guidance. The primary difference between current GAAP and the new standard is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. The standard requires a modified retrospective approach upon adoption, with practical expedients that may be available to elect. The standard is effective for Aralez in the first quarter of 2019 and early adoption is permitted. The Company is evaluating the impact of the ASU on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, providing additional guidance on eight specific cash flow classification issues. The goal of the ASU is to reduce diversity in practice of classifying certain items. The amendments in the ASU are effective for Aralez in the first quarter of 2018 using a retrospective transition method, and early adoption is permitted. The Company does not expect the adoption to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for Aralez in the first quarter of 2018 on a prospective basis and early adoption is permitted. The Company does not expect the adoption to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The amended guidance eliminates a step from the goodwill impairment test. Under the amended guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value

of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amended guidance is effective for the year-ending December 31, 2020. Early adoption is permitted. The Company does not expect a significant effect on its consolidated financial statements upon adoption of this new guidance.

2. BUSINESS AGREEMENTS

Agreements with AstraZeneca for Toprol-XL

On October 31, 2016, Aralez Ireland acquired the U.S. rights to Toprol-XL and the AG pursuant to the Toprol-XL Asset Purchase Agreement entered into between AstraZeneca, Aralez Ireland and Aralez Pharmaceuticals Inc. Toprol-XL is a cardioselective beta-blocker indicated for the treatment of hypertension, alone or in combination with other antihypertensives, the long term treatment of angina pectoris and treatment of stable, symptomatic (NYHA class II or III) heart failure of specific origins. In July 2017, AstraZeneca, Aralez Ireland and Aralez Pharmaceuticals Inc. entered into an amendment to the Toprol-XL Asset Purchase Agreement pursuant to which (1) the milestone payments payable under the Toprol-XL Asset Purchase Agreement were deferred and extended, and (2) the definition of net sales was amended. The purchase price under the Toprol-XL Asset Purchase Agreement, as amended, consists of (i) a payment of $175 million by Aralez Ireland to AstraZeneca, which was made on the closing date of the Toprol-XL acquisition; (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the Toprol-XL acquisition upon the occurrence of certain milestone events based on the annual aggregate net sales of Toprol-XL and the AG and other contingent events, which in no event will exceed $48 million in the aggregate; (iii) royalty payments of (A) 15% of total quarterly net sales of branded Toprol-XL and any other authorized or owned generic version of Toprol-XL that is marketed, distributed or sold by Aralez, and (B) 15% of quarterly net sales of the current or any other third party authorized generic, but for purposes of royalty payments and clause (B) only, net sales do not include the supply price paid for the current or other third party authorized generic by Aralez Ireland to AstraZeneca under the supply agreement entered into between Aralez Ireland and AstraZeneca in respect of the applicable period and (iv) a payment for the value of the finished inventory of Toprol-XL and the AG at closing of the Toprol-XL acquisition, not to exceed a cap specified in the Toprol-XL Asset Purchase Agreement. Under the Toprol-XL Asset Purchase Agreement, as amended, if any milestone payments are triggered, no such payments would be payable in 2018.

On October 31, 2016, in connection with the Toprol-XL acquisition, Aralez Ireland entered into a Supply Agreement (the "Toprol-XL Supply Agreement") with AstraZeneca. Pursuant to the terms of the Toprol-XL Supply Agreement and except as otherwise expressly set forth therein, AstraZeneca will be the exclusive manufacturer and supplier to Aralez Ireland of Toprol-XL and the AG, each in finished bottled form for exploitation and commercialization in the United States. The initial term of the Toprol-XL Supply Agreement is 10 years (the "Toprol-XL Supply Initial Term"). The Toprol-XL Supply Agreement will continue indefinitely following the expiration of the Toprol-XL Supply Initial Term unless terminated in accordance with its terms. Except in the case of certain uncured material breaches of the Toprol-XL Supply Agreement by Aralez Ireland or certain insolvency related events affecting Aralez Ireland, AstraZeneca may not terminate the Toprol-XL Supply Agreement unless it satisfies certain conditions related to, among other things, the transfer of technology. In addition to termination rights upon certain uncured material breaches of the Toprol-XL Supply Agreement by AstraZeneca or certain insolvency related events affecting AstraZeneca, Aralez Ireland may terminate the Toprol-XL Supply Agreement at any time following the Toprol-XL Supply Initial Term upon providing 12 months prior written notice to AstraZeneca. AstraZeneca also provides certain transition services to Aralez Ireland through December 31, 2017 to facilitate the transition of the supply, sale and distribution of Toprol-XL and the AG, in exchange for compensation specified in the transition services agreement.

Agreement with the United States Government Regarding Toprol-XL

On February 23, 2017, Aralez Pharmaceuticals US Inc. ("Aralez US"), a Delaware company and a wholly-owned, indirect subsidiary of Aralez Pharmaceuticals Inc., entered into a Novation Agreement (the "Novation Agreement") with AstraZeneca Pharmaceuticals LP ("AstraZeneca LP") and the United States of America (the "Government") pursuant to which all of the rights and responsibilities of AstraZeneca LP under that certain VA National Contract signed February 11, 2016 and effective April 29, 2016 between AstraZeneca LP and the Government were

novated to Aralez US (as novated, the "VA Contract"). The Novation Agreement was entered into pursuant to the Toprol-XL Asset Purchase Agreement.

Under the VA Contract, Aralez US provides all requirements of certain pharmaceutical products containing metoprolol succinate as the active pharmaceutical ingredient at fixed prices for the U.S. Department of Veterans Affairs and certain other United States federal government agencies. The VA Contract had an initial one-year term expiring April 28, 2017, renewable at the option of the Government for four successive additional one year terms. On April 6, 2017, Aralez US and the Government entered into a Modification of Contract with respect to the VA Contract, pursuant to which the Government exercised its first renewal option under the VA Contract, extending the term of the VA Contract by one year to April 28, 2018 with reduced pricing for the duration thereof. The VA Contract is terminable at the convenience of the Government at any time.

Agreements with Merck for Zontivity

On September 6, 2016, Aralez Ireland acquired the U.S. and Canadian rights to Zontivity, pursuant to the Zontivity Asset Purchase Agreement with Merck. Zontivity represents an addition to the Company's product portfolio in cardiovascular disease and is the first and currently the only approved therapy shown to inhibit the protease-activated receptor-1 (PAR-1), the primary receptor for thrombin, which is considered to be the most potent activator of platelets. The purchase price for Zontivity consists of (i) a payment of $25 million by Aralez Ireland to Merck, which was made on the closing date of the Zontivity acquisition, (ii) certain milestone payments payable by Aralez Ireland subsequent to the closing of the Zontivity acquisition upon the occurrence of certain milestone events based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof, which in no event will exceed $80 million in the aggregate, and (iii) royalty payments in the low double digits based on the annual aggregate net sales of Zontivity, any combination product containing vorapaxar sulphate and one or more other active pharmaceutical ingredients or any line extension thereof.

Pursuant to the terms of the Zontivity Asset Purchase Agreement and certain ancillary agreements entered into in connection with the Zontivity acquisition, Merck has agreed to supply Zontivity to Aralez Ireland for a period of up to three years following the closing of the acquisition (although the packaging component has now been transferred to the Company). Merck also provided certain transition services to Aralez Ireland following the closing of the Zontivity acquisition through March 31, 2017 to facilitate the transition of the supply, sale and distribution of Zontivity, including distributing Zontivity on behalf of Aralez Ireland in exchange for compensation specified in the transition services agreement. In addition, in connection with the foregoing transactions, Merck granted Aralez Ireland, among other things, (i) an exclusive and royalty-free license to certain trademarks solely to exploit Zontivity in the U.S. and Canada and their respective territories, and (ii) an exclusive and royalty-free license to certain know-how solely in connection with the manufacture of Zontivity for exploitation in the U.S. and Canada and their respective territories.

Agreement with AstraZeneca/Horizon regarding Vimovo®

In August 2006, the Company entered into a collaboration and license agreement, effective September 7, 2006 (the "Original AZ Agreement"), with AstraZeneca regarding the development and commercialization of proprietary fixed dose combinations of the proton pump inhibitor ("PPI") esomeprazole magnesium with the non-steroidal anti-inflammatory drug ("NSAID") naproxen in a single tablet for the management of pain and inflammation associated with conditions such as osteoarthritis and rheumatoid arthritis in patients who are at risk for developing NSAID-associated gastric ulcers. Under the terms of the Original AZ Agreement, the Company granted to AstraZeneca an exclusive, fee-bearing license, in all countries of the world except Japan, under the Company's patents and know-how relating to combinations of gastroprotective agents and NSAIDs (other than aspirin and its derivatives). The Company developed Vimovo with AstraZeneca pursuant to this collaboration arrangement, with AstraZeneca responsible for commercialization of Vimovo.

During 2013, AstraZeneca decided to cease promotion and sampling of Vimovo in certain countries, including the United States and all countries in Europe, other than Spain and Portugal, which have pre-existing contractual relationships with third parties. In November 2013, AstraZeneca divested of all of its rights, title and interest to develop, commercialize and sell Vimovo in the United States to Horizon Pharma USA, Inc. ("Horizon"). In connection with this

divestiture, in November 2013, the Company and AstraZeneca entered into an Amended and Restated Collaboration and License Agreement for the United States (the "U.S. Agreement") and an Amended and Restated License and Collaboration Agreement for outside the United States and Japan (the "ROW Agreement"), which agreements collectively amended and restated the Original AZ Agreement (as amended prior to the date of the U.S. Agreement and ROW Agreement). With the Company's consent pursuant to a letter agreement among the Company, AstraZeneca and Horizon, AstraZeneca subsequently assigned the U.S. Agreement to Horizon in connection with the divestiture. Further, the letter agreement establishes a process for AstraZeneca and Horizon to determine if certain sales milestones are achieved on a global basis and provides other clarifications and modifications required as a result of the contractual framework implemented among, or as otherwise agreed by, the parties. An additional $260.0 million is potentially payable to the Company if such sales milestones are achieved, however, these sales milestones are not currently expected to be achieved.

Under the U.S. Agreement, Horizon is obligated to pay the Company a 10% royalty on net sales of Vimovo and certain other products covered thereby in the United States. Pursuant to an amendment of the U.S. Agreement (the "Amendment to the U.S. Agreement") between the Company and Horizon, the Company is guaranteed an annual minimum royalty amount of $7.5 million each calendar year, provided that the patents owned by the Company which cover such products are in effect and certain types of competing products are not in the marketplace (including competing products entering pursuant to a license to enter the market prior to expiration of the applicable patents). The Amendment to the U.S. Agreement also provides that Horizon has assumed AstraZeneca's right to lead the on-going Paragraph IV litigation relating to Vimovo currently pending in the United States District Court for the District of New Jersey and will assume all patent-related defense costs relating to such litigation, including reimbursement up to specified amounts of the cost of any counsel retained by us, amends certain time periods for Horizon's delivery of quarterly sales reports to the Company, and provides for quarterly update calls between the parties to discuss performance of Vimovo and Horizon's commercialization efforts.

Pursuant to the ROW Agreement, AstraZeneca retained the rights to commercialize Vimovo and certain other products covered thereby outside of the United States and Japan and paid us a royalty of 6% on net sales within the applicable territory through 2015 and started paying us a royalty of 10% of net sales commencing in the first quarter of 2016.

The royalty rates above may be reduced due to the loss of market share as a result of certain competition inside and outside of the United States, as applicable (including competing products entering pursuant to a license to enter the market prior to expiration of the applicable patents). Furthermore, the Company's right to receive royalties from AstraZeneca or Horizon, as applicable, expires on a country-by country basis upon the later of (a) expiration of the last-to expire of certain patent rights related to the applicable product(s) in that country, and (b) ten years after the first commercial sale of such product(s) in such country. In June 2017, the United States District Court for the District of New Jersey upheld the validity of two patents owned by Aralez and licensed to Horizon covering Vimovo in the United States. Subject to the immediately following sentence or a successful appeal of the decision by the generic competitors party to the suit, this decision is expected to delay generic entry until the expiration of the applicable patents. There is ongoing litigation with respect to other patents covering Vimovo, which if we are successful, would further prevent generic entry by these potential generic competitors until March 2031, subject to the outcome of the pending appeal of the order of dismissal of claims against Actavis Laboratories FL, Inc. and Actavis Pharma, Inc. (collectively, "Actavis") in the Vimovo cases. As the result of an unfavorable outcome in certain patent litigation in Canada, Mylan's generic naproxen/esomeprazole magnesium tablets recently became available in Canada, which may reduce the Company's royalty rate in Canada in the future. See Note 11 – Commitments and Contingencies, for more information.

Agreements with Patheon regarding Yosprala

In December 2011, the Company entered into a Manufacturing Services Agreement with Patheon Pharmaceuticals, Inc. ("Patheon"), as amended in July 2013 (as amended, the "Supply Agreement"), pursuant to which Patheon has agreed to manufacture, and the Company has agreed to purchase, a specified percentage of the Company's requirements of Yosprala 325/40 and Yosprala 81/40 for sale in the United States. The term of the Supply Agreement extends until December 31st of the fourth year after the date that is 60 days after the Company submits its first firm order to Patheon under the Supply Agreement (the "Initial Term"), and will automatically renew thereafter for periods of two

years, unless terminated by either party upon 18 months' written notice prior to the expiration of the Initial Term or 12 months' written notice prior to the expiration of any renewal term. In addition to usual and customary termination rights which allow each party to terminate the Supply Agreement for material, uncured breaches by the other party, the Company can terminate the Supply Agreement upon 30 days' prior written notice if a governmental or regulatory authority takes any action or raises any objection that prevents the Company from importing, exporting, purchasing or selling Yosprala or if it is determined that the formulation or sale of Yosprala infringes any patent rights or other intellectual property rights of a third-party. The Company can also terminate the Supply Agreement upon 24 months' prior written notice if it licenses, sells, assigns or otherwise transfers any rights to commercialize Yosprala in the United States to a third-party. The Supply Agreement contains general and customary commercial supply terms and conditions, as well as establishes pricing, subject to annual adjustments, for bulk product and different configurations of packaged product.

Agreement to Acquire MFI

In June 2015, Tribute acquired Medical Futures Inc. ("MFI") pursuant to a Share Purchase Agreement between Tribute and the former shareholders of MFI ("MFI Purchase Agreement"). The MFI acquisition diversified Tribute's product portfolio with the addition of both marketed products, including Proferrin®, and product candidates. The amounts payable pursuant to the MFI Purchase Agreement included (a) $8.5 million (CAD) in cash on closing (including a $0.2 million (CAD) deposit previously paid) to the former MFI shareholders, (b) $5.0 million (CAD) through the issuance of 3,723,008 shares of Tribute to the former MFI shareholders, (c) $5.0 million (CAD) in the form of a one-year unsecured convertible promissory note from Tribute to the former owner of MFI (the "MFI Note"), (d) retention payments of $0.5 million (CAD) to MFI employees, (e) consent payments of $3.35 million (CAD) and $2.35 million (CAD) to the former MFI shareholders payable on receipt of certain third party consents, and (f) two payments of $1.25 million (CAD) to the former MFI shareholders payable on regulatory approval of two product candidates, respectively, or change of control of Tribute. The MFI Note was repaid in June 2016. The $3.35 million (CAD) consent payment was made in 2015 and the $2.35 million (CAD) consent payment has not been made. The two $1.25 million (CAD) payments became payable upon the closing of the Merger. One such payment was made in full to the former shareholders of MFI and the second was paid in part with the remainder offset in settlement of certain indemnity claims by the Company against the former shareholders of MFI, in each case in 2016.

Certain Other Agreements

Agreements with Sun Pharma and Frontida for Fibricor®

In May 2015, Tribute Pharmaceuticals International Inc. ("TPII"), a Barbados corporation and a wholly-owned subsidiary of Tribute, acquired the U.S. rights to Fibricor and its related authorized generic (collectively, the "Fibricor Products") from a wholly-owned step-down subsidiary of Sun Pharmaceutical Industries Ltd. ("Sun Pharma"). Financial terms include a total payment of $10.0 million of which approximately $3.0 million was included as a liability assumed in the Merger and subsequently paid in May 2016. In connection with its acquisition of Fibricor, TPII also entered into a supply agreement with Sun Pharma pursuant to which Sun Pharma agreed to manufacture and supply the Fibricor Products to TPII. On June 3, 2016, Sun Pharma assigned the supply agreement to Frontida BioPharm, Inc. On June 30, 2016, TPII assigned its interest in the Fibricor Products to Aralez Ireland.

Agreements with Novartis for Fiorinal®

In 2014, Tribute entered into an asset purchase agreement (the "Asset Purchase Agreement") with Novartis AG and Novartis Pharma AG (collectively, "Novartis") pursuant to which Tribute acquired from Novartis the Canadian rights to manufacture, market, promote, distribute and sell Fiorinal®, Fiorinal® C, Visken® and Viskazide® for the relief of pain from headache and for the treatment of cardiovascular conditions (the "Novartis Products"), as well as certain other assets relating to the Novartis Products, including certain intellectual property, marketing authorizations and related data, medical, commercial and technical information, and the partial assignment of certain manufacturing and supply agreements and tenders with third parties (the "Acquired Assets"). Tribute also assumed certain liabilities arising out of the Acquired Assets and the Licensed Assets (as defined below) after the acquisition, including product liability claims or intellectual property infringement claims by third parties relating to the sale of the Novartis Products by Tribute in Canada. In connection with the acquisition of the Acquired Assets, and pursuant to the terms of the Asset Purchase

Agreement, Tribute concurrently entered into a license agreement with Novartis AG, Novartis Pharma AG and Novartis Pharmaceuticals Canada Inc., under which the Novartis entities agreed to license to Tribute certain assets relating to the Novartis Products, including certain intellectual property, marketing authorizations and related data, and medical, commercial and technical information (the "Licensed Assets").

Agreement with Faes for Blexten™

In 2014, Tribute entered into an exclusive license and supply agreement with Faes Farma, S.A. ("Faes"), a Spanish pharmaceutical company, for the exclusive right to sell bilastine, a product for the treatment of allergic rhinitis and chronic idiopathic urticaria (hives) in Canada, which is now named Blexten. The exclusive license is inclusive of prescription and non-prescription rights for Blexten, as well as adult and pediatric presentations in Canada. On March 31, 2016, Tribute assigned its interest in Blexten to Aralez Ireland. Regulatory approval to sell Blexten in Canada was received from Health Canada in April 2016 and the Company began commercializing Blexten in Canada in December 2016. The Company will owe milestone payments of approximately $1.8 million to Faes if certain sales targets or other milestone events are achieved.

Agreement with Nautilus for Cambia®

In 2010, Tribute signed a license agreement with Nautilus Neurosciences, Inc. ("Nautilus") for the exclusive rights to develop, register, promote, manufacture, use, market, distribute and sell Cambia in Canada. In 2011, Tribute and Nautilus executed the first amendment to the license agreement and in 2012 executed the second amendment to the license agreement. The license agreement was assigned by Nautilus to Depomed, Inc. ("Depomed") in 2013. Up to $5.8 million in sales-based milestone payments may be payable over time. Royalty rates are tiered and payable at rates ranging from 22.5% to 25.0% of net sales.

Agreement with Allergan for Bezalip® SR and Soriatane®

In 2008, Tribute signed a Sales, Marketing and Distribution Agreement with Actavis Group PTC ehf, now part of Allergan ("Allergan"), to perform certain sales, marketing, distribution, finance and other general management services in Canada in connection with the importation, marketing, sales and distribution of Bezalip SR and Soriatane (the "Allergan Products"). In 2010, a first amendment was signed with Allergan to grant Tribute the right and obligation to more actively market and promote the Allergan Products in Canada. In 2011, a second amendment was signed with Allergan that extended the term of the agreement, modified certain of the other terms of the agreement and increased Tribute's responsibilities to include the day-to-day management of regulatory affairs, pharmacovigilance and medical information relating to the Allergan Products. Tribute pays Allergan a sales and distribution fee based on a percentage of the aggregate net sales of the products. In 2011, Tribute signed a Product Development and Profit Share Agreement with Allergan to develop, obtain regulatory approval of and market Bezalip SR in the United States. Aralez will owe a milestone payment of $5.0 million to Allergan in the event that the Company pursues and obtains regulatory approval to market Bezalip SR in the United States.

Agreements with GSK, Pernix and CII regarding MT 400 (including Treximet®)

In June 2003, the Company entered into an agreement with Glaxo Group Limited, d/b/a GlaxoSmithKline ("GSK") for the development and commercialization of proprietary combinations of a triptan (5-HT1B/1D agonist) and a long-acting NSAID (the "GSK Agreement"). The combinations covered by the GSK Agreement are among the combinations of MT 400 (including Treximet®). Under the terms of the GSK Agreement, GSK had exclusive rights in the United States to commercialize all combinations which combine GSK's triptans, including Imitrex® (sumatriptan succinate) or Amerge® (naratriptan hydrochloride), with a long-acting NSAID. The Company was responsible for development of the first combination product, while GSK provided formulation development and manufacturing.

In November 2011, the Company entered into a purchase agreement with CPPIB Credit Investments Inc. ("CII"), pursuant to which the Company sold, and CII purchased, the Company's right to receive future royalty payments arising from U.S. sales of MT 400, including Treximet. By virtue of the agreement, the Company will receive a 20% interest in royalties, if any, paid on net sales of Treximet and such other products in the United States to CII relating to the period commencing in the second quarter of 2018.

In May 2014, the Company, GSK, CII and Pernix Therapeutics Holdings, Inc. ("Pernix"), entered into certain agreements in connection with GSK's divestiture of all of its rights, title and interest to develop, commercialize and sell Treximet in the United States to Pernix. Upon the closing of the transaction in August 2014, with the Company's consent, GSK assigned the GSK Agreement to Pernix. Pernix assumed the obligation to pay two sales performance milestones totaling up to $80.0 million if certain sales thresholds are achieved as well as royalties on all net sales of marketed products until at least the expiration of the last-to-expire issued applicable patent based upon the scheduled expiration of currently issued patents. Pernix may reduce, but not eliminate, the royalty payable to the Company if generic competitors attain a pre-determined share of the market for the combination product, or if Pernix owes a royalty to one or more third parties for rights it licenses from such third parties to commercialize the product. Immediately following the closing of the transaction, the Company entered into an amendment to the GSK Agreement with Pernix. This amendment, among other things, amends the royalty provisions to provide for a guaranteed quarterly minimum royalty of $4 million for the calendar quarters commencing in January 2015 and ending in March 2018 and requires that Pernix continue certain of GSK's ongoing development activities and to undertake certain new activities, for which the Company will provide reasonable assistance. This amendment to the GSK Agreement also eliminates restrictions in the GSK Agreement on the Company's right to develop and commercialize certain dosage forms of sumatriptan/naproxen combinations outside of the United States and permits the Company to seek approval for these combinations on the basis of the approved new drug application ("NDA") for Treximet.

Distribution Agreements Regarding Toprol-XL AG

The Company is party to a Distribution Agreement with Endo Ventures Limited ("Endo") pursuant to which Endo distributes the Toprol-XL AG (the "Toprol-XL AG Agreement"). The agreement was originally entered into by AstraZeneca with PAR Pharmaceutical, Inc. ("PAR") in August 2006 and was assigned by PAR to Endo in February 2016 in connection with Endo International plc's acquisition of PAR. AstraZeneca assigned such agreement to Aralez in connection with the Company's acquisition of Toprol-XL and the AG in October 2016. Pursuant to the Toprol-XL AG Agreement, Endo has the exclusive rights in the United States to promote the AG, while Aralez retains the right to promote the branded Toprol-XL and to promote the AG to certain mail service pharmacy providers. Pursuant to the terms of the Toprol-XL AG Agreement, the Company supplies the AG product to Endo for a base purchase price, which ranges depending on dosage strength. In addition to the base purchase price, Endo pays to the Company, on a monthly basis, a deferred purchase price equal to a certain percentage of the specified profit (and the Company compensates Endo for a specified percentage of certain losses on a periodic basis only to the extent such losses are as a result of the annual fee on prescription drug manufacturers imposed by the Patient Protection and Affordable Care Act and attributable to the AG) of this business for the applicable period. The agreement expires at the end of 2017 and may be terminated by either party under certain circumstances, including performance measures.

3. BUSINESS COMBINATIONS AND ACQUISITIONS

Pro Forma Impact of Business Combinations

The following supplemental unaudited pro forma information presents Aralez's financial results as if the acquisitions of Tribute, which was completed on February 5, 2016, Zontivity, which was completed on September 6, 2016, and Toprol-XL and the AG, which was completed on October 31, 2016, had each occurred on January 1, 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	Actual	Pro forma	Actual	Pro forma
Total revenues, net	$ 24,338	$ 40,954	$ 77,925	$ 119,297
Net loss	$ (24,441)	$ (30,767)	$ (79,438)	$ (58,061)
Diluted net loss per share	$ (0.37)	$ (0.56)	$ (1.20)	$ (1.03)

The above unaudited pro forma information was determined based on the historical GAAP results of Aralez, Tribute, Zontivity and Toprol-XL and the AG. The unaudited pro forma consolidated results are provided for

informational purposes only and are not necessarily indicative of what Aralez's consolidated results of operations actually would have been had the acquisition been completed on the dates indicated or what the consolidated results of operations will be in the future.

Revenues during the three and nine months ended September 30, 2017 for Toprol-XL and the AG, which was acquired in October 2016 and is being sold on our behalf under a transition services agreement that expires in December 2017, are recognized net of related cost of product revenues and transition service fees paid to AstraZeneca. The impact of this revenue recognition method for Toprol-XL and the AG from the date of the acquisition through December 31, 2017 resulted in lower reported revenues relative to the revenue that would have been reported had the Company recognized gross revenues from sales of Toprol-XL and its AG, which is the methodology used in the pro forma figures in the table above. However, this accounting treatment did not impact the Company's net loss or diluted net loss per share for the same periods. Beginning in 2018, the Company will begin recognizing gross revenues from sales of Toprol-XL and its authorized generic on the sell in method, which are recorded as product revenues, net.

The pro forma consolidated net loss includes pro forma adjustments relating to the following significant recurring and non-recurring items directly attributable to the business combinations, net of the pro forma tax impact utilizing applicable statutory tax rates, as follows:

(i) elimination of $0.0 million and $12.0 million of expense for excise tax equalization payments for the three and nine months ended September 30, 2016, respectively;

(ii) elimination of $0.0 million and $4.0 million of severance charges for the three and nine months ended September 30, 2016, respectively;

(iii) elimination of $0.0 million and $1.5 million of the inventory fair value step-up for the three and nine months ended September 30, 2016, respectively;

(iv) elimination of $0.0 million and $0.5 million of stock based compensation expense for the three and nine months ended September 30, 2016, respectively;

(v) elimination of $0.9 million and $13.6 million of transaction costs incurred by the combined Company for the three and nine months ended September 30, 2016, respectively;

(vi) elimination of $0.4 million and $1.8 million of amortization for the three and nine months ended September 30, 2016, respectively, and the addition of amortization of finite-lived intangible assets acquired of $6.5 million and $20.2 million for the three and nine months ended September 30, 2016, respectively; and

(vii) elimination of $0.0 million and $0.3 million of interest expense related to the Tribute acquisition for the three and nine months ended September 30, 2016, respectively, and the addition of $6.5 million and $18.8 million in interest expense related to the financing of the Zontivity and Toprol-XL acquisitions for the three and nine months ended September 30, 2016, respectively.

4. FAIR VALUE

The following tables set forth the Company's assets and liabilities that are measured at fair value on a recurring basis at:

	September 30, 2017			
	Financial Instruments Carried at Fair Value			
	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 40,731	$ —	$ —	$ 40,731
Liabilities:				
Contingent consideration	$ —	$ —	$ 79,489	$ 79,489

	December 31, 2016			
	Financial Instruments Carried at Fair Value			
	Quoted prices in active markets for identical items (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 64,943	$ —	$ —	$ 64,943
Liabilities:				
Contingent consideration	$ —	$ —	$ 71,115	$ 71,115
Warrants liability	$ —	$ —	$ 24	$ 24

Contingent Consideration

In connection with the acquisitions of Zontivity and Toprol-XL and the AG, the Company recorded short-term and long-term contingent consideration liabilities for future cash payments based on the occurrence of certain milestone events and royalty payments. The contingent consideration liability for both Zontivity and Toprol-XL and the AG is valued using a model, which incorporates Level 3 assumptions, including the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. During the three and nine months ended September 30, 2017, the Company recorded expense related to the contingent consideration for its acquisitions of Zontivity totaling $0.5 million and $1.8 million, respectively, and Toprol-XL totaling $4.1 million and $10.9 million for the same periods, respectively. There was no corresponding contingent consideration accretion expense recorded during the three and nine months ended September 30, 2016.

Warrants Liability

In connection with the acquisition of Tribute, the Company assumed a liability for warrants that are treated as derivatives under accounting guidance for derivatives and hedging as they were issued with exercise prices denominated in a currency different than the Company's reporting currency. Approximately 46 thousand of the total 0.9 million common shares underlying the warrants outstanding as of March 31, 2017 were classified as liabilities. These warrants, whose fair value was *de minimis* as of March 31, 2017, expired in May 2017. The warrants liability was valued using a Black-Scholes valuation model, which incorporates Level 3 assumptions including the volatility of the underlying share price and the expected term. A decrease in the fair value of the warrants liability of $24 thousand and $4.7 million for the

nine months ended September 30, 2017 and 2016, respectively, is included within other income, net in the condensed consolidated statements of operations. See Note 9, "Earnings Per Share," for additional information.

Level 3 Disclosures

The following table provides quantitative information associated with the fair value measurement of the Company's Level 3 inputs at September 30, 2017:

	Fair Value	Valuation technique	Unobservable Inputs	Range of Inputs Utilized
Contingent consideration	$ 79,489	Monte Carlo	Volatility	33% - 68%
			Discount rate	13%

The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration liability include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to calculate the present value of the probability-weighted cash flows. During the third quarter of 2017, the Company updated its assumptions for the probability of success for certain milestone events in the Toprol-XL Asset Purchase Agreement. In addition, the Company adjusted the timing of projected milestone payments in connection with the July 2017 amendment to the Toprol-XL Asset Purchase Agreement. See "Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments." These changes, including quarterly accretion, resulted in an overall increase of approximately $1.1 million in expense for the third quarter of 2017 compared to the second quarter of 2017.

The table below provides a roll-forward of the contingent consideration liability fair value balances that used Level 3 inputs:

Balance at December 31, 2016	$ 71,115
Cash payments	(4,295)
Change in fair value during the period	12,669
Balance at September 30, 2017	$ 79,489

The significant unobservable inputs used in the fair value measurement of the Company's warrants liability included the volatility of the Company's share price and the expected term. Significant increases or decreases in the volatility and expected term utilized would have resulted in a significantly higher or lower fair value measurement, respectively.

The table below provides a roll-forward of the warrants liability fair value balances that used Level 3 inputs:

Balance at December 31, 2016	$ 24
Change in fair value during the period	(24)
Impact of foreign exchange	—
Balance at September 30, 2017	$ —

5. INVENTORY

Inventory consisted of the following at:

	September 30, 2017	December 31, 2016
Raw materials	$ 1,928	$ 1,129
Work-in-process	228	189
Finished goods	2,764	3,230
Total Inventory	$ 4,920	$ 4,548

Inventories are net of reserves for excess and obsolete inventory of approximately $1.1 million and $0.1 million as of September 30, 2017 and December 31, 2016, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

The table below provides a roll-forward of the Company's goodwill balances:

Goodwill balance at December 31, 2016	$ 76,694
Impact of foreign exchange	5,490
Goodwill balance at September 30, 2017	$ 82,184

Other Intangible Assets, Net

Other intangible assets, net consisted of the following at:

	September 30, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Life
				(in years)
Toprol-XL	$ 224,600	$ (20,588)	$ 204,012	10
Zontivity	40,800	(4,144)	36,656	11
Tribute Merger and other	92,790	(14,134)	78,656	11
Acquired technology rights	$ 358,190	$ (38,866)	$ 319,324	

The gross carrying amount of acquired technology rights increased by $5.5 million from December 31, 2016 due to the impact of foreign currency translation adjustments between the Canadian and U.S. dollars. Amortization expense was $8.7 million and $25.7 million for the three and nine months ended September 30, 2017, respectively. Amortization expense was $2.4 million and $5.8 million for the three and nine months ended September 30, 2016, respectively.

The estimated aggregate amortization of intangible assets as of September 30, 2017, for each of the five succeeding years and thereafter is as follows:

For the Years Ending December 31,	Estimated Amortization Expense
Remainder of 2017	$ 8,643
2018	34,573
2019	34,573
2020	34,573
2021	34,573
Thereafter	172,389
Total amortization expense	$ 319,324

7. ACCRUED EXPENSES

Accrued expenses consisted of the following at:

	September 30, 2017	December 31, 2016
Accrued professional fees	$ 4,882	$ 6,258
Accrued marketing fees	1,019	4,852
Accrued revenue reserves	5,489	3,783
Accrued royalties	2,823	2,996
Accrued employee-related expenses	4,079	9,153
Accrued interest	6,774	4,715
Other accrued liabilities	980	384
Total accrued expenses	$ 26,046	$ 32,141

Exit and Disposal Activities

In connection with the Merger, the Company incurred certain exit costs, primarily severance benefits to former Pozen and Tribute employees. The following table summarizes the exit activity and other severance charges within accrued expenses and other long-term liabilities in the condensed consolidated balance sheets:

Accrued severance balance at December 31, 2016	$ 2,300
Severance expense	1,043
Cash payments	(2,938)
Impact of foreign exchange	35
Accrued severance balance at September 30, 2017	$ 440

The Company expects to pay the remaining accrued severance balance of $0.4 million during the remainder of 2017.

8. DEBT

Convertible Notes

On February 5, 2016, Aralez issued $75.0 million aggregate principal of 2.5% senior secured convertible notes due February 2022 ("2022 Notes") resulting in net proceeds to Aralez, after debt issuance costs, of $74.5 million in connection with the Second Amended and Restated Debt Facility Agreement (the "Facility Agreement"), dated December 7, 2015, among Aralez Pharmaceuticals Inc., Pozen, Tribute and certain lenders party thereto. The 2022 Notes are convertible into common shares of Aralez at an initial conversion premium of 32.5%, subject to adjustment upon certain events, which is equivalent to an initial conversion price of approximately $8.28 per common share. Holders of the 2022 Notes may convert the 2022 Notes at any time and the 2022 Notes are not pre-payable by Aralez. Interest is payable to the note holders quarterly in arrears on the first business day of each January, April, July and October. Interest expense, which includes the amortization of debt issuance costs, was $0.5 million and $1.5 million for the three and nine months ended September 30, 2017, respectively. Interest expense for the three and nine months ended September 30, 2016 was $0.5 million and $1.3 million, respectively. The Company estimated the fair value of the $75.0 million aggregate principal amount of the outstanding 2022 Notes to be approximately $55.4 million as of September 30, 2017, using a bond plus call option model that utilizes Level 3 fair value inputs. The carrying amount of the 2022 Notes was $74.6 million as of September 30, 2017, which is the principal amount outstanding, net of $0.4 million of unamortized debt issuance costs to be amortized over the remaining term of the 2022 Notes.

Credit Facility

Under the terms of the Facility Agreement, Aralez also had the ability to borrow from the lenders up to $200.0 million under a credit facility until April 30, 2017. On October 31, 2016, Aralez drew down $25.0 million under

the credit facility to replenish the Company's cash balance for the initial upfront payment of the $25.0 million in cash previously paid at the closing of the Zontivity acquisition in September 2016 and drew down an additional $175.0 million to finance the upfront cash payment for the acquisition of Toprol-XL and the AG. Amounts drawn under the credit facility must be repaid on the sixth anniversary from each draw, bear an interest rate of 12.5% per annum and are prepayable in whole or in part at any time following the end of the sixth month after the funding date of each draw. The Facility Agreement contains various representations and warranties, and affirmative and negative covenants, customary for financings of this type, including, among other things, limitations on asset sales, mergers and acquisitions, indebtedness, liens and dividends.

Interest is payable to the noteholders under the credit facility quarterly in arrears on the first business day of each January, April, July and October. Interest expense for the three and nine months ended September 30, 2017 was $6.3 million and $18.7 million, respectively, which includes the amortization of debt issuance costs. The Company estimated the fair value of the $200.0 million aggregate principal amount of the outstanding borrowings under the credit facility under the Facility Agreement to be approximately $207.0 million as of September 30, 2017, using a bond model that utilizes Level 3 fair value inputs. The carrying amount of the borrowings under the credit facility was $199.9 million as of September 30, 2017, which is the principal amount outstanding, net of $0.1 million of unamortized debt issuance costs to be amortized over the remaining term of the credit facility.

In addition, pursuant to a consent to the Facility Agreement entered into in connection with the acquisition of Toprol-XL and the AG, the lenders under the Facility Agreement agreed that they and/or affiliated funds will have available sufficient capital to make additional loans to Aralez in an aggregate amount of up to $250.0 million for the payment of the purchase price of any acquisitions permitted by the terms of the Facility Agreement (as modified by such consent) with respect to target businesses mutually approved by, and as otherwise mutually agreed upon, by Aralez and the lenders, subject to the satisfaction of certain conditions set forth in the Facility Agreement. At the time of such consent, the Facility Agreement was amended to include additional financial performance thresholds, including a minimum adjusted EBITDA threshold and a minimum specified revenue threshold relating to net sales of Toprol-XL and the AG received by the Company. As of September 30, 2017, the Company was in compliance with all applicable financial performance thresholds.

9. EARNINGS PER SHARE

Basic and Diluted Net Loss Per Common Share

Basic net loss per common share has been computed by dividing net loss by the weighted average number of shares outstanding during the period. Except where the result would be antidilutive to income from continuing operations, diluted net loss per common share is computed assuming the conversion of convertible obligations and the elimination of the interest expense related to the 2022 Notes, the exercise of options to purchase common shares, the exercise of warrants, and the vesting of restricted stock units ("RSUs"), as well as their related income tax effects. Diluted net loss per common share differs from basic net loss per common share for the nine months ended September 30, 2017 and 2016, respectively, given potential common shares underlying the warrants liability were dilutive (prior to expiration in May 2017) when considering the unrealized gain recognized for the change in the fair value of the warrants during the period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss, basic	$ (24,441)	$ (20,599)	$ (79,438)	$ (71,862)
Effect of dilutive securities:				
Change in fair value of warrants liability	—	—	(24)	(4,721)
Net loss, diluted	$ (24,441)	$ (20,599)	$ (79,462)	$ (76,583)
Shares used in calculating basic net loss per common share	66,837	65,229	66,217	60,599
Effect of dilutive securities:				
Effect of dilutive stock options, RSUs	—	—	—	—
Warrants to purchase common shares - liability-classified	—	—	—	77
Shares used in calculating diluted net loss per common share	66,837	65,229	66,217	60,676
Net loss per common share, basic	$ (0.37)	$ (0.32)	$ (1.20)	$ (1.19)
Net loss per common share, diluted	$ (0.37)	$ (0.32)	$ (1.20)	$ (1.26)

Potential common shares excluded from the calculation of diluted net loss per common share as their inclusion would have been antidilutive were:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Options to purchase common shares, RSUs and PSUs	8,303	7,416	8,303	7,416
Warrants to purchase common shares - equity-classified	884	930	884	883
2022 Notes convertible into common shares	9,057	9,057	9,057	9,057

The Company assumed outstanding warrants in connection with the acquisition of Tribute. The warrants are classified either as a liability, if the exercise price is denominated in Canadian dollars, or as equity if the exercise price is denominated in U.S. dollars. The following is a summary of warrants outstanding and exercisable as of September 30, 2017, and grouped in accordance with their respective expiration dates, with Canadian dollar exercise prices translated to U.S. dollars at the foreign exchange rate in effect at September 30, 2017:

Quarterly period of expiration	No. of Warrants Outstanding	Weighted-Average Exercise Price
Q1 2018	599	$ 4.12
Q3 2018	16	$ 3.78
Q4 2019	108	$ 4.81
Q3 2020	110	$ 4.09
Q1 2021	51	$ 2.91
	884	$ 4.13

10. SHARE-BASED COMPENSATION

Summary of Share-Based Compensation Plans

In December 2015, the Company's Board of Directors adopted the Aralez Pharmaceuticals 2016 Long-Term Incentive Plan, which became effective on February 5, 2016, upon consummation of the Merger. On May 3, 2017, the Company's shareholders approved the Amended and Restated 2016 Long-Term Incentive Plan (the "Plan"), which

increased the number of common shares covered by and reserved for issuance under this Plan by 4,300,000 common shares. The Plan is the only existing plan in which the Company is authorized to grant equity-based awards. The Plan provides for grants of stock options, stock appreciation rights, stock awards, stock units, performance shares, performance units, and other stock-based awards to employees, directors, and consultants. At September 30, 2017, there were approximately 2,994,000 common shares remaining available for grant under the Plan.

Summary of Share-Based Compensation Expense

Share-based compensation expense recorded in the condensed consolidated statements of operations for the three and nine months ended September 30, 2017 and 2016, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Selling, general and administrative	$ 2,961	$ 2,659	$ 8,730	$ 8,875
Research and development	—	—	8	327
Total non-cash share-based compensation expense	$ 2,961	$ 2,659	$ 8,738	$ 9,202

Included in the table above is approximately $0.5 million of share-based compensation expense related to the accelerated vesting of certain Tribute equity awards upon consummation of the Merger, which was recorded as selling, general and administrative expense in the first quarter of 2016. There was no such charge for the three or nine months ended September 30, 2017.

Options to Purchase Common Shares

A summary of option activity for the nine months ended September 30, 2017 is as follows:

Stock Option Awards	Underlying Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Intrinsic Value
Outstanding at December 31, 2016	3,065	$ 5.85	4.8 years	
Granted	1,534	$ 1.75		
Exercised	(41)	$ 2.63		
Forfeited or expired	(1,289)	$ 7.50		
Outstanding at September 30, 2017	3,269	$ 3.32	7.8 years	$ 856
Exercisable at September 30, 2017	1,327	$ 4.59	3.9 years	$ 12

The weighted average grant date fair value for option awards granted during the nine months ended September 30, 2017 was $1.00 per option.

As of September 30, 2017, there was approximately $4.8 million of unrecognized compensation costs related to option awards, which are expected to be recognized over a remaining weighted average period of 1.9 years.

RSUs and PSUs

A summary of RSU, including performance share unit ("PSU"), activity for the nine months ended September 30, 2017, is as follows:

Restricted Stock Units, including PSUs	Underlying Underlying Shares	Weighted-Average Grant Date Fair Value
Nonvested restricted stock units at December 31, 2016	4,324	$ 6.62
Granted	1,967	$ 2.04
Vested	(1,197)	$ 6.96
Forfeited or expired	(60)	$ 4.70
Nonvested restricted stock units at September 30, 2017	5,034	$ 4.78

During the nine months ended September 30, 2017, approximately 1,072,000 PSUs with both market-based and service conditions were granted with an aggregate grant-date fair value of $2.5 million. The PSUs vest at the end of a three-year performance period based on the achievement of pre-determined market-based performance goals.

As of September 30, 2017, there was approximately $18.6 million of unrecognized compensation costs related to RSUs, which are expected to be recognized over a remaining weighted average period of 1.8 years.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space and certain equipment under cancellable and non-cancelable operating lease agreements.

Supply Agreements

The Company has various supply, license, distribution and manufacturing agreements with third parties that include purchase minimums or minimum royalties.

See the "Contractual Obligations" section on page 45 of this Quarterly Report on Form 10-Q for a summary of the Company's operating lease obligations and commitments under supply and certain other agreements.

Legal Proceedings

The Company is currently party to legal proceedings arising in the normal course of business, principally patent litigation matters. The Company has assessed such legal proceedings and does not believe that it is probable that a liability has been incurred or that the amount of any potential liability or range of losses can be reasonably estimated. As a result, the Company has not recorded any loss contingencies for any of these matters as of September 30, 2017. While it is not possible to determine the outcome of these matters, in the event of an adverse outcome or outcomes, the Company's business could be materially harmed. The Company intends to vigorously defend its intellectual property rights.

Vimovo® ANDA Litigation

Between March 14, 2011 and May 16, 2013, Pozen, now a subsidiary of the Company, received Paragraph IV Notice Letters from Dr. Reddy's Laboratories ("DRL"), Lupin Ltd. ("Lupin"), Watson Laboratories, Inc. – Florida ("Watson," now part of Actavis), and Mylan Pharmaceuticals Inc. ("Mylan"), stating that each had filed an Abbreviated New Drug Application ("ANDA") with the FDA seeking regulatory approval to market a generic version of our Vimovo product before the expiration of U.S. Patent No. 6,926,907 (the "'907 patent"). On November 20, 2012, Pozen received a second Notice Letter from DRL stating that DRL had filed a second ANDA with the FDA seeking regulatory approval to

market a different generic formulation of the Vimovo product before the expiration of the '907 patent. The '907 patent is assigned to Pozen and listed for the Vimovo product in the FDA's publication titled "Approved Drug Products with Therapeutic Equivalence Evaluations" (also known as the "Orange Book").

On April 21, 2011, Pozen filed suit against the first ANDA filer, DRL, in the United States District Court for the District of New Jersey (the "District Court"), asserting infringement of the '907 patent. Pozen subsequently filed suit against the other three ANDA filers within 45 days of receipt of their respective Paragraph IV Notice Letters. Horizon, the Company's current marketing partner for the VIMOVO product in the U.S., is Pozen's co-plaintiff in each suit.

On October 15, 2013, the United States Patent & Trademark Office ("USPTO") issued to Pozen U.S. Patent No. 8,557,285 (the "'285 patent"). The '285 patent is listed in the Orange Book for the VIMOVO product and is related to the '907 patent. On October 23, 2013, Pozen filed suits against DRL, Lupin, Watson and Mylan in the District Court asserting infringement of the '285 patent. These suits have each been consolidated with the above referenced suits involving the '907 patent. Between January 12 and 20, 2017, the District court conducted a 6-day bench trial involving Defendants DRL and Mylan relating solely to the validity and infringement of the '907 and '285 patents. On July 21, 2017, the District Court issued a Final Judgment that the '907 and '285 patents are not invalid and that the DRL and Mylan ANDA products infringe the asserted claims of the '285 patent and that the Mylan ANDA product infringes the asserted claims of the '907 patent. The Final Judgment further orders that the effective date of any final approval by the FDA of the DRL and Mylan ANDA's not be earlier than the expiration of the patents at issue. Based upon a pre-trial agreement between the parties, Lupin is also bound by the District Court's Final Judgment. The parties filed notices of appeal on August 25, 2017. Those appeals are currently pending. Subject to the immediately following sentence or a successful appeal of the decision by the generic competitors party to the suit, this decision is expected to delay generic entry until the expiration of the applicable patents. There is ongoing litigation with respect to other patents covering Vimovo, which if we are successful, would further prevent generic entry by these potential generic competitors until March 2031, subject to the outcome of the pending appeal of the order of dismissal of claims against Actavis in the Vimovo cases (described below).

Between October 7, 2014 and July 19, 2016, the USPTO issued to Pozen U.S. Patent Nos. 8,852,636 (the "'636 patent"), 8,858,996 (the "'996 patent"), 8,865,190 (the "190 patent"), 8,945,621 (the "'621 patent"), 9,161,920 (the "'920 patent"), 9,198,888 (the "'888 patent"), 9,220,698 (the "'698 patent"), 9,345,695 (the "'695 patent") and 9,393,208 (the "'208 patent"). The '636, '996, '190, '621, '920, '888, '698, '695 and '208 patents are each listed in the Orange Book for the VIMOVO product.

On May 13, 2015, Pozen and Horizon filed suit against DRL, Lupin, Actavis (formerly known as Watson) and Mylan in the District Court asserting infringement of the '636 and '996 patents. On June 18, 2015, Pozen filed Amended Complaints in each of the suits to assert infringement of the '190 patent.

On January 25, 2016, Pozen and Horizon filed suit against Actavis in the District Court asserting infringement of the '920 and '888 patents. On February 10, 2016, Pozen filed Amended Complaints against DRL, Lupin and Mylan to assert infringement of the '920 and '888 patents. On August 11, 2016, Pozen and Horizon filed suit against DRL, Lupin, Actavis and Mylan in the District Court asserting infringement of the '621, '698, '695 and '208 patents. The cases involving the '636, '996, '190, '621, '920, '888, '698, '695 and '208 patents have been consolidated for pretrial and discovery. On December 20, 2016, Mylan moved to dismiss claims related to the '621 patent against its ANDA. On April 24, 2017, DRL moved to dismiss claims related to the '621 patent against its second filed ANDA. On August 18, 2017, the District Court granted Mylan's and DRL's motions to dismiss. On August 24, 2017, the District Court stayed the claims involving the '636, '996, '190, '920, '888, and '695 patents pending the outcome of the appeal on the '907 and '285 patents. The cases are proceeding with respect to the remaining patents. The District Court has yet to set a trial date.

On December 19, 2016, defendant Actavis filed a motion to compel enforcement of an alleged settlement agreement related to those Vimovo cases in which it was involved. On December 22, 2016, oral argument was held by the Magistrate Judge on Defendant Actavis' motion. On December 22, 2016, the Magistrate Judge entered a report and recommendation that Actavis' motion to compel the enforcement of settlement be granted. On December 30, 2016, the District Court Judge ordered the adoption of the report and recommendation. On January 10, 2017, an Order of

Dismissal was entered for all claims against Actavis in the Vimovo cases. The Company filed a Notice of Appeal with the Court of Appeals for the Federal Circuit on February 8, 2017. That appeal is currently pending.

As with any litigation proceeding, we cannot predict with certainty the outcome of the patent infringement suits against DRL, Lupin, Mylan and Actavis relating to generic versions of Vimovo. Furthermore, while Horizon is responsible for this litigation, including the costs of same, we nevertheless will have to incur additional expenses in connection with the lawsuits relating to Vimovo, which may be substantial. Moreover, responding to and defending pending litigation results in a significant diversion of management's attention and resources and an increase in professional fees.

Inter Partes Review

On August 24, 2017, Mylan filed a Petition ("IPR Petition") seeking Patent Trial and Appeal Board ("PTAB") review of the '698 patent. Pozen and Horizon intend to file a preliminary response to the IPR Petition by December 13, 2017. The PTAB has not made a decision as to whether to institute review of the '698 patent.

Yosprala® ANDA Litigation

On November 4, 2016, the FDA website indicated that an ANDA for a generic version of Yosprala 81mg/40mg was submitted to the FDA on October 14, 2016. The Company ultimately received the related Paragraph IV Notice Letter on December 12, 2016, as described below.

On December 12, 2016, the Company received a Paragraph IV Notice Letter from Teva Pharmaceuticals USA, Inc. ("Teva") stating that it had filed an ANDA with the FDA seeking regulatory approval to market generic versions of Yosprala 325mg/40 mg and 81mg/40mg prior to the expiration of the '907 patent, U.S. Patent No. 8,206,741 (the "'741 patent"), and U.S. Patent No. 9,364,439 (the "'439 patent"). The '907, '741, and '439 patents are assigned to Pozen and listed in the Orange Book for the Yosprala product.

On January 10, 2017, the USPTO issued to Pozen U.S. Patent No. 9,539,214 (the "'214 patent"). The '214 patent is listed in the Orange Book for the Yosprala product. On March 13, 2017, the Company received a Paragraph IV Notice Letter regarding the '214 patent.

On January 23, 2017, Aralez Parent and its subsidiaries Aralez Pharmaceuticals Trading DAC, Aralez Pharmaceuticals US Inc., and Pozen Inc. filed a lawsuit in the United States District Court for the Eastern District of Texas against Teva and Teva Pharmaceutical Industries Ltd. for infringement of the '907, '741, '439, and '214 patents. The lawsuit was filed within 45 days of receipt of Teva's Paragraph IV Notice Letter. In accordance with the Hatch-Waxman Act, as a result of having filed a timely lawsuit against Teva, a stay of approval will be imposed by the FDA on Teva's ANDA for 30 months after the date of the Company's receipt of Teva's Paragraph IV Notice Letter on December 12, 2016 or until a final court decision is entered in the infringement suit in favor of Teva, whichever is earlier.

On April 13, 2017, the parties entered a joint stipulation to dismiss the complaint against Teva Pharmaceutical Industries Ltd. based on Teva Pharmaceutical Industries Ltd.'s agreement to be bound by any judgment, order, or decision in the lawsuit. The lawsuit will continue against Teva.

On October 4, 2017, Teva filed a Patent Certification Amendment with the FDA converting its Paragraph IV Certifications to Paragraph III Certifications for each of the patents-in-suit (the '907, '741, '439, and '214 patents). As a result of the Patent Certification Amendment, Teva no longer seeks FDA approval to market its generic versions of Yosprala in the United States until after the expiration of all the patents-in-suit. The last patent-in-suit to expire, the '214 patent, expires in March 2033.

On October 27, 2017, in light of Teva's Patent Certification Amendment described above, the parties filed a joint stipulation to dismiss the Yosprala litigation. The case was closed by the Court on October 30, 2017.

12. SEGMENT INFORMATION

Aralez has one operating segment, the acquisition, development and commercialization of products primarily in cardiovascular and other specialty areas for the purpose of delivering meaningful products to improve patients' lives while focusing on creating shareholder value. The Company's entire business is managed by a single management team, which reports to the Chief Executive Officer.

TAB E

Exhibit "E" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

SECOND AMENDED AND RESTATED FACILITY AGREEMENT

This SECOND AMENDED AND RESTATED FACILITY AGREEMENT (this "Agreement"), dated as of December 7, 2015, by and among Aralez Pharmaceuticals Inc., a corporation formed under the laws of the Province of British Columbia, Canada ("Parent"), POZEN Inc., a corporation formed under the laws of the State of Delaware ("Pozen"), Tribute Pharmaceuticals Canada Inc., a corporation formed under the laws of the Province of Ontario, Canada ("Tribute" and collectively with Parent and Pozen, each a "Credit Party" and collectively, the "Credit Parties"), and the lenders set forth on the signature page of this Agreement (together with their successors and assigns, the "Lenders" and, together with the Credit Parties, the "Parties").

W I T N E S S E T H:

WHEREAS, Pozen, Tribute, the Lenders and certain other parties previously executed and delivered that certain Facility Agreement, dated as of June 8, 2015, as amended and restated on October 29, 2015 (the "Original Facility Agreement");

WHEREAS, in connection with the Transactions (as defined below), the Arrangement Agreement (as defined below) has been amended and restated;

WHEREAS, the parties hereto desire to amend and restate the Original Facility Agreement to reflect the foregoing;

WHEREAS, the Borrower wishes to borrow from the Lenders up to Two Hundred Seventy Five Million Dollars ($275,000,000) for the purpose described in Section 2.1;

WHEREAS, pursuant to the Arrangement Agreement, Pozen, Tribute, Luxembourg FinCo (defined below) and certain other entities shall become wholly owned subsidiaries of Parent and this Agreement and the Obligations hereunder shall be assigned to and assumed by Parent;

WHEREAS, Parent, Pozen, Tribute, Luxembourg FinCo and each other Subsidiary of Parent shall guaranty the Obligations (defined below); and

WHEREAS, the Lenders desire to make loans to the Borrower for the purposes set forth in Section 2.1.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the Parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.1 General Definitions. Wherever used in this Agreement, the Exhibits or the Schedules attached hereto, unless the context otherwise requires, the following terms have the following meanings:

"Acquisition Loans" shall have the meaning provided therefor in Section 2.3.

"Acquisition Notes" means the Secured Notes issued to the Lenders evidencing the Acquisition Loans in the form attached hereto as Exhibit A-3.

"Adjusted EBITDA" means, with respect to Parent for any Test Period, Parent's EBITDA plus (i) to the extent deducted in determining Consolidated Net Income for such Test Period, (A) fees and expenses directly incurred or paid in connection with (x) the transactions contemplated by this Agreement, (y) any Permitted Acquisition and (z) to the extent permitted hereunder, issuances or incurrence of Indebtedness, issuances of equity interests or refinancing transactions and modifications of instruments of Indebtedness, (B) any non-recurring charges, costs, fees and expenses directly incurred or paid directly as a result of discontinued operations (other than such charges, costs, fees and expenses to the extent constituting losses arising from such discontinued operations), (C) restructuring charges or reserves, including write-downs and write-offs, including any one-time costs incurred in connection with Permitted Acquisitions and costs related to the closure, consolidation and integration of facilities, information technology infrastructure and legal entities, and severance and retention bonuses as reasonably approved by the Required Lenders, (D) the amount of cost savings and synergies projected by Parent in good faith to be realized as a result of a Permitted Acquisition, in each case within the four consecutive fiscal quarters following the consummation of a Permitted Acquisition (or following the consummation of the squeeze-out merger in the case of a Permitted Acquisition structured as a two-step transaction), as the case may be, calculated as though such cost savings and synergies had been realized on the first day of the Test Period and net of the amount of actual benefits received during such period from the Permitted Acquisition; provided that (1) no cost savings or synergies shall be added pursuant to this clause (D) to the extent duplicative of any expenses or charges otherwise added to Adjusted EBITDA, whether through a pro forma adjustment or otherwise, for such period, (2) subject to the last paragraph of Section 5.1, a duly completed certificate signed by an authorized officer of Parent shall be delivered to the Lenders, specifying such cost savings and synergies in reasonable detail and certifying that such cost savings and synergies are reasonably expected and factually supportable in the good faith judgment of Parent, and (3) the cost savings or synergies pursuant to this clause (D) shall not exceed the amount of such expected costs savings or synergies publicly disclosed by Parent or the public successor (if applicable) in any filings with the SEC with respect to such Permitted Acquisition, minus (ii) to the extent included in Consolidated Net Income for such Person for such Test Period, any non-recurring income or gains directly as a result of discontinued operations.

"Affiliate" shall have the meaning provided therefor in the Notes.

"Agreement Date" means the date of this Agreement.

"Applicable Laws" means all statutes, rules and regulations of Governmental Authorities in the United States, Canada or elsewhere applicable to the Credit Parties.

"Arrangement Agreement" means that certain Agreement and Plan of Merger and Arrangement dated as of June 8, 2015, as amended on August 19, 2015, and on December 7, 2015 among Parent, Pozen, Tribute, ARLZ US Acquisition II Corp. and ARLZ CA Acquisition Corp.

"Authorizations" has the meaning set forth in Section 3.1(r).

"Borrower" shall mean Tribute until the filing of the Articles of Arrangement pursuant to the Arrangement Agreement and thereafter shall mean Parent.

"Business Day" means a day on which banks are required to be open for business in the cities of New York, NY, Toronto, Ontario and Vancouver, B.C.

"Canadian Security Documents" means the Security Agreement to be entered into between Tribute, all other Canadian Subsidiaries and the Lenders, substantially in the form of Exhibit B attached hereto, with such changes reasonably acceptable to Lenders, and all instruments, documents and agreements executed and delivered in connection therewith required to perfect Liens on the assets of Tribute.

"Code" means the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

"Collateral" shall have the meaning provided therefor in the Security Documents.

"Commission" means the United States Securities and Exchange Commission.

"Common Shares" shall mean the common shares of Tribute and Parent, as applicable.

"Common Share Equivalents" means any securities of Parent which would entitle the holder thereof to acquire at any time Common Shares, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Shares or other securities that entitle the holder to receive, directly or indirectly, Common Shares.

"Consolidated Net Income" means, with respect to Parent for any Test Period, net income (or loss) for Parent and its Subsidiaries for such Test Period, determined on a consolidated basis in accordance with GAAP (after deduction for minority interests); provided that, in making such determination, there shall be excluded (i) the net income of any other Person that is not a Subsidiary of Parent (or is accounted for by Parent by the equity method of accounting) except to the extent of actual payment of cash dividends or distributions by such Person to Parent or one of its Subsidiaries during such Test Period, (ii) the net income (or loss) of any other Person acquired by, or merged with, such Person or any of its Subsidiaries for any period prior to the date of such acquisition or merger, and (iii) the net income of any Subsidiary of Parent to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such net income is not at the time permitted by operation of the terms of its charter, certificate of incorporation or formation or other constituent document or any agreement or instrument or Applicable Laws.

"Conversion Failure" shall have the meaning provided therefor in the Convertible Notes.

"Convertible Notes" means the Senior Secured Convertible Notes issued to the Lenders evidencing the Initial Loans in substantially the forms attached hereto as Exhibit A-1 (evidencing the Tribute Convertible Notes until the filing of the Articles of Arrangement) and Exhibit A-2

(evidencing the Parent Convertible Notes from and after the filing of the Articles of Arrangement).

"Conversion Shares" shall mean the shares issuable upon conversion of the Convertible Notes.

"Default" means any event which, at the giving of notice, lapse of time or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an Event of Default.

"Disbursement Condition" means Tribute (and Parent immediately following the filing of the Articles of Arrangement under the Arrangement Agreement) shall have authorized and reserved for issuance a number of Common Shares sufficient to cover all shares issuable on conversion of the Convertible Notes (computed without regard to any limitations on the number of shares that may be issued on exercise).

"Dollars" and the "$" sign mean the lawful currency of the United States of America.

"EBITDA" means, with respect to Parent for any Test Period, Consolidated Net Income for such Person for such Test Period plus (i) to the extent deducted in determining Consolidated Net Income for such Person for such Test Period, (A) interest expense, (B) provision for taxes paid or accrued, (C) depreciation and amortization, (D) non-cash expenses related to stock based compensation, (E) extraordinary non-cash expenses or losses incurred other than in the ordinary course of business, (F) any unrealized losses in respect of any interest rate hedge agreements, and (G) adjustments relating to purchase price allocation accounting, minus (ii) to the extent included in Consolidated Net Income for such Person for such Test Period, (A) interest income (to the extent not netted against interest expense in the calculation of interest expense), (B) income tax credits and refunds (to the extent not netted from tax expenses), (C) extraordinary non-cash income or gains realized other than in the ordinary course of business, and (D) any unrealized income or gains in respect of any interest rate hedge agreements (to the extent not included in clause (i)(F)) above or netted against interest expense in the calculation of interest expense).

"Employment Agreement" means each of the Employment Agreements dated as of May 31, 2015 between Pozen and each of Adrian Adams and Andrew Koven.

"Equity Agreement" means the Share Subscription Agreement dated as of June 8, 2015 as amended and restated on December 7, 2015, among Lenders, Parent and the other Persons party thereto.

"Equity Investment" means the investment by Lenders or their Affiliates and other Persons in the Common Shares pursuant to the Equity Agreement.

"Event of Default" has the meaning given to it in Section 5.4.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

"Excluded Taxes" means with respect to any Lender, (a) income Taxes imposed on (or measured by) such Lender's net income, franchise Taxes and branch profit Taxes, in each case imposed by the United States of America, or by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender is organized or incorporated or in which the applicable lending office of such Lender is located, (b) Other Connection Taxes, (c) Other Taxes that arise with respect to the onward transfer of the Conversion Shares by a Lender, but for greater certainty not including any Taxes or Other Taxes (other than Taxes described in paragraphs (a), (b) or (d) of this definition of "Excluded Taxes") arising as a result of the issuance of Conversion Shares to a Lender pursuant to the Conversion Notes, or (d) any U.S. federal withholding Taxes imposed under FATCA due to such Lender's non-compliance with Section 2.6(e).

"Excluded Transaction" means any of the following transactions:

The entering into any collaborative arrangement, licensing, joint venture, partnership, royalty agreement or similar agreements or other research, development, manufacturing or other commercial exploitation arrangements relating to Parent or any Subsidiary's Intellectual Property or other assets (*provided*, that Parent has a reasonable basis for believing that the downstream economics potentially to be received by Parent and its Subsidiaries in connection with such collaborative arrangement, licensing, joint venture, partnership, royalty agreement or similar agreements or other research, development, manufacturing or other commercial exploitation arrangements relating to the IP, when combined with the potential downstream economics of rights in the IP retained by Parent and its Subsidiaries are adequate to enable Borrower to timely satisfy all obligations of the Borrower and its Subsidiaries under this Agreement), including, without limitation, but subject to the conditions set forth above, (1) any grant to any entity engaged in, or owned by an entity engaged in, the pharmaceutical or biotechnology industry of a license or option to obtain a license to any of Parent's or any Subsidiary's Intellectual Property or other assets, *provided* that Parent or a Subsidiary (and not any third party or any of Parent's equity holders) directly receives from such entity all consideration paid or payable by such entity in consideration of such grant, which consideration may, but need not, include (without limitation) upfront, milestone, royalty and profit-sharing payments, (2) any grant of a license or option to obtain a license to any entity that intends to research, develop, commercialize or manufacture products or services covered by such Intellectual Property or other assets whether directly or through Parent, any Subsidiary or another entity, and (3) any arrangement or transfers of assets for the manufacture, research, promotion and development of Parent's or any Subsidiary's products and clinical trial management, and data analysis and similar activities in support of Parent's or any Subsidiary's development programs.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any intergovernmental agreements with respect thereto, any current or future regulations or official interpretations thereof, and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"Final Payment" means such amount as may be necessary to repay the outstanding principal amount of the Notes and any other Obligations owing by the Borrower to the Lenders

pursuant to the Loan Documents."GAAP" means generally accepted accounting principles consistently applied as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession).

"Governmental Authority" means any government, quasi-governmental agency, governmental department, ministry, cabinet, commission, board, bureau, agency, court, tribunal, regulatory authority, instrumentality, judicial, legislative, fiscal, or administrative or public body or entity, whether domestic or foreign, federal, provincial, state or local, having jurisdiction over the matter or matters and Person or Persons in question.

"Guaranty" means the guaranty of the Obligations to be executed by each Guarantor in favor of Lenders substantially in the form of Exhibit C attached hereto, with such changes reasonably acceptable to Lenders.

"Guarantor" means Parent, each Subsidiary of Parent and each other Person that executes a Guaranty.

"Indebtedness" means the following:

(i) all indebtedness for borrowed money;

(ii) the deferred purchase price of assets or services (other than payables) which in accordance with GAAP would be shown to be a liability (or on the liability side of a balance sheet);

(iii) all guarantees of Indebtedness;

(iv) all letters of credit issued or acceptance facilities established for the account of Parent and any of its Subsidiaries, including without duplication, all drafts drawn thereunder;

(v) all capitalized lease obligations;

(vi) all indebtedness of another Person secured by any Lien on any property of Parent or its Subsidiaries, whether or not such indebtedness has been assumed or is recourse (with the amount thereof, in the case of any such indebtedness that has not been assumed by Parent or its Subsidiaries, being measured as the lower of (x) fair market value of such property and (y) the amount of the indebtedness secured); and

(vii) indebtedness created or arising under any conditional sale or title retention agreement.

"Indemnified Person" has the meaning given to it in Section 6.12(a).

"Indemnified Taxes" means all Taxes including Other Taxes, other than Excluded Taxes.

"Indemnity" has the meaning given to it in Section 6.12(a).

"Initial Funding Date" shall have the meaning set forth in Section 2.2.

"Initial Loans" means the Loans made available by the Lenders to the Borrower pursuant to Section 2.2 in the aggregate principal amount of Seventy Five Million Dollars ($75,000,000) or, as the context may require, the principal amount thereof from time to time outstanding.

"Interest Rate" means 2.5% per annum with respect to the Initial Loans and 12.5% per annum with respect to the Acquisition Loans.

"IP" and "Intellectual Property" have the meaning given to it in Section 3.1(n).

"IRS" means the United States Internal Revenue Service.

"Irish Security Document" means that certain Irish law debenture dated the date of the Initial Funding Date among each Irish Subsidiary of Parent and Lenders, substantially in the form of Exhibit D attached hereto, with such changes thereto reasonably acceptable to Lenders.

"Lien" means any lien, pledge, preferential arrangement, mortgage, security interest, deed of trust, charge, assignment, hypothecation, title retention, or other encumbrance on or with respect to property or interest in property having the practical effect of constituting a security interest, in each case with respect to the payment of any obligation with, or from the proceeds of, any asset or revenue of any kind.

"Loans" means the Initial Loans and the Acquisition Loans.

"Loan Documents" means this Agreement, the Notes, the Guaranties, the Pledge Agreement, the Security Documents, the Registration Rights Agreement, and any other document or instrument delivered in connection with any of the foregoing and dated the Agreement Date or subsequent thereto, whether or not specifically mentioned herein or therein.

"Loss" has the meaning given to it in Section 6.12(a).

"Luxembourg FinCo" means Luxembourg FinCo, a limited liability company organized under the laws of the Grand Duchy of Luxembourg.

"Major Transaction" has the meaning set forth in the Convertible Notes.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, condition (financial or otherwise), or assets of Parent or any of its Subsidiaries, (b) the validity or enforceability of any provision of any Loan Document, (c) the ability of Parent or any of its Subsidiaries to timely perform the Obligations or (d) the rights and remedies of the Lenders under any Loan Document; provided, however, any adverse effect that results directly or indirectly from general economic, business, financial or market conditions shall not be deemed to be a Material Adverse Effect.

"Material Contract" means any contract of any Credit Party that has been filed or was required to have been filed as an exhibit to the SEC Reports pursuant to Item 601(b)(4) or Item 601(b)(10) of Regulation S-K.

"Nijhawan Note" means the unsecured convertible promissory note in the aggregate principal amount of C$5,000,000 issued by Tribute to Nidhi Nijhawan on June 16, 2015.

"Notes" means the Convertible Notes and the Acquisition Notes.

"Obligations" means all obligations and liabilities (monetary or otherwise) of Parent, Borrower and their Subsidiaries arising under or in connection with this Agreement and the other Loan Documents.

"Organizational Documents" means the Certificate of Incorporation, Articles, Notices of Articles, Bylaws, memorandum and articles of association or similar documents, each as amended to date, of the Credit Parties or any of their Subsidiaries, as the context may require.

"Other Connection Taxes" means with respect to any Lender, Taxes imposed as a result of a present or former connection between such Lender and the jurisdiction imposing such Tax (except a connection arising from such Lender having executed, delivered or performed its obligations under the Loan Documents).

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, duties, other charges or similar levies, and all liabilities with respect thereto, together with any interest, additions to tax or penalties applicable thereto (including by reason of any delay in payment) arising from any payment made hereunder or from the execution, delivery, registration or enforcement of, or otherwise with respect to, any Loan Document or the delivery to a Lender of the Conversion Shares, except any such Taxes imposed with respect to an assignment (other than an assignment made in connection with the exercise of remedies following an Event of Default).

"Parent" means Aralez Pharmaceuticals Inc., a corporation formed under the laws of the Province of British Columbia, Canada.

"Parent Convertible Notes" shall have the meaning set forth in Section 5.1(l).

"Permitted Acquisition" means any transaction or series of related transaction by which Parent or any of its Subsidiaries acquires all or substantially all of the assets of a Person or going business, division, or line of business or product or acquires equity interests of any Person having at least a majority of combined voting power of the then outstanding equity interests of such Person; provided,

(i) immediately prior to, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(ii) all transactions in connection therewith shall be consummated, in all material respects, in accordance with all applicable laws and in conformity with all applicable Authorizations;

(iii) Borrower shall have taken, or caused to be taken, as of the date such Person becomes a Subsidiary of Parent, each of the actions set forth in Section 5.1(ix);

(iv) Subject to the last paragraph of Section 5.1, Borrower shall have delivered to Lenders at least ten (10) Business Days prior to such proposed acquisition, an executed term sheet and/or commitment letter (setting forth in reasonable detail the terms and conditions of such acquisition) and, at the request of any Lender, such other information and documents that any Lender may request, including, without limitation, executed counterparts of the respective agreements, instruments or other documents pursuant to which such acquisition is to be consummated, to the extent available (including, without limitation, any related management, non-compete, employment, option or other material agreements), any schedules to such agreements, instruments or other documents and all other material ancillary agreements, instruments or other documents to be executed or delivered in connection therewith;

(v) any Person or assets or division acquired in accordance herewith shall be in same business or lines of business in which Parent and/or its Subsidiaries are engaged as of the Initial Funding Date or a business or line of business complimentary thereto;

(vi) the acquisition shall have been approved by the board of directors or other governing body of the Person acquired or the Person from whom such assets or division is acquired; and

(vii) the Adjusted EBITDA of Parent for the Test Period determined as of the date of the definitive documentation for such transaction or transactions on a pro forma basis as if such Permitted Acquisition had occurred at the beginning of such Test Period is greater than Adjusted EBITDA of Parent for such Test Period without giving such pro forma effect.

"Permitted Indebtedness" means:

(i) The Obligations;

(ii) Indebtedness in respect of netting services, overdraft protections and other similar and customary services in connection with deposit accounts;

(iii) Performance bonds, surety bonds, letters of credit, security deposits and similar instruments incurred in the ordinary course of business;

(iv) Guarantees with respect to any Permitted Indebtedness;

(v) Indebtedness in respect of purchase money financing, capital lease obligations and equipment financing facilities covering existing and newly-acquired equipment, including for the acquisition, installation, qualification and validation of such equipment up to the aggregate amount, together with Indebtedness permitted by clause (vi) below, not in excess of $5,000,000 outstanding at any time;

(vi) Indebtedness acquired pursuant to or incurred in connection with a Permitted Acquisition up to the aggregate amount, together with Indebtedness permitted by clause (v) above, not in excess of $5,000,000 outstanding at any time; provided that such Indebtedness has a rate of interest no greater than the market rate of interest for comparable Indebtedness and a maturity which is not less than 180 days after the latest maturity date of the Loans;

(vii) Unsecured Indebtedness up to an aggregate principal amount of $300,000,000 subordinated to the Obligations by written agreement in form and substance acceptable to Lenders, which has an interest rate no greater than the market rate of interest for comparable Indebtedness and a maturity which is not less than 180 days after the latest maturity date of the Loans;

(viii) Unsecured convertible Indebtedness up to an aggregate principal amount of $300,000,000 subordinated to the Obligations by written agreement in form and substance acceptable to Lenders, which has a rate of interest no greater than the market rate of interest for comparable Indebtedness and a maturity which is not less than 180 days after the latest maturity date of the Loans; and

(ix) Losses on hedging obligations or other derivative instruments entered into solely for the purpose of hedging foreign currency or interest rate risk and not for speculative purposes.

"Permitted Liens" means:

(i) Liens in favor of the Lenders;

(ii) Statutory Liens created by operation of Applicable Laws;

(iii) Liens arising in the ordinary course of business and securing obligations not in excess of the aggregate sum of $1,000,000 that are not more than 60 days past due or are being contested in good faith by appropriate proceedings diligently pursued;

(iv) Liens for taxes, assessments or governmental charges or levies not past due and payable or that are being contested in good faith by appropriate proceedings;

(v) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default;

(vi) Liens in favor of financial institutions arising in connection with any Credit Party's or any of its Subsidiaries' accounts maintained in the ordinary course held at such institutions to secure standard fees for services charged by, but not financing made available by, such institutions;

(vii) Pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(viii) Easements, rights of way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially interfere with the conduct of the business of the applicable Person;

(ix) Liens of a collection bank arising under Section 4-210 of the Uniform Commercial Code (or equivalent in foreign jurisdictions) on items in the course of collection; and

(x) Liens securing Indebtedness pursuant to clause (v) of the definition of Permitted Indebtedness.

"Person" means and includes any natural person, individual, partnership, joint venture, corporation, trust, limited liability company, limited company, joint stock company, unincorporated organization, government entity or any political subdivision or agency thereof, or any other entity.

"Pledge Agreement" means the Pledge Agreement to be entered into as of the Initial Funding Date by the entity which holds the equity interests in Pozen, Tribute and each other Subsidiary of Parent in favor of Lenders, substantially in the form of Exhibit E attached hereto, with such changes reasonably acceptable to Lenders.

"PPSA" means the *Personal Property Security Act* (Ontario), the *Personal Property Security Act* (British Columbia) and to the extent applicable, equivalent legislation of any other jurisdiction in Canada.

"Principal Trading Markets" means the Trading Markets on which the Common Shares are listed on and quoted for trading, which, as of the date of this Agreement, shall be the NASDAQ Global Market and the Toronto Stock Exchange.

"Register" has the meaning set forth in Section 1.4 (b).

"Registration Rights Agreement" means that certain Registration Rights Agreement dated as of June 8, 2015 between Lenders and Parent, as amended and restated on October 29, 2015 and December 7, 2015.

"Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale by the Lenders of the Registrable Securities (as defined in the Registration Rights Agreement).

"Required Lenders" means, at any time, Lenders holding Loans representing more than 50% of the sum of the Loans outstanding.

"Restricted Lender" means the initial Lenders party to this Agreement and their Affiliates and any assignee of any interest in a Note that notifies the Borrower in writing that it wishes to be deemed a Restricted Lender.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"SEC Reports" shall have the meaning set forth in Section 5.1(v).

"Securities" means the Convertible Notes and the Conversion Shares.

"Securities Act" means the Securities Act of 1933, as amended, including the rules and regulations promulgated thereunder.

"Security Agreement" means that certain Security Agreement to be entered into as of the Initial Funding Date among Pozen, all other U.S. Subsidiaries of Parent, the other grantors from time to time party thereto and Lenders, substantially in the form of Exhibit F attached hereto, with such changes reasonably acceptable to Lenders.

"Security Documents" means the Security Agreement, the Irish Security Agreement, the Canadian Security Documents and all other instruments, documents and agreements executed or delivered in connection therewith required to perfect Liens on the assets of Borrower and Guarantors.

"Subsidiary or Subsidiaries" means, as to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned or controlled by such Person, or one or more of the Subsidiaries of the Person, or a combination thereof.

"Tax Affiliate" means (a) Parent and its Subsidiaries and (b) any Affiliate of the Parent with which Parent files or is required to file consolidated, combined or unitary tax returns.

"Taxes" means all present or future taxes, levies, imposts, stamp or other duties, deductions, charges or withholdings and all liabilities with respect thereto, (including by reason of any delay in payment).

"Test Period" means, at any date of determination, the period of four consecutive fiscal quarters of Parent then ended for which financial statements have been filed with the SEC.

"Trading Market" means whichever of the New York Stock Exchange, the NYSE Alternext (formerly the American Stock Exchange), the NASDAQ Global Select Market, the NASDAQ Global Market, the NASDAQ Capital Market, the Toronto Stock Exchange or the OTC Bulletin Board on which the Common Shares are listed or quoted for trading on the date in question.

"Transactions" shall mean the transactions contemplated by the Arrangement Agreement and the Equity Agreement, including, but not limited to the Equity Investment.

"Tribute Convertible Notes" shall have the meaning set forth in Section 5.1(l).

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties requires and the verb shall be read and construed as agreeing with the required word and pronoun; the division of this Agreement into Articles and Sections and the use of headings and captions is for convenience of reference only and shall not modify or affect the interpretation or construction of this Agreement or any of its provisions; the words "herein," "hereof," "hereunder," "hereinafter" and "hereto" and words of similar import refer to this Agreement as a whole and not to any particular Article or Section hereof; the words "include," "including," and derivations thereof shall be deemed to have the phrase "without limitation" attached thereto unless otherwise expressly stated; references to a specified Article, Exhibit, Section or Schedule shall be construed as a reference to that specified Article, Exhibit, Section or Schedule of this Agreement; and any reference to any of the Loan Documents means such document as the same shall be amended, supplemented or modified and from time to time in effect.

Section 1.3 Business Day Adjustment. If the day by which any payment or other performance is due to be made is not a Business Day, that payment or performance shall be made by the next succeeding Business Day.

Section 1.4 Registration.

(a) The Borrower shall record on its books and records the amount of the Loans, the interest rate applicable, all payments of principal and interest thereon and the principal balance thereof from time to time outstanding.

(b) The Borrower shall establish and maintain at its address referred to in Section 6.2, a record of ownership (the "Register") in which the Borrower agrees to register by book entry the interests (including any rights to receive payment hereunder) of each Lender in the Loan, and any assignment of any such interest, and (ii) accounts in the Register in accordance with its usual practice in which it shall record (1) the names and addresses of the Lenders (and any change thereto pursuant to this Agreement), (2) the amount of the Loan and each funding of any participation therein, (3) the amount of any principal or interest due and payable or paid, and (4) any other payment received by the Lenders from the Borrower and its application to the Loan.

(c) Notwithstanding anything to the contrary contained in this Agreement, the Loans (including any Notes evidencing the Loans) are a registered obligation, the right, title and interest of the Lenders and their assignees in and to the Loans shall be transferable only upon notation of such transfer in the Register and no assignment thereof shall be effective until recorded therein. This Section 1.4 shall be construed so that the Loans are at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code.

(d) The Borrower and the Lenders shall treat each Person whose name is recorded in the Register as a Lender for all purposes of this Agreement. Information contained in the Register with respect to any Lender shall be available for

access by the Borrower or such Lender at any reasonable time and from time to time upon reasonable prior notice.

ARTICLE 2

AGREEMENT FOR THE LOAN

Section 2.1 Use of Proceeds. The proceeds of the Initial Loan shall be used for working capital and general corporate purposes and the proceeds of the Acquisition Loans shall be used solely to fund Permitted Acquisitions.

Section 2.2 Initial Loans. Subject to the conditions set forth in Section 4.1 and this Section 2.2, the Lenders shall disburse Initial Loans in the amount of $75,000,000 to the Borrower on a date ("Initial Funding Date") not less than three (3) Business Days following the satisfaction of the conditions set forth in Section 4.1. Lenders shall fulfill the Initial Loans in accordance with their respective allocations set forth on Schedule 1 hereto. In the event the conditions to the Initial Loan have not been satisfied by April 30, 2016, the Lenders shall not have any further obligations under this Agreement.

Section 2.3 Acquisition Loans. Subject to the conditions set forth in Section 4.2 at any time and from time to time after the Initial Funding Date and prior to April 30, 2017; upon not less than three (3) Business Days' written request ("Acquisition Loan Request") by Borrower to Lenders, Lenders shall make additional advances to Borrower (each an "Acquisition Loan" and collectively the "Acquisition Loans") up to the aggregate sum of $200,000,000 for the payment of the purchase price of any Permitted Acquisition. Lenders shall fulfill the Acquisition Loans in accordance with their respective allocations set forth on Schedule 1 hereto.

Section 2.4 Payment.

(a) Borrower shall repay the outstanding principal amount of the Initial Loans, together with all accrued and unpaid interest thereon on the sixth anniversary of the Initial Funding Date. Parent shall repay the outstanding principal amount of each Acquisition Loan, together with all accrued and unpaid interest thereon on the sixth anniversary of the funding of each such Acquisition Loan. Except as specifically provided herein, the Convertible Notes shall not be prepayable. The Acquisition Notes shall be prepayable in whole or in part at any time following the end of the sixth month after the funding date of the applicable Acquisition Loan and prior to the maturity of such Acquisition Loan (provided that any Acquisition Loan incurred to refinance Indebtedness incurred before the Initial Funding Date with respect to a Permitted Acquisition may be prepaid in whole or in part at any time prior to maturity) at 101% of the principal amount of such Acquisition Loan to be prepaid, plus all accrued and unpaid interest on such Acquisition Loan to be prepaid.

(b) Lenders shall have the right to convert all or any part of the principal amount of their Convertible Notes into Common Shares in accordance with the terms of the Convertible Notes. Upon the Share Delivery Date (as defined in the

Convertible Notes) Borrower shall pay to Lenders all accrued and unpaid interest on the principal amount of the Convertible Notes converted into Common Shares.

Section 2.5 Payments. All payments by the Borrower under any of the Loan Documents shall be made without setoff or counterclaim. Payments of any amounts due to the Lenders under this Agreement shall be made in Dollars in immediately available funds prior to 11:00 a.m. New York City time on such date that any such payment is due, at such bank or places as the Lenders shall from time to time designate in writing at least five (5) Business Days prior to the date such payment is due. The Borrower shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution, in connection with making any payments under any of the Loan Documents, except for any costs imposed by the Lenders' banking institutions.

Section 2.6 Taxes.

(a) Any and all payments hereunder or under any other Loan Document shall be made, in accordance with this Section 2.6, free and clear of and without deduction for any and all present or future Taxes except as required by applicable law. If Borrower (or another applicable Credit Party) shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document and such Taxes are Indemnified Taxes, (i) the sum payable hereunder or thereunder shall be increased by as much as shall be necessary so that after making all required deductions (including deductions for Indemnified Taxes applicable to additional sums payable under this Section 2.6(a)), each Lender shall receive an amount equal to the sum it would have received had no such deductions been made (any and all such additional amounts payable shall hereafter be referred to as the "Additional Amounts"), (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law. Within thirty (30) days after the date of any payment of such Taxes, Borrower shall furnish to the applicable Lender the original or a certified copy of a receipt evidencing payment thereof or other evidence of such payment reasonably satisfactory to such Lender.

(b) Borrower agrees to pay and authorizes each Lender to pay in its name (but without duplication), all Other Taxes. Within 30 days after the date of any payment of Other Taxes, Borrower shall furnish to the applicable Lender the original or a certified copy of a receipt evidencing payment thereof or other evidence of such payment reasonably satisfactory to such Lender.

(c) Without duplication of Section 2.6(a) or Section 2.6(b), Borrower shall reimburse and indemnify, within ten (10) days after receipt of demand therefor, each Lender for all Indemnified Taxes (including all Indemnified Taxes imposed on amounts payable under this Section 2.6(c)) paid by such Lender, whether or not such Indemnified Taxes were correctly or legally asserted. A certificate of the applicable Lender(s) setting forth the amounts to be paid thereunder and delivered to Borrower shall be conclusive, absent manifest error.

(d) If any Party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.6 (including by the payment of Additional Amounts), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (d) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (d), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (d) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(e) If a payment made to a Lender under any Loan Document would be subject to withholding Tax under FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA, such Lender shall deliver to the Borrower or its designated agent at such time or times reasonably requested by the Borrower or its designated agent such U.S. tax forms and such additional documentation reasonably requested by the Borrower or its agent as may be necessary for the Borrower or its agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

Notwithstanding anything else to the contrary in any of the Loan Documents or the Arrangement Agreement, the provisions of this Section 2.6 shall also apply mutatis mutandis to all Taxes (whether or not such Taxes are Excluded Taxes) incurred by the Lenders as a result of (i) the assignment by the Borrower of the Loan Documents to the Parent pursuant to the Arrangement Agreement, and (ii) the sale, assignment and transfer by the Lenders of the Conversion Notes to the Parent pursuant to the Arrangement Agreement.

Section 2.7 Fee and Costs. Notwithstanding anything to the contrary contained in the Equity Agreement, the Credit Parties (excluding Tribute prior to the closing of the transactions contemplated by the Arrangement Agreement), jointly and severally agree to reimburse the Lenders for reasonable, documented expenses for attorneys, accountants and other professional advisors, and other out-of-pocket expenses incurred by Lenders in connection with their due diligence, negotiation and documentation of the transactions contemplated by the Loan Documents and all amendments and modifications thereto, whether or not consummated; provided that Credit Parties' obligation to reimburse Lenders for such fees and expenses in

connection with the negotiation, documentation and closing of this Agreement and the other Loan Documents shall not exceed the aggregate amount of $300,000. At Lender's election, such reimbursed amounts may be deducted from the Initial Loans.

Section 2.8 Interest. The outstanding principal amount of the Loans shall bear interest at the Interest Rate (calculated on the basis of the actual number of days elapsed in each month). Interest shall be paid quarterly in arrears commencing on April 1, 2016 and on the first Business Day of each January, April, July and October thereafter (each, an "Interest Payment Date").

Section 2.9 Interest on Late Payments. Without limiting the remedies available to the Lenders under the Loan Documents or otherwise, to the maximum extent permitted by applicable law, if the Borrower fails to make a required payment of principal or interest with respect to the Loan when due or to timely comply with Section 5.1(v) of this Agreement (regardless of any cure period provided in Section 5.4(b) of this Agreement), the Borrower shall pay interest, in respect of such principal and interest at the rate per annum equal to the Interest Rate plus ten percent (10%) for so long as such payment remains outstanding or such covenant is not timely cured. Such interest shall be payable on demand.

Section 2.10 Compliance with *Interest Act* (Canada) and *Criminal Code* (Canada)

(a) For the purposes of disclosure pursuant to the *Interest Act* (Canada), where rates of interest or fees provided in this Agreement or any Loan Document are to be computed on the basis of any period of time less than a calendar year, then the equivalent annual rates are the rates or fees so computed multiplied by the actual number of days in the applicable calendar year and divided by the number of days in such other period of time.

(b) If any provision of this Agreement would obligate the Borrower to make any payment of interest or other amount payable to any Lender in an amount or calculated at a rate which would result in a receipt by that Lender of interest or yield at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest or yield, as the case may be, as would not result in a receipt by that Lender of interest at a criminal rate, such adjustment to be effected by that Lender, to the extent necessary, as follows:

(i) Firstly, by reducing the number or rate of interest required to be paid to the affected Lender hereunder; and

(ii) Thereafter, by reducing any fees, commissions, premiums and other amounts required to be paid to the affected Lender which would constitute interest for purpose of Section 347 of the *Criminal Code* (Canada).

If, after giving effect to all adjustments contemplated by this Section 2.10(b), any Lender shall have received an amount in excess of the maximum permitted by this Section 2.10(b), then the affected Lender shall reimburse Borrower in an amount equal to such excess.

Any amount or rate of interest referred to in this Section 2.10(b) shall be determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term of the applicable Loan on the assumption that any payments of interest or other amounts payable that fall within the meaning of "interest" (as defined in the *Criminal Code* (Canada)) shall, if they relate to a specific period of time, be pro-rated over that period of time and otherwise be pro-rated over the period from the date of the advance of the relevant Loan to the date on which all obligations of the Borrower in respect of such Loan have been paid and discharged in full, and, in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Required Lenders shall be conclusive for the purposes of such determination.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Credit Parties. Except with respect to Section 3.1(ee) below, to which the Parent solely represents and warrants, each Credit Party represents and warrants to the Lenders that, except as set forth in a Schedule to this Agreement:

(a) Each Credit Party and each of its Subsidiaries are conducting their business in compliance with their Organizational Documents, which are in full force and effect.

(b) No Default or Event of Default has occurred.

(c) Each Credit Party and each of its Subsidiaries (i) are capable of paying their debts as they fall due, have not admitted their inability to pay their debts as they fall due, (ii) are not bankrupt or insolvent or deemed to be bankrupt or insolvent under Applicable Laws and (iii) have not taken action, and no such action has been taken by a third party, for any Credit Parties' or any of its Subsidiaries' winding up, dissolution, or liquidation, examinership or similar executory or judicial proceeding or for the appointment of a liquidator, custodian, receiver, receiver-manager, trustee, administrator, examinership or other similar officer for any Credit Party or any of its Subsidiaries or any or all of their assets or revenues.

(d) Except as disclosed on Schedule 3.1(d), which Liens shall be terminated on or prior to the Initial Funding Date, no Lien exists on any Credit Parties' or any of its Subsidiaries' assets, except for Permitted Liens.

(e) The obligations of Tribute and Parent to make any payment under this Agreement (together with all charges in connection therewith) is absolute and unconditional.

(f) Except with respect to the Nijhawan Note, which shall be repaid in full at or prior to maturity, without extension, or converted prior thereto pursuant to its terms, and except as disclosed on Schedule 3.1(f) which Indebtedness will be repaid

on or about the Initial Funding Date, no Indebtedness of any Credit Party or any of its Subsidiaries exists other than Permitted Indebtedness.

(g) Tribute is validly existing as a corporation in good standing under the laws of the Province of Ontario, Canada. Pozen is validly existing as a corporation in good standing under the laws of the State of Delaware. Parent is validly existing as a corporation in good standing under the laws of the Province of British Columbia, Canada. Each Credit Party and each of its Subsidiaries have full power and authority to own their properties, conduct their business and enter into the Loan Documents and to consummate the transactions contemplated under the Loan Documents, and are duly qualified to do business as a foreign entity and are in good standing in each jurisdiction where the failure to be so qualified could reasonably be expected to result in a Material Adverse Effect.

(h) There is not pending or, to the knowledge of any Credit Party, threatened, any action, suit, investigation, hearings or other proceeding before any Governmental Authority (a) to which any Credit Party or any of its Subsidiaries is a party or (b) which has as the subject thereof any assets owned by any Credit Party or any of its Subsidiaries, except, as would not reasonably be expected to have a Material Adverse Effect. There are no current or, to the knowledge of any Credit Party, pending, legal, governmental or regulatory enforcement actions, suits or other proceedings to which any Credit Party or any of its Subsidiaries or any of their assets is subject, except, as would not reasonably be expected to have a Material Adverse Effect.

(i) Each Credit Party has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by each of the Loan Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder. Each Credit Parties' execution and delivery of each of the Loan Documents to which it is a party and the consummation by it of the transactions contemplated hereby and thereby (including, but not limited to, the sale and delivery of the Notes and the reservation for issuance and the subsequent issuance of the Conversion Shares upon exercise of the Convertible Notes) have been duly authorized by all necessary action on the part of each Credit Party, and no further action is required by any Credit Party, its directors or its stockholders in connection therewith other than in connection with the Required Approvals (as defined below). Each of the Loan Documents to which it is a party has been (or upon delivery will have been) duly executed by each Credit Party and each of its Subsidiaries and is, or when delivered by each Credit Party and each of its Subsidiaries a party thereto, in accordance with the terms hereof, will constitute the legal, valid and binding obligation of such Credit Party and its Subsidiaries party thereto enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, examinership, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application. The execution, delivery and performance of the Loan Documents by the Credit Parties and their Subsidiaries and the consummation of the transactions therein contemplated (including, but not limited to, the delivery of the Convertible Notes and the reservation for issuance and subsequent issuance of the Conversion Shares) will not (A) conflict

with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to the Loan Documents) upon any assets of any Credit Party or any of its Subsidiaries pursuant to, any agreement to which any Credit Party or any of its Subsidiaries is a party or by which any Credit Party or any of its Subsidiaries are bound or to which any of the assets of any Credit Party or any of its Subsidiaries is subject, (B) result in any violation of or conflict with the provisions of the Organizational Documents or (C) result in the violation of any Applicable Law or (D) result in the violation of any judgment, order, rule, regulation or decree of any Governmental Authority. No consent, approval, authorization or order of, or registration or filing with any Governmental Authority is required for the execution, delivery and performance of any of the Loan Documents or for the consummation by any Credit Party and any of its Subsidiaries of the transactions contemplated thereby except for such registrations and filings in connection with (i) the filing with the Commission of one or more Registration Statements in accordance with the requirements of the Registration Rights Agreement, (ii) filings required by applicable Canadian provincial and US state securities laws, (iii) the filing of a Notice of Sale of Securities on Form D with the Commission under Regulation D of the Securities Act, (iv) the filing of any requisite notices and/or application(s) to the Principal Trading Markets for the issuance and sale of the Securities and the listing of the Conversion Shares for trading or quotation, as the case may be, thereon in the time and manner required thereby, (v) filings contemplated by the Security Documents and (vi) those that are required to be obtained in connection with the Transactions or that have been made or obtained prior to the Initial Funding Date (the "Required Approvals").

(j) As of their respective filing dates, or to the extent corrected by a subsequent restatement or amendment, the SEC Reports filed by any Credit Party comply in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and none of the SEC Reports, when filed, will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. No Credit Party has ever been an issuer subject to Rule 144(i) under the Securities Act. Each of the Material Contracts to which any Credit Party is a party or to which the property or assets of any Credit Party are subject will be filed as an exhibit to the SEC Reports.

(k) Other than the actions required under the Registration Rights Agreement with respect to the Registration Statement or with respect to the Transactions, no Authorization is required for (i) the execution and delivery of this Agreement, the other Loan Documents, or (ii) the consummation of the transactions contemplated hereby and thereby.

(l) Each Credit Party and each of its Subsidiaries holds, and is operating in good standing (where applicable) and in compliance in all material respects with, all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders of any Governmental Authority (collectively, "Necessary Documents") required for the conduct of its business and all Necessary Documents are

valid and in full force and effect; and neither any Credit Party nor any of its Subsidiaries has received written notice of any revocation or modification of any of the Necessary Documents and neither any Credit Party nor any of its Subsidiaries has any reason to believe that any of the Necessary Documents will not be renewed in the ordinary course of business, and each Credit Party and each of its Subsidiaries are in compliance in all material respects with all applicable federal, state, local and foreign laws, regulations, orders and decrees applicable to the conduct of its business.

(m) Each Credit Party and each of its Subsidiaries have good and marketable title to all of their assets free and clear of all Liens except Permitted Liens and those Liens set forth in Schedule 3.1(d). The property held under lease by each Credit Party and each of its Subsidiaries is held under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of any Credit Party or any of its Subsidiaries.

(n) Except as set forth on Schedule 3.1(n), each Credit Party and each of its Subsidiaries own or have the right to use pursuant to a valid and enforceable written license, implied license or other legally enforceable right, all of the Intellectual Property (as defined below) that is necessary for the conduct of their business as currently conducted and the manufacture, importation and sale of products being developed by such Credit Party or any of its Subsidiaries (the "IP"). The IP that is registered with or issued by a Governmental Authority is valid and enforceable; there is no outstanding, pending, or threatened action, suit, other proceeding or claim by any third person challenging or contesting the validity, scope, use, ownership, enforceability, or other rights of any Credit Party or any of its Subsidiaries in or to any IP and neither any Credit Party nor any of its Subsidiaries has received any written notice regarding, any such action, suit, or other proceeding. Neither any Credit Party nor any of its Subsidiaries has infringed or misappropriated any material rights of others. There is no pending or threatened action, suit, other proceeding or claim by others that any Credit Party or any of its Subsidiaries infringes upon, violates or uses the Intellectual Property rights of others without authorization, and neither any Credit Party nor any of its Subsidiaries has received any written notice regarding, any such action, suit, other proceeding or claim. Except as set forth on Schedule 3.1(n), neither any Credit Party nor any of its Subsidiaries is a party to or bound by any options, licenses, or agreements with respect to IP other than licenses for computer software acquired in the ordinary course of business. The term "Intellectual Property" as used herein means (i) all patents, patent applications, patent disclosures and inventions (whether patentable or unpatentable and whether or not reduced to practice), (ii) all trademarks, service marks, trade dress, trade names, slogans, logos, and corporate names and Internet domain names, together with all of the goodwill associated with each of the foregoing, (iii) copyrights, copyrightable works, and licenses, (iv) registrations and applications for registration for any of the foregoing, (v) computer software (including but not limited to source code and object code), data, databases, and documentation thereof, (vi) trade secrets and other confidential information, (vii) other intellectual property, and (viii) copies and tangible embodiments of the foregoing (in whatever form and medium).

(o) Neither any Credit Party nor any of its Subsidiaries is in violation of the Organizational Documents, or in breach of or otherwise in default under, and no event has occurred which, with notice or lapse of time or both, would constitute such breach or other default in the performance of any agreement or condition contained in any agreement under which it may be bound, or to which any of its assets is subject.

(p) All US and Canadian federal, provincial, state, local and foreign income and franchise and other material Tax returns, reports and statements (collectively, the "Tax Returns") required to be filed by any Tax Affiliates have been filed with the appropriate Governmental Authorities, all such Tax Returns are true and correct in all material respects, and all Taxes, assessments and other governmental charges and impositions reflected therein and all other material Taxes, assessments and other governmental charges otherwise due and payable have been paid prior to the date on which any liability may be added thereto for non-payment thereof except for those contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves are maintained on the books of the appropriate Tax Affiliate in accordance with GAAP or other applicable accounting principles, standards and procedures that such Tax Affiliate uses to compile its financial statements. As of the Agreement Date, no Tax Return is under audit or examination by any Governmental Authority, and no Tax Affiliate has received written notice from any Governmental Authority of any audit or examination or any assertion of any material claim for Taxes.

(q) Other than as set forth in Schedule 3.1(q) neither any Credit Party nor any of its Subsidiaries has granted rights to market or sell its products or services to any other Person, and are not bound by any agreement that affects the exclusive right of any Credit Party or any of its Subsidiaries to develop, license, market or sell its products or services, in each case including rights relating to products under development by any Credit Party or any of its Subsidiaries.

(r) Each Credit Party and each of its Subsidiaries: (A) at all times has complied in all materials respects with all Applicable Laws; (B) has not received any warning letter or other correspondence or notice from any Governmental Authority alleging or asserting material noncompliance with any Applicable Laws or any licenses, certificates, approvals, clearances, authorizations, permits and supplements or amendments thereto reasonably required in connection with the business of any Credit Party or any of its Subsidiaries by any Applicable Laws (together, the "Authorizations"); (C) possesses and complies with the Authorizations, which are valid and in full force and effect; (D) has not received written notice that any Governmental Authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any Authorization and has no knowledge that any Governmental Authority is considering such action; (E) has filed, obtained, maintained or submitted all reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as reasonably required by any Applicable Laws or Authorizations.

(s) Each of Pozen and Tribute maintains or, in the case of Parent, as of the Initial Funding Date will maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in

accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(t) (i) To the knowledge of each Credit Party, no "prohibited transaction" as defined under Section 406 of ERISA or Section 4975 of the Code that is not exempt under ERISA Section 408 or Section 4975 of the Code, under any applicable regulations and published interpretations thereunder or under any applicable prohibited transaction, individual or class exemption issued by the Department of Labor, has occurred with respect to any Employee Benefit Plan, except for such transactions as would not have a Material Adverse Effect, (ii) at no time within the last seven (7) years has any Credit Party or any ERISA Affiliate maintained, sponsored, participated in, contributed to or has or had any liability or obligation in respect of any Employee Benefit Plan subject to Section 302 of ERISA, Title IV of ERISA, or Section 412 of the Code or any "multiemployer plan" as defined in Section 3(37) of ERISA or any multiple employer plan for which any Credit Party or any ERISA Affiliate has incurred or could incur liability under Section 4063 or 4064 of ERISA, (iii) no Employee Benefit Plan represents any current or future liability for retiree health, life insurance, or other retiree welfare benefits except as may be required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or similar state law, (iv) each Employee Benefit Plan is and has been operated in compliance with its terms and all applicable laws, including but not limited to ERISA and the Code, except for such failures to comply that would not have a Material Adverse Effect, (v) no event has occurred (including a "reportable event" as such term is defined in Section 4043 of ERISA) and no condition exists that would subject any Credit Party or any ERISA Affiliate to any tax, fine, lien, penalty or liability imposed by ERISA, the Code or other applicable law, except for any such tax, fine, lien, penalty or liability that would not, individually or in the aggregate, have a Material Adverse Effect, (vi) no Credit Party maintains any Foreign Benefit Plan, (vii) no Credit Party has any obligations under any collective bargaining agreement. As used in this clause (t), "Employee Benefit Plan" means any material "employee benefit plan" within the meaning of Section 3(3) of ERISA, and all stock purchase, stock option, stock-based severance, employment, change-in-control, medical, disability, fringe benefit, bonus, incentive, deferred compensation, employee loan and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA, under which (A) any current or former employee, director or independent contractor of any Credit Party or any of its Subsidiaries has any present or future right to benefits and which are contributed to, sponsored by or maintained by any Credit Party or any of its respective Subsidiaries or (B) no Credit Party nor any of its Subsidiaries has had or has any present or future obligation or liability on behalf of any such employee, director or independent contractor; "ERISA" means the Employee Retirement Income Security Act of 1974, as amended; "ERISA Affiliate" means any member of any Credit Party's controlled group as defined in Code Section 414 (b), (c), (m) or (o); and "Foreign Benefit Plan" means any Employee Benefit Plan mandated by a Governmental Authority other than the

United States of America is subject to the laws or a jurisdiction outside of the United States, including for greater certainty any "registered pension plan" as defined under Section 248(l) of the *Income Tax Act* (Canada) which is sponsored, maintained, funded, contributed to or required to be contributed to, or administered for the employees or former employees of any Credit Party or any Subsidiary thereof.

(u) Each Credit Party's Subsidiaries are set forth in Schedule 3.1(u).

(v) All of the issued and outstanding shares of capital stock of each Credit Party are duly authorized and validly issued, fully paid and non-assessable, have been issued in compliance with all federal, provincial and state and foreign securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities that have not been waived in writing; the Parent Convertible Notes and the Tribute Convertible Notes and the Conversion Shares issuable upon the Parent Convertible Notes and Tribute Convertible Notes have been duly authorized and, and the Conversion Shares, when issued and delivered in accordance with the terms of the Convertible Notes will have been validly issued and will be fully paid. Parent and Tribute have each reserved from their duly authorized capital stock a sufficient number of Common Shares to issue the Conversion Shares underlying the Parent Convertible Notes and Tribute Convertible Notes, respectively, free and clear of all encumbrances and restrictions, except for restrictions on transfer set forth in the Loan Documents or imposed by applicable securities laws and except for those created by the Lenders. Assuming the accuracy of the representations and warranties of the Lenders in this Agreement and, in the case of each Credit Party, the representations and warranties of the other Credit Parties set forth in Section 3.1 of this Agreement, the Securities will be issued in compliance with all applicable US and Canadian federal, provincial and state securities laws and will be exempt from the prospectus requirements of applicable Canadian securities laws. Tribute has been a "reporting issuer" (as such term is defined in Canadian securities laws) in a jurisdiction of Canada for the four (4) months preceding the date of this Agreement and will be a reporting issuer not in default immediately preceding the issue of the Tribute Convertible Notes. Borrower shall, so long as any of the Convertible Notes are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued capital stock, solely for the purpose of effecting the conversion of the Convertible Notes, the number of Common Shares issuable upon such conversion (without taking into account any limitations on the conversion of the Convertible Notes as set forth therein). There are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of any common shares pursuant to the Organizational Documents of any Credit Party or any agreement to which any Credit Party or any of their Subsidiaries is a party or by which any Credit Party or any of their Subsidiaries is bound and all of the foregoing rights have been fully waived in respect of the issuance of the Parent Convertible Notes and Tribute Convertible Notes and the Conversion Shares thereunder. As of the date hereof, each of Borrower's, Pozen's and Parent's respective outstanding shares of capital stock, options and warrants are accurately set forth in Schedule 3.1(v) to this Agreement, and, except as set forth in such Schedule, there are no other (i) options issuable or issued under Borrower's, Pozen's or Parent's respective option plans, or (ii) any other options, warrants,

agreements, contracts or other rights in existence to purchase or acquire from Parent or any Subsidiary of Parent any shares of the capital stock of Parent or any Subsidiary of Parent. Schedule 3.1(v) to this Agreement also sets forth the pro forma outstanding shares of capital stock, options and warrants of Parent as of Closing (assuming no further exercise of outstanding options and warrants of Borrower and/or Pozen).

(w) The issuance of the Notes and the Conversion Shares will not obligate any Credit Party to issue Common Shares or other securities to any Person (other than the Lenders) and will not result in a right of any holder securities of any Credit Party to adjust the exercise, conversion, exchange or reset price or other right under any of such securities. There are no stockholders' agreements, voting agreements or other similar agreements with respect to the capital stock of any Credit Party or, to the knowledge of any Credit Party, between or among any Credit Party or the stockholders of any Credit Party.

(x) Assuming the accuracy of the representations and warranties of the Lenders set forth in Section 3.3 of this Agreement and, in the case of each Credit Party, the representations and warranties of the other Credit Parties set forth in Section 3.1 of this Agreement, no registration under the Securities Act is required for the offer and sale of the Securities and the Acquisition Notes under the Loan Documents. The issuance and sale of the Securities and the Acquisition Notes hereunder complies and will comply in all material respect with and does not and will not contravene the rules and regulations of the Principal Trading Markets.

(y) Neither Tribute nor Parent is registered, and immediately after issuance of any Notes, neither Tribute nor Parent will be required to be registered as an "investment company" within the meaning of the Investment Company Act of 1940, as amended, under such Act. Borrower shall conduct its business in a manner so that it will not be required to be registered under the Investment Company Act of 1940, as amended.

(z) Other than the Lenders or pursuant to the Transactions, no Person has any right to cause Parent or Tribute to effect the registration under the Securities Act of any securities of Borrower other than those securities which are currently registered on an effective registration statement on file with the Commission.

(aa) From and after the Initial Funding Date, Parent's Common Shares shall be registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and Borrower shall not have taken any action designed to terminate the registration of the Common Shares under the Exchange Act nor shall Borrower have received any notification that the Commission is contemplating terminating such registration. From and after the Initial Funding Date, Borrower will be in compliance with all listing and maintenance requirements of the Principal Trading Markets.

(bb) None of Parent, Pozen or Tribute or, to Parent's, Pozen's or Tribute's knowledge, any person acting on behalf of Parent, Pozen or Tribute, has offered or sold any of the Securities by any form of "general solicitation" or "general

advertising", as such terms are used in Rule 502(c) of Regulation D under the Securities Act.

(cc) Each Credit Party is in compliance in all material respects with all of the provisions of the Sarbanes-Oxley Act of 2002 which are applicable to it. Each Credit Party other than Parent has, and as of the Initial Funding Date Parent shall have established disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) for it and designed such disclosure controls and procedures to ensure that information required to be disclosed by it in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Each Credit Party's other than Parent's certifying officers have, and as of the Initial Funding Date Parent's certifying officers shall have evaluated the effectiveness of the its disclosure controls and procedures as of the end of the period covered by its most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). Each Credit Party presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in Tribute's or Pozen's internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

(dd) The charts depicting the pre and post merger organization structure for Parent and its Subsidiaries ("Organization Charts") and description of the proposed structure steps to effectuate the Transactions ("Transaction Steps") provided to Lenders on the Agreement Date are true, complete and accurate descriptions of the post merger organization structure of Parent and its Subsidiaries and the steps required to effectuate the Transactions.

(ee) Assuming compliance with (i) that certain Agreement and Plan of Merger and Arrangement, dated as of June 8, 2015, as amended on August 19, 2015 and the date hereof (the "Merger Agreement"), by and among the Credit Parties and certain other parties thereto, (ii) that certain Amended and Restated Plan of Arrangement attached as Schedule II to the Merger Agreement (the "Plan of Arrangement") and (iii) this Agreement, upon issuance of the Parent Convertible Notes, the Parent Convertible Notes will have been duly and validly issued pursuant to an exemption from the registration requirements of the Securities Act as provided by Section 3(a)(10) thereof and will be exempt from the prospectus requirements of applicable Canadian securities laws. The first trade in Parent Convertible Notes and Conversion Shares will be exempt from the prospectus requirements of applicable Canadian securities laws subject to compliance with applicable Canadian securities laws at the time of resale.

Section 3.2 Acknowledgment. Each Credit Party acknowledges that it has made the representations and warranties referred to in Section 3.1 with the intention of persuading the Lenders to enter into the Loan Documents and that the Lenders have entered into the Loan Documents on the basis of, and in full reliance on, each of such representations and warranties,

each of which shall survive the execution of this Agreement until the Obligations are paid in full and each representation or warranty related to the Conversion Shares shall be deemed to be continuously made at all times until the Obligations are paid in full.

Section 3.3 Representations and Warranties of the Lenders. Each Lender, severally and not jointly, represents and warrants to Borrower and Parent as of the Agreement Date that:

(a) Such Lender is duly organized and validly existing under the laws of the jurisdiction of its formation.

(b) Each Loan Document to which it is a party has been duly authorized, executed and delivered by such Lender and constitutes the valid and legally binding obligation of such Lender, enforceable in accordance with its terms, except as such enforceability may be limited by (i) applicable insolvency, bankruptcy, reorganization, moratorium or other similar laws affecting creditors' rights generally, and (ii) applicable equitable principles (whether considered in a proceeding at law or in equity).

(c) Such Lender has full power and authority to make the Loans and to enter into and perform its other obligations under each of the Loan Documents and carry out the other transactions contemplated thereby.

(d) The Tribute Convertible Notes and the Conversion Shares to be issuable thereunder will be acquired for such Lender's own account, and not with a view to the resale or distribution of any part thereof in violation of the Securities Act, except pursuant to sales registered or in a transaction exempted under the Securities Act, and such Lender has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of the Securities Act without prejudice, however, to such Lender's right at all times to sell or otherwise dispose of all or any part of such Securities in compliance with applicable federal and state securities laws. Nothing contained herein shall be deemed a representation or warranty by such Lender to hold the Securities for any period of time and such Lender reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act.

(e) Such Lender can bear the economic risk and complete loss of its investment in the Securities and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment contemplated hereby.

(f) Such Lender understands that the Tribute Convertible Notes and the Conversion Shares thereunder are characterized as "restricted securities" under the U.S. federal securities laws inasmuch as they are being acquired from Parent in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances.

(g) Such Lender is an "accredited investor" as such term is defined in Regulation D promulgated under the Securities Act and National Instrument 45-106 – *Prospectus Exemptions* promulgated by the Canadian Securities Administrators.

ARTICLE 4

CONDITIONS OF DISBURSEMENT OF LOANS

Section 4.1 Conditions to the Disbursement of Loans. The obligation of the Lenders to make the Initial Loans shall be subject to the fulfillment of the following conditions:

(a) The Lenders shall have received sufficient copies of each Loan Document originally executed and delivered by each Credit Party and its Subsidiaries party thereto for each Lender;

(b) The Lenders shall have received (i) sufficient copies of each Organization Document executed and delivered by each Credit Party and its Subsidiaries, as applicable, and, to the extent applicable, certified as of a recent date by the appropriate governmental official, for each Lender, each dated the Initial Funding Date or a recent date prior thereto; (ii) signature and incumbency certificates of the officers of such Person executing the Loan Documents to which it is a party; (iii) resolutions of the board of directors or other governing body of each Credit Party and its Subsidiaries approving and authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party or by which it or its assets may be bound , certified as of the Initial Funding Date by an authorized officer as being in full force and effect without modification or amendment; (iv) a good standing certificate (or appropriate comparable confirmation in the relevant jurisdiction) from the applicable Governmental Authority of each Credit Party and each of its Subsidiary's jurisdiction of incorporation, organization or formation and in each jurisdiction in which it is qualified as a foreign corporation or other entity to do business, and (v) such other documents as Lenders may reasonably request;

(c) Each Credit Party and each of its Subsidiaries shall have obtained all Authorizations and all consents of other Persons, in each case that are necessary or advisable in connection with the transactions contemplated by the Arrangement Agreement, Loan Documents and the Equity Agreement and each of the foregoing shall be in full force and effect and in form and substance reasonably satisfactory to Lenders. All applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the transactions contemplated by the Arrangement Agreement, Loan Documents or the Equity Agreement or the financing thereof and no action, request for stay, petition for review or rehearing, reconsideration, or appeal with respect to any of the foregoing shall be pending, and the time for any applicable agency to take action to set aside its consent on its own motion shall have expired;

(d) Lenders shall have received evidence of the compliance by Parent and its Subsidiaries of their obligations under the Security Documents (including,

without limitation, their obligations to authorize or execute, as the case may be, and deliver UCC financing statements, PPSA financing statements or equivalent foreign filings, originals of securities, instruments and chattel paper and any agreements governing deposit and/or securities accounts as provided therein and a duly executed authorization to pre-file UCC-1 financing statements, PPSA financing statements (or foreign equivalents), together with other documents as may be necessary to perfect the security interests purported to be created by the Security Documents;

(e) Lenders shall have received opinions of counsel with respect to the creation and perfection of the security interests in favor of Lenders in such Collateral and such other matters governed by the laws of each jurisdiction in which Parent or any Subsidiary or any Collateral is located as Lenders may reasonably request, in each case in form and substance reasonably satisfactory to Lenders;

(f) Lenders shall have received a certificate from Parent and each Subsidiary's insurance broker or other evidence satisfactory to it that all insurance required to be maintained pursuant to the Security Documents is in full force and effect, together with endorsements naming the Lenders as additional insureds and loss payees thereunder;

(g) Lenders shall have received originally executed copies of the favorable written opinions of counsel for Parent and its Subsidiaries as to such matters as Lenders may reasonably request and otherwise in form and substance reasonably satisfactory to Lenders;

(h) No Default or Event of Default shall have occurred;

(i) All of the representations and warranties set forth in Section 3.1 shall be true and correct as if made on the Initial Funding Date;

(j) Tribute shall have the status of a reporting issuer not in default immediately preceding the issue of the Tribute Convertible Notes and until the time the Plan of Arrangement is effected;

(k) The Disbursement Condition shall have been satisfied;

(l) The Common Shares shall have been listed on the Trading Market;

(m) All conditions precedent to the Transactions set forth in the Equity Agreement and Arrangement Agreement shall have been satisfied and the Transactions contemplated thereby shall have been completed other than the filing of the Articles of Arrangement and the Certificate of Merger;

(n) No Material Adverse Effect shall have occurred;

(o) Each of the Employment Agreements shall have been executed and shall be in full force and effect;

(p) The Indebtedness of Tribute to SWK Funding LLC and any other Indebtedness incurred by Tribute shall be repaid in full out of the proceeds of the Initial Loans and Acquisition Loans on or prior to the Initial Funding Date (or shall have been otherwise repaid) and all Liens securing such Indebtedness released;

(q) The final organizational structure of the Credit Parties shall be as set forth in the Organization Charts, with such modifications thereto as are consented to by the Required Lenders (such consent not to be unreasonably withheld or delayed) and the Transactions shall have been completed in accordance with the Transaction Steps, with such modifications thereto as are consented to by the Required Lenders (such consent not to be unreasonably withheld or delayed); and

(r) No material modifications to the terms of the Arrangement Agreement and Plan of Arrangement attached as Schedule II thereunder, as provided in the Arrangement Agreement as in effect as of the date hereof, shall have occurred.

Section 4.2 Condition to the Disbursement of Acquisition Loans. The obligation of the Lenders to make an Acquisition Loan shall be subject to the fulfillment of the following conditions:

(a) Lenders shall have received an Acquisition Loan Request and a certification by an authorized officer of Parent that the proposed acquisition is a Permitted Acquisition;

(b) Lenders shall have received Acquisition Notes executed by Parent in the aggregate principal amount of the Acquisition Loan;

(c) All conditions precedent to the closing of the Permitted Acquisition shall have been satisfied except for the funding of the purchase price with the proceeds of such Acquisition Loan;

(d) No Default or Event of Default shall have occurred or would be created by such Permitted Acquisition; and

(e) All of the representations and warranties in Section 3.1 shall be true and correct as if made on the date of funding of each such Acquisition Loan.

ARTICLE 5

PARTICULAR COVENANTS AND EVENTS OF DEFAULT

Section 5.1 Affirmative Covenants. Unless the Required Lenders shall otherwise agree:

(a) Parent shall and shall cause its Subsidiaries to maintain their existence and qualify and remain qualified to do their business as currently conducted, except for any merger or dissolution of a Subsidiary in accordance with Section 5.2(a) or

where the failure to maintain such qualification would not reasonably be expected to have a Material Adverse Effect.

(b) Parent shall and shall cause its Subsidiaries to comply in all material respects with all Applicable Laws.

(c) Parent shall obtain and shall cause its Subsidiaries to make and keep in full force and effect all Authorizations.

(d) Parent shall promptly notify the Lenders of the occurrence of (i) any Default or Event of Default and (ii) any claims, litigation, arbitration, mediation or administrative or regulatory proceedings that are instituted or threatened against Parent or any of its Subsidiaries concurrently with any public disclosure of any such event, and (iii) each event which, at the giving of notice, lapse of time, determination of materiality or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an event of default (however described) under any Loan Document.

(e) Each Credit Party will timely file with the SEC (subject to appropriate extensions made under Rule 12b-25 of the Exchange Act) any annual reports, quarterly reports and other periodic reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act ("SEC Reports").

(f) Parent shall, so long as any of the Convertible Notes are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued capital stock, solely for the purpose of effecting the conversion of the Convertible Notes, the number of Common Shares issuable upon such conversion (without taking into account any limitations on the conversion of the Notes as set forth therein).

(g) For so long as a Lender owns Notes or Common Shares, upon the request of such Lender, Borrower shall furnish any information reasonably requested by such Lender (and not generally available by reference to Parent's publicly available SEC filings) to confirm whether or not Borrower is a passive foreign investment company ("PFIC") under the Code; provided, however, that Parent shall not be obligated to furnish any information that it has not already publicly disclosed. In addition, for each taxable year of Borrower during any portion of which the Notes are outstanding or any Lender holds Common Shares, Borrower shall make due inquiry of its tax advisors on an annual basis regarding its status as a PFIC and, if Borrower's tax advisors determine that Borrower became a PFIC for any such taxable year, shall notify each Lender in writing, of the determination that Borrower has become a PFIC for such taxable year by no later than 75 days following the close of such taxable year. With respect to (a) any taxable year in respect of which Borrower was determined to be a PFIC and (b) each subsequent taxable year during any part of which the Notes are outstanding or any Lender holds Common Shares, the Borrower shall promptly provide each Lender with all information that is required by a United States person holding Common Shares in order to make a valid election to treat the Borrower as a "qualified electing fund" for the purposes of the Code, including a "PFIC Annual Information Statement" as described in

Treasury Regulation section 1.1295-(1)(g)(1) (or any successor Treasury Regulation) and all representations and statements required by such Statement, and will take any other steps necessary to facilitate such election. The Borrower understands and agrees that time is of the essence in complying with the foregoing deadlines, and that any failure by the Borrower to so comply will be materially adverse to each Lender. Each Lender shall promptly respond to any written inquiry from the Borrower requesting the Lender to inform the Borrower whether it owns any Common Shares.

(h) In the event that any Person becomes a Subsidiary of Parent, Parent shall (a) concurrently with such Person becoming a Subsidiary cause such Subsidiary to become a Guarantor hereunder and a Grantor under the Security Agreement, and (b) take all such actions and execute and deliver, or cause to be executed and delivered, all such documents, instruments, agreements, and certificates as are necessary to grant and to perfect a first priority Lien in favor of Lenders in any assets owned by such Person and in all equity interests of Parent in such Subsidiary.

(i) The Parent shall provide, free from preemptive rights, out of the Parent's authorized but unissued shares or shares held in treasury, sufficient Common Shares to provide for conversion of the Convertible Notes held by the Lenders from time to time as such Convertible Notes are presented for conversion (assuming that at the time of computation of such number of Common Shares, all such Convertible Notes would be converted by Lenders into Conversion Shares without regard to any limitation on conversion).

(j) The Parent covenants that it will cause all Common Shares issued upon conversion of the Convertible Notes held by the Lenders to be fully paid and free from all taxes, liens and charges with respect to the issue thereof.

(k) The Parent will cause any Common Shares issuable under the Convertible Notes (whether upon conversion or otherwise) to be listed on whatever stock exchange(s) the Common Shares are listed, on the date a Lender becomes a record holder of such Common Shares.

(l) Upon consummation of the Transactions, the Convertible Notes issuable hereunder by Tribute in substantially the form of Exhibit A-1 (the "**Tribute Convertible Notes**") shall, pursuant to the Plan of Arrangement attached as Schedule II to the Arrangement Agreement, automatically and without any action by any parties, be cancelled and deemed exchanged for the Convertible Notes issuable by Parent pursuant to the Plan of Arrangement attached as Schedule II to the Arrangement Agreement, in substantially the form of Exhibit A-2 (the "**Parent Convertible Notes**"). On the Initial Funding Date, the Parent shall deliver the Parent Convertible Notes to the Lenders. Upon consummation of the Transactions, the obligations of Tribute under this Agreement shall be automatically assumed by Parent without any further action, and the provisions of this Agreement shall be interpreted consistent with such assumption.

(m) Notwithstanding anything set forth in the definition of Permitted Acquisition or elsewhere in this Agreement to the contrary, if any notice or information

required to be furnished contains material non-public information (any such notice or information, a "Public Notice"), the Borrower, instead of delivering such Public Notice to all the Lenders shall promptly deliver such Public Notice to each Lender that is not a Restricted Lender and promptly notify each Restricted Lender in writing or orally that Borrower desires to deliver to such Restricted Lender a Public Notice. Within five Business Days of receipt of such notification the Restricted Lender may either (i) refuse the delivery of such Public Notice, in which case Borrower's obligations with respect to such Public Notice and such Restricted Lender shall be deemed satisfied, or (ii) enter into good faith negotiations with the Parent to agree to the time period within which the Borrower will make the material non-public information contained in such Public Notice publicly available by including such information in a filing with the SEC. If Borrower and such Restricted Lender agree on such time period, the Borrower shall promptly deliver to such Restricted Lender such Public Notice and shall cause Parent to include the applicable material non-public information in a public filing with the SEC within such agreed to time period. The failure to agree on such time period will be deemed to satisfy Borrower's obligations with respect to such Public Notice and such Restricted Lender.

(n) Tribute shall prepare and file a business acquisition report with respect to the acquisition by Tribute of certain pharmaceutical products from Novartis AG announced in the press release of Tribute dated October 2, 2014.

(o) The Credit Parties covenant and agree that the Nijhawan Note (i) shall be repaid in full at or prior to maturity, or (ii) shall be converted into equity in accordance with its terms at or prior to maturity, without extension.

Section 5.2 Negative Covenants. Unless the Required Lenders shall otherwise agree:

(a) Parent shall not and shall not permit any Subsidiary to (i) liquidate, or be wound up provided that a Subsidiary may merge into Parent or any other Subsidiary, or (ii) enter into any merger, consolidation or reorganization, unless (x) Parent or a Subsidiary is the surviving corporation or, (y) subject to Section 5.3 and the terms of the Notes, if the survivor is a Person other than Parent or a Subsidiary, such Person assumes the Obligations of Borrower under this Agreement and the other Loan Documents. Parent shall not establish any Subsidiary unless such Subsidiary executes and delivers to the Lenders, a Guaranty and the Security Documents in form acceptable to the Lenders and takes all steps necessary to create and perfect a first priority Lien in favor of Lenders on all of its assets and Parent takes all steps necessary to create and perfect a first priority Lien in favor of Lenders in all equity interests in such Subsidiary;

(b) Parent shall not and shall not permit any Subsidiary to (i) enter into any partnership, joint venture, syndicate, pool, profit-sharing or royalty agreement or other combination, or engage in any transaction with an Affiliate (other than a Subsidiary), whereby its income or profits are or might be, shared with another Person (other than a Subsidiary), (ii) enter into any management contract or similar agreement whereby a substantial part of its business is managed by another Person; or (iii) make any cash dividend or distribute, or permit the dividend or distribution of, any of its

assets, including its intangibles, to any of its shareholders in such capacity or its Affiliates (other than a Subsidiary) (except for distributions in which Lenders participate pursuant to the provisions of the Notes); provided, however, that Parent or any Subsidiary may enter into Excluded Transactions;

(c) Parent shall not and shall not permit any Subsidiary to (i) create, incur or suffer any Lien upon any of its assets, except Permitted Liens, or (ii) assign, sell, transfer or otherwise dispose of, any Loan Document or its rights and obligations thereunder;

(d) Parent shall not and shall not permit any Subsidiary to create, incur, assume, guarantee or be liable with respect to any Indebtedness, except for Permitted Indebtedness;

(e) Parent shall not and shall not permit any Subsidiary to acquire any assets (i) (other than Permitted Acquisitions (after disregarding, solely for purposes of this Section 5.2(e), the requirements set forth in clause (vii) of the definition of Permitted Acquisition) and (ii) other than assets acquired in the ordinary course of business, directly or indirectly, in one or more related transactions, for a consideration, in cash or other property (valued at its fair market value) not greater than $1,000,000;

(f) Parent shall not and shall not permit any Subsidiary to sell or otherwise transfer the products being developed or sold by Parent or any Subsidiary or any material assets associated therewith, other than in Excluded Transactions; and

(g) Parent shall not issue any equity securities (i) senior to its common shares or (ii) convertible or exercisable for equity securities senior to its common shares.

Section 5.3 Major Transaction. The Borrower shall give the Lenders notice of a Major Transaction at least thirty (30) days prior to the consummation thereof but in any event not later than five (5) business days following the first public announcement thereof. Each Lender, within the Major Transaction Conversion Period (as defined in the Convertible Notes), in the exercise of its sole discretion, may deliver a notice to the Parent (the "Put Notice"), that either or both of the Parent Convertible Notes and Acquisition Notes shall be due and payable in cash (collectively, the "Major Transaction Payment"). If any of the Lenders deliver a Put Notice, then simultaneously with consummation of such Major Transaction, the Parent shall make such Major Transaction Payment to each such Lender. The Parent shall not consummate any Major Transaction without complying with the provisions of this Section 5.3.

Section 5.4 General Acceleration Provision upon Events of Default. If one or more of the events specified in this Section 5.4 shall have happened and be continuing beyond the applicable cure period (each, an "Event of Default"), the Required Lenders, by written notice to the Borrower (an "Acceleration Notice"), may declare the principal of, and accrued and unpaid interest on, all of the Notes or any part of any of them (together with any other amounts accrued or payable under the Loan Documents) to be, and the same shall thereupon become, immediately due and payable, without any further notice and without any presentment, demand, or protest of

any kind, all of which are hereby expressly waived by the Borrower, and take any further action available at law or in equity, including, without limitation, the sale of the Loan and all other rights acquired in connection with the Loan:

(a) The Borrower shall have failed to make payment of (i) principal when due, or (ii) interest or any other amounts due under the Notes or any other Obligations within five (5) Business Days of their due date.

(b) (i) Any Credit Party shall have failed to comply with the due observance or performance of any covenant contained in this Agreement (other than the covenant described in (a) above or as otherwise expressly provided in this Section 5.4) or in the other Loan Documents and such default is not remedied by the Borrower or waived by the Lenders within fifteen (15) days (inclusive of any extension periods or cure periods contained in any such covenant or provided by Applicable Laws) after the earlier of (A) receipt by any Credit Party of notice from the Lenders of such default, or (B) actual knowledge of any Credit Party of such default.

(c) Any representation or warranty made by any Credit Party or any of its Subsidiaries in any Loan Document shall be incorrect, false or misleading in any material respect (except to the extent that such representation or warranty is qualified by reference to materiality or Material Adverse Effect, to which extent it shall be incorrect, false or misleading in any respect) as of the date it was made or deemed made.

(d) (i) Any Credit Party or any of its Subsidiaries shall generally be unable to pay its debts as such debts become due or be deemed to be unable to pay its debts, or shall admit in writing its inability to pay its debts as they come due or shall make a general assignment for the benefit of creditors; (ii) any Credit Party or any of its Subsidiaries shall declare a moratorium on the payment of its debts; (iii) the commencement by any Credit Party or any of its Subsidiaries of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the commencement of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, examinership, intervention or other similar relief under any applicable law, or the consent by it to the filing of any such petition or to the appointment of an intervenor, receiver, receiver-manager, liquidator, assignee, trustee, sequestrator, examiner (or other similar official) of all or substantially all of its assets; (iv) the commencement against any Credit Party or any of its Subsidiaries of a proceeding in any court of competent jurisdiction under any bankruptcy or other applicable law (as now or hereafter in effect) seeking its liquidation, winding up, dissolution, reorganization, examinership, arrangement, adjustment, or the appointment of an intervenor, receiver, receiver-manager, liquidator, assignee, trustee, sequestrator, examiner (or other similar official), and any such proceeding shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall continue unstayed or otherwise in effect, for a period of forty five (45) days; (v) the making by any Credit Party or any of its Subsidiaries of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debt generally as they become due; or (vi) any other event shall have occurred which under

any applicable law would have an effect analogous to any of those events listed above in this subsection.

(e) One or more judgments against any Credit Party or any Subsidiary or attachments against any of their respective property, which in the aggregate exceed $1,000,000 (net of any anticipated insurance proceeds), and such judgment(s) remains unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of thirty (30) days from the date of entry of such judgment.

(f) Any Authorization held by any Credit Party or any of its Subsidiaries shall have been suspended, cancelled or revoked, and such suspension, cancellation or revocation would reasonably be expected to have a Material Adverse Effect.

(g) Any Authorization necessary for the execution, delivery or performance of any Loan Document or for the validity or enforceability of any of the Obligations is not given or is withdrawn or ceases to remain in full force or effect.

(h) There is a failure to perform under any agreement to which any Credit Party is a party resulting in the acceleration by a third party of the maturity of any Indebtedness in an amount in excess of $5,000,000.

(i) The validity of any Loan Document shall be contested by any Credit Party or any Subsidiary, or any Applicable Law shall purport to render any material provision of any Loan Document invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by any Credit Party of the Obligations.

(j) The Common Shares of Parent cease to be listed on the Principal Trading Markets or the Common Shares cease to be registered under Section 12 of the Exchange Act.

(k) The occurrence of a Conversion Failure.

Section 5.5 Automatic Acceleration on Dissolution or Bankruptcy. Notwithstanding any other provisions of this Agreement, if an Event of Default under Section 5.4(d) shall occur, the principal of the Notes (together with any other amounts accrued or payable under this Agreement) shall thereupon become immediately due and payable without any presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 5.6 Recovery of Amounts Due. If any amount payable hereunder is not paid as and when due, the Borrower hereby authorizes the Lenders to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien or counterclaim, against any moneys or other assets of any Credit Party to the full extent of all amounts payable to the Lenders.

ARTICLE 6

MISCELLANEOUS

Section 6.1 Lender Agreement. Each of the Lenders agrees that, for a period from the date hereof and ending on the earlier of (i) Closing (as defined in the Arrangement Agreement), (ii) termination of the Arrangement Agreement, and (iii) April 30, 2016, it shall not short the securities of Pozen or Tribute. In addition, each Lender further agrees that during the ten (10) days immediately preceding the Closing (as defined in the Arrangement Agreement) it shall not trade in the securities of either Pozen or Tribute.

Section 6.2 Notices. Any notices required or permitted to be given under the terms hereof shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or by facsimile or by electronic mail and shall be effective five (5) days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by courier (including a recognized overnight delivery service) or by facsimile, or when received by electronic mail in each case addressed to a party. The addresses for such communications shall be:

If to Credit Parties:

Aralez Pharmaceuticals Inc.
Suite 6000 - 100 King St. West
Toronto, Ontario M5X 1E2
Attention: President

With a copy (which shall not constitute notice) to:

DLA Piper LLP (US)
51 John F. Kennedy Parkway
Short Hills, New Jersey 07078-2704
Fax: (973) 520-2573
Email: Andrew.gilbert@dlapiper.com
Attn: Andrew Gilbert

With a copy (which shall not constitute notice) to:

Tribute Pharmaceuticals Canada Inc.
151 Steeles Ave. East
Milton, Ontario, Canada L9T1Y1
Fax: (519) 434-4382
Email: rob.harris@tributepharma.com
Attn: Robert Harris, President and Chief Executive Officer

If to the Lenders:

Deerfield Management Company, L.P.
780 Third Avenue, 37th Floor
New York, NY 10017
Fax: (212) 599-3075
Email: dclark@deerfield.com
Attn: David J. Clark

With a copy (which shall not constitute notice) to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022
Fax: (212) 940-8776
Email: mark.fisher@kattenlaw.com
Attn: Mark I. Fisher, Esq.

Section 6.3 Waiver of Notice. Whenever any notice is required to be given to the Lenders or the Borrower under any of the Loan Documents, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 6.4 Reimbursement of Legal and Other Expenses. If any amount owing to the Lenders under any Loan Document shall be collected through enforcement of this Agreement, any Loan Document or restructuring of the Loan in the nature of a work-out, settlement, negotiation, or any process of law, or shall be placed in the hands of third Persons for collection, the Borrower shall pay (in addition to all monies then due in respect of the Loan or otherwise payable under any Loan Document) all reasonable and documented external attorneys' and other fees and out-of-pocket expenses incurred in respect of such collection.

Section 6.5 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such State. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the State of Delaware. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Delaware for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being

served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The parties hereby waive all rights to a trial by jury.

Section 6.6 Successors and Assigns. This Agreement shall bind and inure to the respective successors and assigns of the Parties, except that (a) a Credit Party may not assign or otherwise transfer all or any part of its rights under the Loan Documents without the prior written consent of the Required Lenders, and (b) a Lender may assign its Notes upon three (3) days prior notice to Borrower. Upon a Lender's assignment of a Note such Lender shall provide notice of the transfer to Borrower for recordation in the Register pursuant to Section 1.4. Upon receipt of a notice of a transfer of an interest in a Note, Borrower shall record the identity of the transferee and other relevant information in the Register and the transferee shall (to the extent of the interests transferred to such transferee) have all the rights and obligations of, and shall be deemed, a Lender hereunder. Upon consummation of the Transactions, Tribute shall be deemed to have assigned its rights and obligations under this Agreement and the other Loan Documents to Parent and Parent shall be deemed to have assumed all of the rights and obligations of Tribute under this Agreement and the other Loan Documents.

Section 6.7 Entire Agreement. The Loan Documents and the Equity Agreement contain the entire understanding of the Parties with respect to the matters covered thereby and supersede any and all other written and oral communications, negotiations, commitments and writings with respect thereto. The provisions of this Agreement may be waived, modified, supplemented or amended only by an instrument in writing signed by the authorized officer of each Party.

Section 6.8 Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.9 Counterparts. This Agreement may be executed in several counterparts, and by each Party on separate counterparts, each of which and any photocopies and facsimile copies thereof shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 6.10 Survival.

(a) This Agreement and all agreements, representations and warranties made in the Loan Documents, and in any document, certificate or statement delivered pursuant thereto or in connection therewith shall be considered to have been relied upon by the other Parties and shall survive the execution and delivery of this Agreement and the making of the Loan hereunder regardless of any investigation made by any such other Party or on its behalf, and shall continue in force until all amounts payable under the Loan Documents shall have been fully paid in accordance with the provisions thereof, and the Lenders shall not be deemed to have waived, by reason of

making the Loans, any Event of Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that the Lenders may have had notice or knowledge of any such Event of Default or may have had notice or knowledge that such representation or warranty was false or misleading at the time the Loans were made.

(b) The obligations of the Borrower under Sections 1.4 and 2.6 and the obligations of the Borrower and the Lenders under this Article 6 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, or the termination of this Agreement or any provision hereof.

(c) Notwithstanding anything in this Agreement to the contrary, in the event that the Arrangement Agreement is terminated prior to completion of the transactions contemplated thereby, Tribute shall be released from all of its obligations under this Agreement and this Agreement shall terminate as to Tribute.

Section 6.11 No Waiver. Neither the failure of, nor any delay on the part of, any Party in exercising any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, preclude other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver of any right, power, privilege or default hereunder, or under any agreement, document or instrument mentioned herein, constitute a waiver of any other right, power, privilege or default or constitute a waiver of any default of the same or of any other term or provision. No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Lenders upon any default under this Agreement, or any other agreement shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Lenders in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Lenders in respect of any other default. All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

Section 6.12 Indemnity.

(a) Each Credit Party (excluding Tribute prior to the closing of the transactions contemplated by the Arrangement Agreement) shall, at all times, indemnify and hold each Lender harmless (the "Indemnity") and each of their respective directors, partners, officers, employees, agents, counsel and advisors (each, an "Indemnified Person") in connection with any losses, claims (including the reasonable attorneys' fees incurred in defending against such claims), damages, liabilities, penalties, or other expenses arising out of, or relating to, the Loan Documents, the extension of credit hereunder or the Loans or the use or intended use of the Loans, which an Indemnified Person may incur or to which an Indemnified Person may become subject (each, a "Loss"). The Indemnity shall not apply to the extent that a court or arbitral tribunal of competent jurisdiction issues a final judgment that such Loss resulted from the gross negligence or willful misconduct of the Indemnified Person. The Indemnity is

independent of and in addition to any other agreement of any Credit Party under any Loan Document to pay any amount to the Lenders, and any exclusion of any obligation to pay any amount under this subsection shall not affect the requirement to pay such amount under any other section hereof or under any other agreement. This Section 6.12 shall not apply with respect to Taxes (which are governed by Section 2.6) other than any Taxes that represent losses, claims or damages arising from any non-Tax claim.

(b) Promptly after receipt by an Indemnified Person under this Section 6.12 of notice of the commencement of any action (including any governmental action), such Indemnified Person shall, if a Loss in respect thereof is to be made against the indemnifying person under this Section 6.12, deliver to Borrower a written notice of the commencement thereof, and Borrower shall have the right to participate in, and, to the extent Borrower so desires, to assume control of the defense thereof with counsel mutually satisfactory to Borrower and the Indemnified Person, as the case may be.

(c) An Indemnified Person shall have the right to retain its own counsel with the documented reasonable fees and out-of-pocket expenses to be paid by the indemnifying person, if, in the reasonable opinion of counsel for the Indemnified Person, the representation by such counsel of the Indemnified Person and Borrower would be inappropriate due to actual or potential differing interests between such Indemnified Person and any other party represented by such counsel in such proceeding. Credit Parties shall pay for only one separate legal counsel for the Indemnified Persons. The failure of an Indemnified Person to deliver written notice to the Borrower within a reasonable time of the commencement of any such action shall not relieve Credit Parties of any liability to the Indemnified Person under this Section 6.12, except to the extent that Credit Parties are actually prejudiced in its ability to defend such action. The indemnification required by this Section 6.12 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

Section 6.13 No Usury. The Loan Documents are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration or otherwise, shall the amount paid or agreed to be paid to the Lenders for the Loan exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Lenders shall ever receive anything which might be deemed interest under applicable law, that would exceed the highest lawful rate, such amount that would be deemed excessive interest shall be applied to the reduction of the principal amount owing on account of the Loans, or if such deemed excessive interest exceeds the unpaid balance of principal of the Loans, such deemed excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Lenders for the Loan shall, to the extent permitted by applicable law, be deemed to be amortized, prorated, allocated and spread throughout the full term of the Loans until payment in full so that the deemed rate of interest on account of the Loans is uniform throughout the term thereof. Except as set forth in Section 2.10, the terms and provisions of this Section shall control and supersede every other provision of this Agreement and the Notes.

Section 6.14 Several Obligations. The obligations of the Lenders under the Loan Documents shall be several and not joint.

Section 6.15 Further Assurances. Each Credit Party covenants and agrees to take all necessary action to consummate the transactions contemplated by this Agreement and to fulfill all requirements to the Initial Loans set forth in Section 4.1, including the execution and delivery of the Convertible Notes, contemporaneous with the closing of the Transactions. From time to time, the Borrower shall perform any and all acts and execute and deliver to the Lenders such additional documents as may be necessary or as requested by the Lenders to carry out the purposes of any Loan Document or any or to preserve and protect the Lenders' rights as contemplated therein.

Section 6.16 Judgment Currency. To the extent permitted by applicable law, the obligations of any Credit Party in respect of any amount due under this Agreement shall, notwithstanding any payment in any other currency (the "Other Currency") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the currency in which it is due (the "Agreed Currency") that Lenders may purchase with the sum paid in the Other Currency (after any premium and costs of exchange) on the Business Day immediately after the day on which Lender receives the payment. If the amount in the Agreed Currency that may be so purchased for any reason falls short of the amount originally due, the Credit Parties shall pay all additional amounts, in the Agreed Currency, as may be necessary to compensate for the shortfall. Any obligation of a Credit Party not discharged by that payment shall, to the extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided in this Section 6.16, continue in full force and effect.

Section 6.17 Amendment and Restatement; Costs of Amendment and Restatement. This Agreement is an amendment and restatement of and is in substitution and replacement for the Original Facility Agreement. The costs and expenses of the Amended and Restated Facility Agreement, dated as of October 29, 2015 and this Agreement, including all costs incurred by the Lenders in connection therewith and herewith, shall be joint and several obligations of the Credit Parties (excluding Tribute prior to the closing of the transactions contemplated by the Arrangement Agreement) and shall be in addition to the obligation of the Credit Parties pursuant to Section 2.7. The provisions of this Section 6.17 are without prejudice to the obligations of the Credit Parties under Section 2.6.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Lenders and the Credit Parties have caused this Agreement to be duly executed as of the date first written above.

CREDIT PARTIES:

ARALEZ PHARMACEUTICALS INC.

By:_____
Name: Andrew Koven
Title: President

POZEN INC.

By:_____
Name: Adrian Adams
Title: Chief Executive Officer

TRIBUTE PHARMACEUTICALS CANADA INC.

By:_____
Name: Scott Langille
Title: Chief Financial Officer

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt III, L.P., General Partner
By: J.E. Flynn Capital III, LLC, General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, the Lenders and the Credit Parties have caused this Agreement to be duly executed as of the date first written above.

CREDIT PARTIES:

ARALEZ PHARMACEUTICALS INC.

By:_____
Name: Andrew Koven
Title: President

POZEN INC.

By: Adrian Adams
Name: Adrian Adams
Title: Chief Executive Officer

TRIBUTE PHARMACEUTICALS CANADA INC.

By:_____
Name: Scott Langille
Title: Chief Financial Officer

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt III, L.P., General Partner
By: J.E. Flynn Capital III, LLC, General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, the Lenders and the Credit Parties have caused this Agreement to be duly executed as of the date first written above.

CREDIT PARTIES:

ARALEZ PHARMACEUTICALS INC.

By:_____
Name: Andrew Koven
Title: President

POZEN INC.

By:_____
Name: Adrian Adams
Title: Chief Executive Officer

TRIBUTE PHARMACEUTICALS CANADA INC.

By:_____
Name: Scott Langille
Title: Chief Financial Officer

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt III, L.P., General Partner
By: J.E. Flynn Capital III, LLC, General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, the Lenders and the Credit Parties have caused this Agreement to be duly executed as of the date first written above.

CREDIT PARTIES:

ARALEZ PHARMACEUTICALS INC.

By:_____
Name: Andrew Koven
Title: President

POZEN INC.

By:_____
Name: Adrian Adams
Title: Chief Executive Officer

TRIBUTE PHARMACEUTICALS CANADA INC.

By:_____
Name: Scott Langille
Title: Chief Financial Officer

LENDERS:

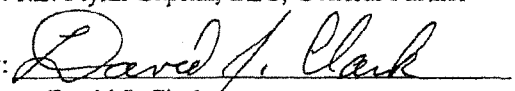
DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt III, L.P., General Partner
By: J.E. Flynn Capital III, LLC, General Partner

By: David J. Clark
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: David J. Clark
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.
By: Deerfield Mgmt, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: 
Name: David J. Clark
Title: Authorized Signatory

AMENDMENT TO SECOND AMENDED AND RESTATED FACILITY AGREEMENT

AMENDMENT TO SECOND AMENDED AND RESTATED FACILITY AGREEMENT (this "Amendment"), dated as of October 3, 2016, by and among ARALEZ PHARMACEUTICALS, INC. ("Parent"), POZEN, INC., TRIBUTE PHARMACEUTICALS CANADA, INC. ("Credit Parties"), DEERFIELD PRIVATE DESIGN FUND III, L.P., DEERFIELD INTERNATIONAL MASTER FUND, L.P., and DEERFIELD PARTNERS, L.P. (collectively referred to as the "Lenders" and together with the Credit Parties, the "Parties").

RECITALS:

A. Credit Parties and Lenders have entered into that certain Second Amended and Restated Facility Agreement dated as of December 7, 2015 (as the same has been and may hereinafter be amended, modified, restated or otherwise supplemented from time to time, including, but not limited to, by those certain Limited Consents between Lenders and Credit Parties dated as of September 6, 2016 and October 3, 2016, respectively, the "Facility Agreement").

B. Credit Parties desire to enter into this Amendment to modify certain provisions thereof.

C. The Lenders party hereto, constituting the Required Lenders, are willing to amend the Facility Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Parties agree as follows:

1. Defined Terms. Capitalized terms used herein which are defined in the Facility Agreement or other Loan Documents, unless otherwise defined herein, shall have the meanings ascribed to them in the Facility Agreement and the other Loan Documents. The Recitals to this Amendment are incorporated herein in their entirety by this reference thereto.

2. Amendments to Facility Agreement. Upon the satisfaction of the conditions set forth in Section 3 of this Amendment (the "First Amendment Effective Date") the Facility Agreement is hereby amended as follows:

a. Section 1.1 of the Facility Agreement is hereby amended to add the following new defined terms:

"Limited Consents" means the Limited Consents between Credit Parties and Lenders dated as of September 6, 2016 and October 3, 2016, respectively.

"Permitted Acquisition Loans" shall have the meaning ascribed to it in the Limited Consents.

b. The Facility Agreement is hereby amended to provide that, notwithstanding anything contained in the Facility Agreement or any other Loan Document to the contrary, if the Lenders have made Permitted Acquisition Loans:

(i) Credit Parties shall, no earlier than fifteen (15) days, and no later than ten (10) days, prior to Parent's filing with the SEC of any periodic report on Form 10-Q or Form 10-K that first contains Parent's financial results for any fiscal quarter (the "Filing Date"), commencing with the second full fiscal quarter ending after the funding of the Permitted Acquisition Loans (the quarter ending June 30, 2017), deliver to Lenders a certificate, executed by the Chief Financial Officer of Parent (each, a "Parent Certificate"), certifying on a confidential basis (A) that Parent has calculated the Specified Revenue and (commencing with the fiscal quarter ending September 30, 2018) Post-Acquisition EBITDA (each in accordance with the respective definitions thereof as set forth below) for the six-month period ending on the last day of such fiscal quarter, based on and appropriately derived from preliminary financial statements for the applicable fiscal quarters, prepared in accordance with GAAP consistent with past practice, and the Specified Revenue and (if applicable) Post-Acquisition EBITDA are appropriately derived therefrom; (B) as to whether there has been a Post-Acquisition Condition Failure (as defined below) for such six-month period and (C) the anticipated Filing Date. Parent shall promptly notify the Lenders if any subsequent change to such preliminary financial statements or the information derived therefrom would result in a Post-Acquisition Condition Failure. Upon the request of any of the Required Lenders, Parent shall promptly furnish to the Lenders such information (including, without limitation, Parent's calculations of the Specified Revenue and (if applicable) Post-Acquisition EBITDA, along with support therefor, for the applicable six-month period) as the Required Lenders may reasonably request for the purpose of verifying the accuracy (or determining the inaccuracy) of Parent's determination as to whether there has been a Post-Acquisition Condition Failure as set forth in the Parent Certificate. For purposes hereof, (x) "Post-Acquisition EBITDA" for any six-month period ending on a fiscal quarter end shall mean Adjusted EBITDA (as defined in the Facility Agreement, but calculated without giving effect to clause (D) of such definition) for such six-month period; provided that, for purposes hereof, all references to Test Period in the definition shall be deemed to mean such six-month period; and (y) "Specified Revenue" for any six-month period ending on a fiscal quarter end shall mean the Net Sales (as defined in the Asset Purchase Agreement, dated as of October 3, 2016, by and among AstraZeneca AB, Aralez Pharmaceuticals Trading DAC and Parent (the "AZ Purchase Agreement"), but including only the Net Sales of the Credit Parties), as derived from the applicable Net Sales Statements delivered pursuant to the AZ Purchase Agreement, together with any license fees, royalty amounts or similar payments that are received by the Credit Parties from any AG Selling Entities and Selling Entities that are not Credit Parties and are directly attributable to the license thereto of the Product and/or the Authorized Generic Product for distribution thereby, during the fiscal quarters included in such six-month period, as contained in Parent's periodic reports filed with the SEC. Each Lender agrees to maintain the confidentiality of any information that is contained in any Parent Certificate and which has not been publicly disclosed, provided that the Company timely files its periodic reports with the SEC and complies with its disclosure obligations set forth below.

(ii) In the event that (A) (x) as of the end of the second full fiscal quarter of Parent ending after the funding of Permitted Acquisition Loans (i.e., the quarter ending June 30, 2017) or as of the end of any fiscal quarter thereafter, Specified Revenue with respect to such

six-month period is less than $17,500,000 and (y) commencing with the seventh full fiscal quarter of Parent ending after the funding of Permitted Acquisition Loans (i.e., the quarter ending September 30, 2018), as of the end of such fiscal quarter or as of the end of any fiscal quarter thereafter, the Post-Acquisition EBITDA of Parent with respect to the six-month period ending as of such fiscal quarter end is less $12,500,000 for any six-month period ending on or prior to June 30, 2019, or $25,000,000 for any six-month period ending after June 30, 2019 (the occurrence of part (x) of this clause (A) as of the end of any fiscal quarter ending prior to September 30, 2018, or both part (x) and part (y) of this clause (A) as of the end of any fiscal quarter ending on or after September 30, 2018, being referred to as a "Post-Acquisition Condition Failure"), or (B) Parent fails to timely deliver a Parent Certificate or otherwise comply in any material respect with any obligation set forth in Section 2(b)(i) above and, in the case of this clause (B), such failure is not remedied by Parent or waived by the Lenders within two (2) Business Days after the receipt by Parent of notice from the Lenders of such failure, the Required Lenders, in their sole discretion, may, upon written notice to Credit Parties within four (4) Business Days of the latest of (I) the receipt of the Parent Certificate, (II) the date Parent notifies the Lenders that a subsequent change to preliminary financial statements or the information derived therefrom would result in a Post-Acquisition Condition Failure or (III) the expiration of any applicable cure period pursuant to clause (B) above (but in no event earlier than four (4) Business Days prior to the anticipated Filing Date as set forth in the Parent Certificate), elect to have the then outstanding principal balance of the Acquisition Loans amortize quarterly, in equal quarterly installments (in each case together with accrued interest thereon), payable on the first day of each January, April, July and October thereafter, in an amount necessary to repay the then outstanding principal amount of the Acquisition Loans in full over the number of full calendar quarters then remaining prior to the sixth anniversary of the funding of the Permitted Acquisition Loans. Upon such election, (X) Credit Parties shall make such payments to the Lenders in accordance with the terms hereof and the Facility Agreement (as amended hereby), and (Y) Parent shall disclose that the Lenders have made such election in the periodic report on Form 10-Q or Form 10-K for the fiscal quarter or year, as applicable (or if not disclosed therein, in a Form 8-K filed no later than four (4) Business Days after Lenders make such election). In the event of any failure of Credit Parties to make any such payment, the Lenders shall be entitled to exercise all rights and remedies under the Facility Agreement. For the avoidance of doubt, the failure of the Required Lenders to make such election with respect to any six-month period shall not affect the Required Lenders' right to make such an election with respect to any subsequent six-month period, to the extent the Required Lenders would be entitled to do so as provided herein.

3. Conditions Precedent. The effectiveness of this Amendment is subject to the following conditions precedent:

a. Amendment. The Credit Parties shall each have executed and delivered counterparts to this Amendment to the Lenders.

b. AZ Purchase Agreement. The Closing (as defined in the AZ Purchase Agreement) shall have occurred.

4. Legal Fees and Expenses. The Credit Parties agree to promptly reimburse Lenders for all reasonable and documented out-of-pocket costs, fees and expenses, including

reasonable and documented out-of-pocket legal fees and expenses, incurred in connection with the negotiation, drafting and closing of this Amendment, any related Loan Documents and the Limited Consents.

5. Representations and Warranties. Each Credit Party hereby represents and warrants to Lenders:

a. As of the date hereof, except as expressly modified by the amendments in Section 2 above, the representations and warranties of Credit Parties contained in the Loan Documents are (i) in the case of representations and warranties qualified by "materiality," "Material Adverse Effect" or similar language, true and correct in all respects and (ii) in the case of all other representations and warranties, true and correct in all material respects, in each case on and as of the date hereof as if made as of the date of this Amendment, except to the extent that any such representation or warranty relates to a specific date, in which case such representation and warranty shall be true and correct in all respects or all material respects, as applicable, as of such earlier date;

b. No Default or Event of Default exists; and

c. Each Credit Party has the requisite organizational power and authority to enter into and to consummate the transactions contemplated by this Amendment and each of the other Loan Documents (including as amended hereby) to which it is a party and otherwise to carry out its obligations hereunder and thereunder. Each Credit Party's execution and delivery of each of this Amendment and the other Loan Documents (including as amended hereby) to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary organizational action on the part of such Credit Party, and no further action is required by any Credit Party, its board of directors, stockholders or other applicable governing body or equity owners in connection therewith other than in connection with the Required Approvals (as defined below). Each of the Amendment and the other Loan Documents (including as amended hereby) to which it is a party has been (or upon delivery will have been) duly executed by each Credit Party which is a party thereto and is, or when delivered in accordance with the terms hereof, will constitute the legal, valid and binding obligation of such Credit Party enforceable against it in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies or by other equitable principles of general application. The execution, delivery and performance of this Amendment and the other Loan Documents (including as amended hereby) by each Credit Party which is a party thereto and the consummation of the transactions therein contemplated will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than Permitted Liens) upon any assets of such Credit Party pursuant to, any material agreement to which such Credit Party is a party or by which such Credit Party is bound or to which any of the assets of such Credit Party is subject, (ii) result in any violation of or conflict with the provisions of the Organizational Documents, (iii) result in the violation of any material Applicable Laws in any material respect or (iv) result in the violation of any judgment, order, rule, regulation or decree of any Governmental Authority. No consent, approval, authorization or order of, or registration or

filing with any Governmental Authority is required for the execution, delivery and performance of any of this Amendment and the other Loan Documents, or for the consummation by the Credit Parties of the transactions contemplated thereby, except for those that have been made or obtained prior to the date of this Agreement (the "Required Approvals").

6. No Further Amendments; Ratification of Liability. Except as amended hereby, the Facility Agreement and each of the other Loan Documents shall remain unchanged and in full force and effect in accordance with their respective terms. Each Credit Party as a debtor, grantor, pledgor, guarantor or assignor, or in any similar capacity in which it has granted Liens or acted as an accommodation party or guarantor, as the case may be, hereby ratifies, confirms and reaffirms its liabilities, its payment and performance obligations (contingent or otherwise) and its agreements under the Facility Agreement and the other Loan Documents, all as amended by this Amendment, and the liens and security interests granted, created and perfected thereby. The Lenders' agreement to the terms of this Amendment or any other amendment of the Facility Agreement or any other Loan Document shall not be deemed to establish or create a custom or course of dealing among Credit Parties and Lenders. This Amendment, together with the other Loan Documents, contains the entire agreement among the Credit Parties and Lenders contemplated by this Amendment.

7. Incorporation by Reference. The provisions of Article 6 of the Facility Agreement are incorporated herein by reference *mutatis mutandis*.

[Remainder of Page Intentionally Left Blank, signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date set forth above.

CREDIT PARTIES:

ARALEZ PHARMECEUTICALS, INC.

By: _____
Name: _____
Title: _____

POZEN INC.

By: _____
Name: SCOTT J. C HARTER
Title: TREASURER

TRIBUTE PHARMACEUTICALS CANADA, INC.

By: _____
Name: Tomas L. Hall
Title: General Manager

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.

By: Deerfield Mgmt III., L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date set forth above.

CREDIT PARTIES:

ARALEZ PHARMECEUTICALS, INC.

By: _____
Name: _____
Title: _____

POZEN INC.

By: _____
Name: _____
Title: _____

TRIBUTE PHARMACEUTICALS CANADA, INC.

By: _____
Name: _____
Title: _____

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.

By: Deerfield Mgmt III., L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: _____
Name: Jonathan Isler
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: Jonathan Isler
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: Jonathan Isler
Title: Authorized Signatory

TAB F

Exhibit "F" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (this "Agreement"), dated as of February 5, 2016, is by and between Aralez Pharmaceuticals Inc., a British Columbia corporation ("Borrower" or "Grantor") and Deerfield Private Design Fund III, L.P., Deerfield International Master Fund, L.P. and Deerfield Partners, L.P. (collectively the "Secured Party").

WITNESSETH:

WHEREAS, pursuant to that certain Second Amended and Restated Facility Agreement, dated as of December 7, 2015 (the "Facility Agreement"), by and among Borrower, Tribute Pharmaceuticals Canada Inc. and POZEN Inc., Secured Party has made loans to Borrower in accordance with the terms and conditions set forth therein; and

WHEREAS, to secure the Obligations under the Facility Agreement, Grantor has agreed to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in this Agreement, and for good and valuable consideration, the receipt of which is hereby acknowledged, the Grantor and Secured Party, hereby agree as follows:

SECTION 1. Definitions.

1.1 Generally. All references herein to the PPSA shall mean the *Personal Property Security Act* (Ontario); provided, however, that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of the security interest in any IP Collateral or the availability of any remedy hereunder is governed by the equivalent personal property security jurisdiction as in effect in a jurisdiction other than the Province of Ontario, "PPSA" means the personal property security legislation as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

1.2 Definition of Certain Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Facility Agreement. In addition, as used herein, the following terms shall have the following meanings:

"CIPO" shall mean the Canadian Intellectual Property Office or any other federal governmental agency which may hereafter perform its functions.

"Copyrights" shall mean all copyrights and like protections in each work of authorship or derivative work thereof of Grantor anywhere in the world, whether registered or unregistered and whether published or unpublished, including, without limitation, the copyright registrations and copyright applications listed on **EXHIBIT A** annexed hereto and made a part hereof, together with any goodwill of the business connected with, and symbolized by, any of the foregoing.

"Copyright Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right under any Copyright, including, without limitation, the agreements listed on **EXHIBIT A** annexed hereto and made a part hereof.

"Intellectual Property" shall have the meaning assigned to such term in Section 3 of this Agreement.

"IP Collateral" shall have the meaning assigned to such term in Section 2 of this Agreement.

"Licenses" shall mean, collectively, the Copyright Licenses, Patent Licenses, Trade-mark Licenses, and any other license providing for the grant by or to Grantor of any right under any Intellectual Property.

"Patents" shall mean all patents and applications for patents of Grantor and the inventions and improvements therein disclosed, and any and all divisions, revisions, reissues and continuations, continuations-in-part, extensions, and reexaminations of said patents anywhere in the world including, without limitation, the patent registrations and patent applications listed on **EXHIBIT B** annexed hereto and made a part hereof.

"Patent Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right under any Patent including, without limitation, the agreements listed on **EXHIBIT B** annexed hereto and made a part hereof.

"Permitted Liens" means Liens in favor of Secured Party.

"Secured Obligations" shall mean the collective reference to (i) all Obligations of Grantor to Secured Party under the Facility Agreement and (ii) all obligations of Grantor under this Agreement, respectively (including, without limitation, default interest accruing at the then applicable rate provided in the Facility Agreement and interest accruing at the then applicable rate after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to Grantor, and post-filing or post-petition interest, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Facility Agreement, or any other document executed and delivered in connection therewith, in each case whether on account of principal, interest, fees, indemnities, costs, expenses or otherwise (including, without limitation, all reasonable fees and disbursements of counsel to Secured Party that are required to be paid by Grantor pursuant to the terms of any of the foregoing agreements).

"Trade-marks" shall mean all trade-marks, trade names, corporate names, company names, domain names, business names, fictitious business names, trade dress, trade styles, service marks, designs, logos and other source or business identifiers of Grantor anywhere in the world, whether registered or unregistered, including, without limitation, the trade-mark registrations and trade-mark applications listed on **EXHIBIT C** annexed hereto and made a part hereof, together with any goodwill of the business connected with, and symbolized by, any of the foregoing.

"Trade-mark Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right under any Trade-mark, including, without limitation, the agreements listed on **EXHIBIT C** annexed hereto and made a part hereof.

SECTION 2. Grant of Security Interest. As further security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to Secured Party a lien and continuing security interest, with a power of sale (which power of sale shall be exercisable only following the occurrence and during the continuance of an Event of Default), in all of the present and future right, title and interest of Grantor in and to the following property, and each item thereof, whether now owned or existing or hereafter acquired or arising, together with all products, proceeds, substitutions, and accessions of or to any of the following property (collectively, the "IP Collateral"):

(a) All Copyrights and Copyright Licenses;

(b) All Patents and Patent Licenses;

(c) All Trade-marks and Trade-mark Licenses;

(d) All other Licenses;

(e) All renewals of any of the foregoing;

(f) All of the following: all trade secrets, know-how and other proprietary information; works of authorship and other copyright works (including copyrights for computer programs), and all tangible and intangible property embodying the foregoing; inventions (whether or not patentable) and all improvements thereto; industrial design applications and registered industrial designs; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases, and other physical manifestations, embodiments or incorporations of any of the foregoing, and any Licenses in any of the foregoing, and all other Intellectual Property and proprietary rights;

(g) All General Intangibles connected with the use of, or related to, any and all of the foregoing (including, without limitation, all goodwill of Grantor and its business, products and services appurtenant to, associated with, or symbolized by, any Intellectual Property and the use thereof);

(h) All income, royalties, damages and payments now and hereafter due and/or payable under and with respect to any of the foregoing, including, without limitation, payments under all Licenses entered into in connection therewith and damages and payments for past or future infringements, misappropriations or dilutions thereof;

(i) The right to sue for past, present and future infringements, misappropriations, and dilutions of any of the foregoing; and

(j) All of the Grantor's rights corresponding to any of the foregoing throughout the world.

Notwithstanding anything herein, or in any other Loan Document, to the contrary, in no event shall the IP Collateral include any Excluded Property.

SECTION 3. Protection of Intellectual Property By Grantor. Except as set forth below in this Section 3, the Grantor shall undertake the following with respect to each of the items respectively described in Sections 2(a), (b), (c), (d), (e), (f) and (g) (collectively, the "Intellectual Property"):

(a) Pay all renewal fees and other fees and costs associated with maintaining the Intellectual Property and with the processing and prosecution of the Intellectual Property, if applicable, and take all other steps reasonably necessary to maintain each registration of the Intellectual Property, except, in each case, to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect. For the sake of clarity, it shall not constitute a Material Adverse Effect for Grantor to allow any Intellectual Property to go abandoned, or otherwise dispose of such Intellectual Property to the extent permitted by the Facility Agreement, if, in Grantor's reasonable judgment and determination, such Intellectual Property is no longer material to the conduct of Grantor's business.

(b) At the Grantor's sole cost, expense, and risk, take any and all action which the Grantor reasonably deems necessary or desirable under the circumstances to pursue the processing and prosecution of each application for registration which is the subject of the security interest created herein and not abandon or delay any such efforts.

(c) At the Grantor's sole cost, expense, and risk, take any and all action reasonably necessary or desirable under the circumstances to protect the Intellectual Property from infringement, misappropriation or dilution, including, without limitation, the prosecution and defense of infringement actions.

SECTION 4. Grantor's Representations and Warranties. In addition to any representations and warranties contained in the Facility Agreement, Grantor represents and warrants that:

(a) **EXHIBIT A** is a true, correct and complete list of all registered Copyrights owned by Grantor and all Copyright Licenses to which Grantor is a party as of the date hereof.

(b) **EXHIBIT B** is a true, correct and complete list of all registered Patents owned by Grantor and all Patent Licenses to which Grantor is a party as of the date hereof.

(c) **EXHIBIT C** is a true, correct and complete list of all registered Trade-marks owned by Grantor and all Trade-mark Licenses to which Grantor is a party as of the date hereof.

(d) Except as set forth in **EXHIBITS A, B** and **C**, none of the Intellectual Property owned by Grantor is the subject of any licensing or franchise agreement pursuant to which Grantor is the licensor or franchisor as of the date hereof.

(e) All IP Collateral owned by Grantor is, and shall remain, free and clear of all Liens, encumbrances, or security interests in favor of any Person, other than Permitted Liens.

(f) To Grantor's knowledge, Grantor owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No claim has been asserted and is pending by any Person challenging or questioning the use by Grantor of any of its Intellectual Property, or the validity or effectiveness of any of its Intellectual Property. To the Grantor's knowledge, the use by Grantor of the Intellectual Property does not infringe the rights of any Person in any material respect. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or Grantor's rights in, any Intellectual Property in any material respect.

(g) Grantor shall give Secured Party prompt written notice, with reasonable detail, following the occurrence of any of the following:

(i) Grantor's obtaining rights to, and filing applications for registration of, any new Intellectual Property, or otherwise acquiring ownership of any registered Intellectual Property.

(ii) Grantor's becoming entitled to the benefit of any material registered Intellectual Property whether as licensee or licensor.

(iii) Grantor's entering into any new Licenses with respect to any material Intellectual Property.

(iv) Grantor's knowing that any application or registration relating to any material Intellectual Property may, other than as provided in Section 3 above, become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in CIPO or any court or tribunal) regarding Grantor's ownership of, or the validity or enforceability of, any material Intellectual Property or Grantor's right to register the same or to own and maintain the same.

SECTION 5. Agreement Applies to Future Intellectual Property.

(a) The provisions of this Agreement shall automatically apply to any such additional property or rights described in subsections (i), (ii), and (iii) of Section 4(g), above, all of which shall be deemed to be and treated as "Intellectual Property" within the meaning of this Agreement. Upon the acquisition by Grantor of any additional material

Intellectual Property, Grantor shall promptly deliver to Secured Party an updated **EXHIBIT A**, **B**, and/or **C** (as applicable) to this Agreement and hereby authorizes the Lender to file, at Grantor's expense, such updated Exhibit as set forth in Section 5(b).

(b) Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Lender may reasonably request to evidence Secured Party's security interest in any material Intellectual Property (including, without limitation, filings with CIPO or any similar office), and the Grantor hereby appoints Secured Party as its attorney-in-fact to execute and file all such writings for the foregoing purposes, all such acts of such attorney being hereby ratified and confirmed; provided, however, that Secured Party's taking of such action shall not be a condition to the creation or perfection of the security interest created hereby.

SECTION 6. Grantor's Rights To Enforce Intellectual Property. So long as no Event of Default has occurred and is continuing, the Grantor shall have the exclusive right to sue for past, present and future infringement of the Intellectual Property, including the right to seek injunctions and/or money damages in an effort by the Grantor to protect the Intellectual Property against encroachment by third parties, provided, however, that:

(a) The Grantor provides Secured Party with written notice of the Grantor's institution of any legal proceedings for enforcement of any IP Collateral;

(b) Any money damages awarded or received by the Grantor on account of such suit (or the threat of such suit) shall constitute IP Collateral; and

(c) Upon the occurrence and during the continuance of any Event of Default, the Lender, by notice to the Grantor, may terminate or limit the Grantor's rights under this Section 6.

SECTION 7. Grantor's Rights to License Intellectual Property. Grantor shall provide prompt written notice to Secured Party of the licensing of any Intellectual Property. Secured Party agrees that all rights of any licensee of the Intellectual Property shall survive any exercise of rights and remedies by Secured Party in connection with this Agreement, including any foreclosure and subsequent transfer of such Intellectual Property by Secured Party. Secured Party further agrees, following the reasonable request of the Grantor or any licensee of the Intellectual Property and at the Grantor's or such licensee's expense, to execute such documents and to take such actions as may be reasonably requested by the Grantor or such licensee to preserve and protect the rights of any such licensee.

SECTION 8. Lender's Actions To Protect Intellectual Property. In the event of:

(a) Grantor's failure, within fifteen (15) days of written notice from Secured Party, to cure any failure by Grantor to observe or perform any of Grantor's covenants, agreements or other obligations hereunder; and/or

(b) the occurrence and continuance of any other Event of Default, Secured Party, acting in its own name or in that of Grantor, may (but shall not be required to) act in Grantor's place and stead and/or in Secured Party's own right in connection therewith.

SECTION 9. Rights Upon Default. Upon the occurrence and during the continuance of an Event of Default, in addition to all other rights and remedies, Secured Party may exercise all rights and remedies of a secured party under the PPSA with respect to the Intellectual Property, in addition to which Secured Party may sell, license, assign, transfer, or otherwise dispose of the Intellectual Property, subject to those restrictions to which Grantor is subject under applicable law and by contract. Any Person may conclusively rely upon an affidavit of an officer of Secured Party that an Event of Default has occurred and that Secured Party is authorized to exercise such rights and remedies.

SECTION 10. Secured Party As Attorney-In-Fact.

(a) Grantor hereby irrevocably makes, constitutes and appoints Secured Party (and all officers, employees or agents designated by Secured Party) as and for Grantor's true and lawful agent and attorney-in-fact, and in such capacity Secured Party shall have the right, with power of substitution for Grantor and in Grantor's name or otherwise, for the use and benefit of Secured Party:

(i) To supplement and amend from time to time **EXHIBITS A, B** and **C** of this Agreement to include any newly developed, applied for, registered, or acquired Intellectual Property of Grantor and any intent-to-use Trade-mark applications for which a statement of use or an amendment to allege use has been filed and accepted by CIPO.

(ii) Following the occurrence and during the continuance of any Event of Default, to exercise any of the rights and powers referenced herein.

(iii) Following the occurrence and during the continuance of any Event of Default, to execute all such instruments, documents, and papers as the Secured Party reasonably determines to be necessary or desirable in connection with the exercise of such rights and remedies and to cause the sale, license, assignment, transfer, or other disposition of the Intellectual Property, subject to those restrictions to which Grantor is subject under applicable law and by contract.

(b) The power of attorney granted herein, being coupled with an interest, shall be irrevocable until this Agreement is terminated in writing by a duly authorized officer of Secured Party.

(c) Secured Party shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 10(a), but if Secured Party elects to do any such act or to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to Grantor for any act or omission to act, except where a court of competent jurisdiction determines by final and

nonappealable judgment that the subject act or omission to act has resulted from the gross negligence or willful misconduct of Secured Party.

SECTION 11. Lender's Rights. Any use by Secured Party of the Intellectual Property, as authorized hereunder in connection with the exercise of Secured Party's rights and remedies under this Agreement shall be without any liability for royalties or other related charges.

SECTION 12. Further Assurances. Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further documents, financing statements, agreements and instruments and take all such further actions as Secured Party may from time to time reasonably request to better assure, preserve, protect and perfect the security interest in the IP Collateral granted pursuant to this Agreement and the rights and remedies created hereby or the validity or priority of such security interest including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the security interest and the filing of any financing statements or other documents in connection herewith or therewith.

SECTION 13. Choice of Laws. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

GRANTOR:

ARALEZ PHARMACEUTICALS INC.

By: Adrian Adams
Name: Adrian Adams
Title: Chief Executive Officer

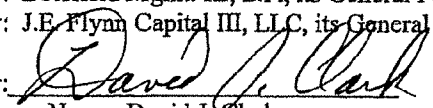
Address for Notices:

Fax: (347) 983-9147
Email: aadams@aralez.com
Attn: Adrian Adams

SECURED PARTY:

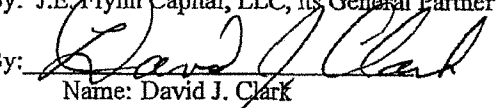
DEERFIELD PRIVATE DESIGN FUND III, L.P.

By: Deerfield Mgmt. III, L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: 
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: 
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

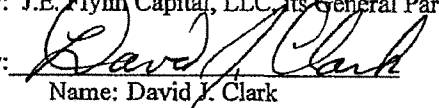
By: 
Name: David J. Clark
Title: Authorized Signatory

EXHIBIT A
List of Copyrights and Copyright Licenses

Copyright Registrations

Title	Serial No.	Registration No.	Registration Date
Nil			

Copyright Licenses

Nil

EXHIBIT B

List of Patents and Patent Licenses

Patent Registrations

Description	Application No.	Application Date

Nil

Patent Licenses

Nil

EXHIBIT C

List of Trade-marks and Trade-mark Licenses

Trade-mark Registrations

Mark	Application No.	Application Date	Registration No.	Registration Date	Status of Mark

Nil

Trade-mark Licenses

Nil

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (this "Agreement"), dated as of February 5, 2016, is by and between Tribute Pharmaceuticals Canada Inc., an Ontario corporation ("Tribute"), and Medical Futures Inc., an Ontario corporation (collectively with Tribute, "Grantor") and Deerfield Private Design Fund III, L.P., Deerfield International Master Fund, L.P. and Deerfield Partners, L.P. (collectively the "Secured Party").

WITNESSETH:

WHEREAS, pursuant to that certain Second Amended and Restated Facility Agreement, dated as of December 7, 2015 (the "Facility Agreement"), by and among Aralez Pharmaceuticals Inc. ("Borrower"), Tribute and POZEN Inc., Secured Party has made loans to Borrower in accordance with the terms and conditions set forth therein; and

WHEREAS, to secure the Obligations under the Facility Agreement and Grantor's guaranty of the Obligations, Grantor has agreed to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth in this Agreement, and for good and valuable consideration, the receipt of which is hereby acknowledged, the Grantor and Secured Party, hereby agree as follows:

SECTION 1. Definitions.

1.1 Generally. All references herein to the PPSA shall mean the *Personal Property Security Act* (Ontario); provided, however, that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of the security interest in any IP Collateral or the availability of any remedy hereunder is governed by the equivalent personal property security jurisdiction as in effect in a jurisdiction other than the Province of Ontario, "PPSA" means the personal property security legislation as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

1.2 Definition of Certain Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Facility Agreement. In addition, as used herein, the following terms shall have the following meanings:

"CIPO" shall mean the Canadian Intellectual Property Office or any other federal governmental agency which may hereafter perform its functions.

"Copyrights" shall mean all copyrights and like protections in each work of authorship or derivative work thereof of Grantor anywhere in the world, whether registered or unregistered and whether published or unpublished, including, without limitation, the copyright registrations and copyright applications listed on **EXHIBIT A** annexed hereto and made a part hereof, together with any goodwill of the business connected with, and symbolized by, any of the foregoing.

"Copyright Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right under any Copyright, including, without limitation, the agreements listed on **EXHIBIT A** annexed hereto and made a part hereof.

"Intellectual Property" shall have the meaning assigned to such term in Section 3 of this Agreement.

"IP Collateral" shall have the meaning assigned to such term in Section 2 of this Agreement.

"Licenses" shall mean, collectively, the Copyright Licenses, Patent Licenses, Trade-mark Licenses, and any other license providing for the grant by or to Grantor of any right under any Intellectual Property.

"Patents" shall mean all patents and applications for patents of Grantor and the inventions and improvements therein disclosed, and any and all divisions, revisions, reissues and continuations, continuations-in-part, extensions, and reexaminations of said patents anywhere in the world including, without limitation, the patent registrations and patent applications listed on **EXHIBIT B** annexed hereto and made a part hereof.

"Patent Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right under any Patent including, without limitation, the agreements listed on **EXHIBIT B** annexed hereto and made a part hereof.

"Permitted Liens" means Liens in favor of Secured Party.

"Secured Obligations" shall mean the collective reference to (i) all Obligations of Grantor to Secured Party under the Facility Agreement, (ii) all obligations of Grantor under its guaranty of the Obligations and (iii) all obligations of Grantor under this Agreement, respectively (including, without limitation, default interest accruing at the then applicable rate provided in the Facility Agreement and interest accruing at the then applicable rate after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to Grantor, and post-filing or post-petition interest, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Facility Agreement, or any other document executed and delivered in connection therewith, in each case whether on account of principal, interest, fees, indemnities, costs, expenses or otherwise (including, without limitation, all reasonable fees and disbursements of counsel to Secured Party that are required to be paid by Grantor pursuant to the terms of any of the foregoing agreements).

"Trade-marks" shall mean all trade-marks, trade names, corporate names, company names, domain names, business names, fictitious business names, trade dress, trade styles, service marks, designs, logos and other source or business identifiers of Grantor anywhere in the world, whether registered or unregistered, including, without limitation, the trade-mark registrations and trade-mark applications listed on **EXHIBIT C** annexed hereto and made a part

hereof, together with any goodwill of the business connected with, and symbolized by, any of the foregoing.

"Trade-mark Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to Grantor of any right under any Trade-mark, including, without limitation, the agreements listed on **EXHIBIT C** annexed hereto and made a part hereof.

SECTION 2. Grant of Security Interest. As further security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to Secured Party a lien and continuing security interest, with a power of sale (which power of sale shall be exercisable only following the occurrence and during the continuance of an Event of Default), in all of the present and future right, title and interest of Grantor in and to the following property, and each item thereof, whether now owned or existing or hereafter acquired or arising, together with all products, proceeds, substitutions, and accessions of or to any of the following property (collectively, the "IP Collateral"):

(a) All Copyrights and Copyright Licenses;

(b) All Patents and Patent Licenses;

(c) All Trade-marks and Trade-mark Licenses;

(d) All other Licenses;

(e) All renewals of any of the foregoing;

(f) All of the following: all trade secrets, know-how and other proprietary information; works of authorship and other copyright works (including copyrights for computer programs), and all tangible and intangible property embodying the foregoing; inventions (whether or not patentable) and all improvements thereto; industrial design applications and registered industrial designs; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases, and other physical manifestations, embodiments or incorporations of any of the foregoing, and any Licenses in any of the foregoing, and all other Intellectual Property and proprietary rights;

(g) All General Intangibles connected with the use of, or related to, any and all of the foregoing (including, without limitation, all goodwill of Grantor and its business, products and services appurtenant to, associated with, or symbolized by, any Intellectual Property and the use thereof);

(h) All income, royalties, damages and payments now and hereafter due and/or payable under and with respect to any of the foregoing, including, without limitation, payments under all Licenses entered into in connection therewith and damages and payments for past or future infringements, misappropriations or dilutions thereof;

(i) The right to sue for past, present and future infringements, misappropriations, and dilutions of any of the foregoing; and

(j) All of the Grantor's rights corresponding to any of the foregoing throughout the world.

Notwithstanding anything herein, or in any other Loan Document, to the contrary, in no event shall the IP Collateral include any Excluded Property.

SECTION 3. Protection of Intellectual Property By Grantor. Except as set forth below in this Section 3, the Grantor shall undertake the following with respect to each of the items respectively described in Sections 2(a), (b), (c), (d), (e), (f) and (g) (collectively, the "Intellectual Property"):

(a) Pay all renewal fees and other fees and costs associated with maintaining the Intellectual Property and with the processing and prosecution of the Intellectual Property, if applicable, and take all other steps reasonably necessary to maintain each registration of the Intellectual Property, except, in each case, to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect. For the sake of clarity, it shall not constitute a Material Adverse Effect for Grantor to allow any Intellectual Property to go abandoned, or otherwise dispose of such Intellectual Property to the extent permitted by the Facility Agreement, if, in Grantor's reasonable judgment and determination, such Intellectual Property is no longer material to the conduct of Grantor's business.

(b) At the Grantor's sole cost, expense, and risk, take any and all action which the Grantor reasonably deems necessary or desirable under the circumstances to pursue the processing and prosecution of each application for registration which is the subject of the security interest created herein and not abandon or delay any such efforts.

(c) At the Grantor's sole cost, expense, and risk, take any and all action reasonably necessary or desirable under the circumstances to protect the Intellectual Property from infringement, misappropriation or dilution, including, without limitation, the prosecution and defense of infringement actions.

SECTION 4. Grantor's Representations and Warranties. In addition to any representations and warranties contained in Guaranty, Grantor represents and warrants that:

(a) **EXHIBIT A** is a true, correct and complete list of all registered Copyrights owned by Grantor and all Copyright Licenses to which Grantor is a party as of the date hereof.

(b) **EXHIBIT B** is a true, correct and complete list of all registered Patents owned by Grantor and all Patent Licenses to which Grantor is a party as of the date hereof.

(c) **EXHIBIT C** is a true, correct and complete list of all registered Trade-marks owned by Grantor and all Trade-mark Licenses to which Grantor is a party as of the date hereof.

(d) Except as set forth in **EXHIBITS A, B** and **C**, none of the Intellectual Property owned by Grantor is the subject of any licensing or franchise agreement pursuant to which Grantor is the licensor or franchisor as of the date hereof.

(e) All IP Collateral owned by Grantor is, and shall remain, free and clear of all Liens, encumbrances, or security interests in favor of any Person, other than Permitted Liens.

(f) To Grantor's knowledge, Grantor owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No claim has been asserted and is pending by any Person challenging or questioning the use by Grantor of any of its Intellectual Property, or the validity or effectiveness of any of its Intellectual Property. To the Grantor's knowledge, the use by Grantor of the Intellectual Property does not infringe the rights of any Person in any material respect. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or Grantor's rights in, any Intellectual Property in any material respect.

(g) Grantor shall give Secured Party prompt written notice, with reasonable detail, following the occurrence of any of the following:

(i) Grantor's obtaining rights to, and filing applications for registration of, any new Intellectual Property, or otherwise acquiring ownership of any registered Intellectual Property.

(ii) Grantor's becoming entitled to the benefit of any material registered Intellectual Property whether as licensee or licensor.

(iii) Grantor's entering into any new Licenses with respect to any material Intellectual Property.

(iv) Grantor's knowing that any application or registration relating to any material Intellectual Property may, other than as provided in Section 3 above, become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in CIPO or any court or tribunal) regarding Grantor's ownership of, or the validity or enforceability of, any material Intellectual Property or Grantor's right to register the same or to own and maintain the same.

SECTION 5. Agreement Applies to Future Intellectual Property.

(a) The provisions of this Agreement shall automatically apply to any such additional property or rights described in subsections (i), (ii), and (iii) of Section 4(g), above, all of which shall be deemed to be and treated as "Intellectual Property" within the meaning of this Agreement. Upon the acquisition by Grantor of any additional material Intellectual Property, Grantor shall promptly deliver to Secured Party an updated **EXHIBIT A**, **B**, and/or **C** (as applicable) to this Agreement and hereby authorizes the Lender to file, at Grantor's expense, such updated Exhibit as set forth in Section 5(b).

(b) Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Lender may reasonably request to evidence Secured Party's security interest in any material Intellectual Property (including, without limitation, filings with CIPO or any similar office), and the Grantor hereby appoints Secured Party as its attorney-in-fact to execute and file all such writings for the foregoing purposes, all such acts of such attorney being hereby ratified and confirmed; provided, however, that Secured Party's taking of such action shall not be a condition to the creation or perfection of the security interest created hereby.

SECTION 6. Grantor's Rights To Enforce Intellectual Property. So long as no Event of Default has occurred and is continuing, the Grantor shall have the exclusive right to sue for past, present and future infringement of the Intellectual Property, including the right to seek injunctions and/or money damages in an effort by the Grantor to protect the Intellectual Property against encroachment by third parties, provided, however, that:

(a) The Grantor provides Secured Party with written notice of the Grantor's institution of any legal proceedings for enforcement of any IP Collateral;

(b) Any money damages awarded or received by the Grantor on account of such suit (or the threat of such suit) shall constitute IP Collateral; and

(c) Upon the occurrence and during the continuance of any Event of Default, the Lender, by notice to the Grantor, may terminate or limit the Grantor's rights under this Section 6.

SECTION 7. Grantor's Rights to License Intellectual Property. Grantor shall provide prompt written notice to Secured Party of the licensing of any Intellectual Property. Secured Party agrees that all rights of any licensee of the Intellectual Property shall survive any exercise of rights and remedies by Secured Party in connection with this Agreement, including any foreclosure and subsequent transfer of such Intellectual Property by Secured Party. Secured Party further agrees, following the reasonable request of the Grantor or any licensee of the Intellectual Property and at the Grantor's or such licensee's expense, to execute such documents and to take such actions as may be reasonably requested by the Grantor or such licensee to preserve and protect the rights of any such licensee.

SECTION 8. Lender's Actions To Protect Intellectual Property. In the event of:

(a) Grantor's failure, within fifteen (15) days of written notice from Secured Party, to cure any failure by Grantor to observe or perform any of Grantor's covenants, agreements or other obligations hereunder; and/or

(b) the occurrence and continuance of any other Event of Default, Secured Party, acting in its own name or in that of Grantor, may (but shall not be required to) act in Grantor's place and stead and/or in Secured Party's own right in connection therewith.

SECTION 9. Rights Upon Default. Upon the occurrence and during the continuance of an Event of Default, in addition to all other rights and remedies, Secured Party may exercise all rights and remedies of a secured party under the PPSA with respect to the Intellectual Property, in addition to which Secured Party may sell, license, assign, transfer, or otherwise dispose of the Intellectual Property, subject to those restrictions to which Grantor is subject under applicable law and by contract. Any Person may conclusively rely upon an affidavit of an officer of Secured Party that an Event of Default has occurred and that Secured Party is authorized to exercise such rights and remedies.

SECTION 10. Secured Party As Attorney-In-Fact.

(a) Grantor hereby irrevocably makes, constitutes and appoints Secured Party (and all officers, employees or agents designated by Secured Party) as and for Grantor's true and lawful agent and attorney-in-fact, and in such capacity Secured Party shall have the right, with power of substitution for Grantor and in Grantor's name or otherwise, for the use and benefit of Secured Party:

(i) To supplement and amend from time to time **EXHIBITS A, B** and **C** of this Agreement to include any newly developed, applied for, registered, or acquired Intellectual Property of Grantor and any intent-to-use Trade-mark applications for which a statement of use or an amendment to allege use has been filed and accepted by CIPO.

(ii) Following the occurrence and during the continuance of any Event of Default, to exercise any of the rights and powers referenced herein.

(iii) Following the occurrence and during the continuance of any Event of Default, to execute all such instruments, documents, and papers as the Secured Party reasonably determines to be necessary or desirable in connection with the exercise of such rights and remedies and to cause the sale, license, assignment, transfer, or other disposition of the Intellectual Property, subject to those restrictions to which Grantor is subject under applicable law and by contract.

(b) The power of attorney granted herein, being coupled with an interest, shall be irrevocable until this Agreement is terminated in writing by a duly authorized officer of Secured Party.

(c) Secured Party shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 10(a), but if Secured Party elects to do any such act or to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to Grantor for any act or omission to act, except where a court of competent jurisdiction determines by final and nonappealable judgment that the subject act or omission to act has resulted from the gross negligence or willful misconduct of Secured Party.

SECTION 11. Lender's Rights. Any use by Secured Party of the Intellectual Property, as authorized hereunder in connection with the exercise of Secured Party's rights and remedies under this Agreement shall be without any liability for royalties or other related charges.

SECTION 12. Further Assurances. Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further documents, financing statements, agreements and instruments and take all such further actions as Secured Party may from time to time reasonably request to better assure, preserve, protect and perfect the security interest in the IP Collateral granted pursuant to this Agreement and the rights and remedies created hereby or the validity or priority of such security interest including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the security interest and the filing of any financing statements or other documents in connection herewith or therewith.

SECTION 13. Choice of Laws. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

GRANTORS:

TRIBUTE PHARMACEUTICALS CANADA INC.

By: _____
Name: Rob Harris
Title: Chief Executive Officer

Address for Notices:

Fax: _____
Email: _____
Attn: _____

MEDICAL FUTURES INC.

By: _____
Name: Rob Harris
Title: President and Secretary

Address for Notices:

Fax: _____
Email: _____
Attn: _____

SECURED PARTY:

DEERFIELD PRIVATE DESIGN FUND III, L.P.

By: Deerfield Mgmt. III, L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.

By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

EXHIBIT A
List of Copyrights and Copyright Licenses

Copyright Registrations

Holder/Licensee	Name/Identifier of IP or License	Type of IP (e.g., paten, TM, ©, mark work) or License Agreement	Expiration Date (if a License, expiration of License and Licensed Property)	Jurisdiction
Medical Futures Inc.	Purfem Carton Design Reg#1087581	Copyright		CAN

EXHIBIT B

List of Patents and Patent Licenses

TRIBUTE PHARMACEUTICALS CANADA INC.				
Holder/Licensee	**Name / Identifier of IP or License**	**Type of IP**	**Expiration Date (if a License, expiration of License and Licensed Property)**	**Jurisdiction**
Tribute Pharmaceuticals Canada Inc.	Uracyst - #6,083,933 (US Patent)	Patent	04/19/2019	US
Tribute Pharmaceuticals Canada Inc.	Uracyst - #2,269,260 (Canadian Patent)	Patent	04/16/2019	CAN
Tribute Pharmaceuticals Canada Inc.	Uracyst - #US 7772210 (United States)	Patent	2/19/2023	US
Tribute Pharmaceuticals Canada Inc.	Uracyst - #ZL200480006467.1 (China)	Patent	02/18/2024	CHINA
Tribute Pharmaceuticals Canada Inc.	Uracyst - #4778888 (Japan)	Patent	02/18/2024	JAPAN
Tribute Pharmaceuticals Canada Inc.	Uracyst - #AU 2004212650 (Australia)	Patent	02/18/2024	AUS
Tribute Pharmaceuticals Canada Inc.	Uracyst - #1603578 (Europe)	Patent	02/18/2024	EURO
Tribute Pharmaceuticals Canada Inc.	Uracyst - Application #4050/DELNP (India – pending)	Patent Application	N/A	INDIA
Tribute Pharmaceuticals Canada Inc.	Uracyst - Application #170309 (Israel – pending)	Patent Application	N/A	ISRAEL
Tribute Pharmaceuticals Canada Inc.	Uracyst - #2515512 (Canada)	Patent	02/18/2024	CAN
Tribute Pharmaceuticals Canada Inc.	Uracyst - #8084441 (United States – second high dose patent)	Patent	2/19/2023	US

Tribute Pharmaceuticals Canada Inc.	Uracyst - #8334276 (United States – third high dose patent)	Patent	2/19/23	US
Tribute Pharmaceuticals Canada Inc.	Uracyst - 8.778,908(United States – fourth high dose patent)	Patent	2/19/23	US
Tribute Pharmaceuticals Canada Ltd.	Cambia Patent Application # 2,254,144 (Canada) (granted)	Patent	May 15, 2017	CAN
Tribute Pharmaceuticals Canada Ltd.	Cambia Patent Application # 2,632,375 (Canada) (pending)	Patent	June 16, 2026 (if granted)	CAN
Tribute Pharmaceuticals Canada Inc.	Benzimidazole derivatives (bilastine) patent CA#2,206,754	Patent	June 3, 2017	CAN
Tribute Pharmaceuticals Canada Inc.	Benzimidazole derivatives (bilastine) CA#2,206,754	Patent	April 19, 2022	CAN
Medical Futures Inc.	A composition for prevention and treatment of colon adenomas CA 2467894	Patent	N/A	CAN
Medical Futures Inc.	Nutritional Supplementation for treating deficiency states in bowel disease CA 2432358	Patent	N/A	CAN
Medical Futures Inc.	Medicated gumstick for treatment in anti-inflammatory conditions and prophylaxis against NSAID gastropathy CA 2511158	Patent	N/A	CAN

EXHIBIT C

List of Trade-marks and Trade-mark Licenses

TRIBUTE PHARMACEUTICALS CANADA INC.				
Holder/Licensee	**Name / Identifier of IP or License**	**Type of IP**	**Expiration Date (if a License, expiration of License and Licensed Property)**	**Jurisdiction**
Tribute Pharmaceuticals Canada Inc.	NeoVisc Trademarks - Canada (TMA 486692), Germany (30457514.3), European Community (004376208), Dominican Republic (140250), Mexico (823752)	Trademarks	N/A	CAN GERMANY EURO DOM. REP. MEXICO
Tribute Pharmaceuticals Canada Inc.	Uracyst Trademarks - Canada (TMA486693), United States (2677199), European Community (002297653), Korea (40-0849594), Turkey 2008055507	Trademarks	N/A	CAN U.S. EURO KOREA TURKEY
Tribute Pharmaceuticals Canada Inc.	Uropol Trademarks - Germany (303 46 971), Austria (230 503), Switzerland (514 536) EU (010499218)	Trademarks	N/A	GERMANY AUSTRIA SWITZERLAND EURO
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application# 86/006,569 and 86/006,574 (United States); Application #1609470	Trademark Application	N/A	US CAN

Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application # 1,609,443 (Canada)	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application # 1,609,447 (Canada)	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application # 1,609,440 (Canada)	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Ltd.	Cambia Trademark TMA806381	Trademark License Agreement	December 31, 2025	CAN
Tribute Pharmaceuticals Canada Inc.	Visken & Viskazide Reg #: TMA231315 Novartis Pharmaceuticals Canada Inc	Trademark	40 years	CAN
Tribute Pharmaceuticals Canada Inc.	Fiorinal Reg #: TMA285639 Novartis Pharmaceuticals Canada Inc	Trademark	Owned by Tribute	CAN
Tribute Pharmaceuticals Canada Inc.	Soriatane Trademarks TMA436505	License to use Trademarks	December 31, 2018	CAN
Tribute Pharmaceuticals Canada Inc.	Bezalip SR Trademarks TMA247035	License to use Trademarks	December 31, 2018	CAN
Tribute Pharmaceuticals Canada Inc.	License Agreement for Bezalip and Soriatane in Canada	License Agreement	December 31, 2018	CAN
Tribute Pharmaceuticals Canada Ltd.	License Agreement for Bezalip in the United States	License Agreement	N/A	US
Tribute Pharmaceuticals Canada Ltd.	License Agreement for Cambia in Canada	License Agreement	December 31, 2025	CAN

Tribute Pharmaceuticals Canada Inc.	License Agreement for MycoVa in Canada	License Agreement	December 30, 2026	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals App# 1609446 Reg#TMA924415	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals & Design App#1609470 Reg#TMA924430	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	FIORICET App#1699153	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	SOLUTION K App#1122084 Reg#TMA603920	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	FIORINAL App#0217852 Reg#UCA043301	Trademark	N/A	CAN

Medical Futures Inc.				
Holder/Licensee	**Name/Identifier of IP or License**	**Type of IP (e.g., paten, TM, ©, mark work) or License Agreement**	**Expiration Date (if a License, expiration of License and Licensed Property)**	**Jurisdiction**
Medical Futures Inc.	MEDICAL FUTURES App #1517459 Reg#TMA869149	Trademark	January 15, 2029	CAN
Medical Futures Inc.	MFI PHARMA App#1517458 Reg#TMA869148	Trademark	January 15, 2029	CAN
Medical Futures Inc.	ONYPEN App#1504324 Reg#TMA817342	Trademark	February 9, 2027	CAN
Medical Futures Inc.	PEGALAX App#1364518 Reg#TMA733513	Trademark	January 29, 2024	CAN

Medical Futures Inc.	PHARMA CUBE App#1514622 Reg#TMA869150	Trademark	January 15, 2029	CAN
Medical Futures Inc.	PINK BOX DESIGN App#1534490 Rg#TMA831061	Trademark	September 4, 2027	CAN
Medical Futures Inc.	PURFEM App#1500683 Reg#TMA813952	Trademark	December 11, 2026	CAN
Medical Futures Inc.	RESULTZ App#1224453 Reg#TMA717920	Trademark	July 4, 2023	CAN
Medical Futures Inc.	RESULTZ LT App#1308003 Reg#TMA717885	Trademark	July 4, 2023	CAN
Medical Futures Inc.	PURFEM Serial #: 85335697 Registration #: 4281394	Trademark	January 29, 2023	U.S.
Medical Futures Inc.	2CEC App#1623588	Trademark Application	Application Date: April 23, 2013	CAN
Medical Futures Inc.	BALANSE DESIGN App#1635678	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	BALANCE PROBIOTIC App#1617955	Trademark Application	Application Date: March 12, 2013	CAN
Medical Futures Inc.	DIAFLOR App#1645027	Trademark Application	Application Date: September 25, 2013	CAN
Medical Futures Inc.	MF Design Mark App#1517860	Trademark Application	Application Date: March 4, 2011	CAN
Medical Futures Inc.	MFBL1 App#1635679	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFBL2 App#1635680	Trademark Application	Application Date: July 18, 2013	CAN

Medical Futures Inc.	MFLA1 App#1635683	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFLR1 App#1635684	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFLR2 App#1635685	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	ONYSPRAY App#1616304	Trademark Application	Application Date: March 1, 2013	CAN
Medical Futures Inc.	2CEC Serial#85920158	Trademark Application	Application Date: May 1, 2013	US
Medical Futures Inc.	ONYSPRAY Serial#85868594	Trademark Application	Application Date: March 6, 2013	US
Medical Futures Inc.	BALANSE PROBIOTIC Serial#86057581	Trademark Application	Application Date: September 6, 2013	US
Medical Futures Inc.	PROBIOTIC BALANSE PROBIOTIC DESIGN Serial#86168769	Trademark Application	Application Date: January 17, 2014	US
Medical Futures Inc.	MFBL1 Serial#86159115	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFBL2 Serial#86159092	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFLA1 Serial#86159106	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFLR1 Serial#86159110	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFLR2 Serial#86159101	Trademark Application	Application Date: January 7, 2014	US

Tribute and Medical Futures IP Agreements

EUSA Pharma (Europe) Ltd. Magdalen Centre Oxford Science Park Oxford, England OXG4GA	EUSA Consent Agreement to the Collatamp G licensing rights to Theramed
Medical Futures Inc.	License and Supply Agreement dated November 26, 2008 between Norgine B.V. and MFI for Moviprep, as amended
Medical Futures Inc.	License Agreement dated April 23, 2015 between Piedmont

	Pharmaceuticals LLC and MFI
Medical Futures Inc.	MFI is also licensed to use the following trademarks: Durela, Iberogast, Moviprep, Mutaflor, Normacol, Octasa, Proferrin and Resultz
Medical Futures Inc.	Distribution and Supply Agreement dated September 22, 2011 between Cipher Pharmaceuticals Inc. and MFI for Durela, as amended
Medical Futures Inc.	Distribution Agreement dated December 1, 20106 between Colorado Biolabs, Inc. and MFI, as amended.
Medical Futures Inc.	RESULTZ Commercial Licensing Agreement dated 5 September 2012 whereby Lapidot Medical Inc. grants a license to MFI to use the Product RESULTZ for broadcast on commercial television in Canada.
Medical Futures Inc.	Assignment and Assumption Agreement dated 16 August 2012 whereby Takeda Canada, Inc. assigns to MFI all of its rights to manufacture, distribute, market and sell the Product "Resultz" in Canada. Takeda Canada, Inc. also assigns to MFI all of its right, title, estate and interest in the RESULTZ trademark and corresponding registrations, and the RESULTZ website.
Medical Futures Inc.	Amended and Restated Exclusive Distribution Agreement dated October, 2014 between Bayer Inc. and MR for Iberogast.
Medical Futures Inc.	Octasa Distribution and Marketing Agreement dated July 9, 2014 between Tillots Pharma AG and MFI for Octasa.

Medical Futures Inc.	Software licence agreements with respect to the following programs: a) Microsoft Dynamic b) Microsoft Office c) Windows 7 d) Windows Server 2013 e) UPS WorldShip f) ATS Shipping g) Adobe Suite h) Concur i) Quickbooks j) Salesforce.com k) Invoice for Order No. 9382738536 regarding purchase by MFI from Digital River International Sarl of SaaS Endpoint and Email Protection by McAfee, Inc.

CANADIAN SECURITY AGREEMENT

between

ARALEZ PHARMACEUTICALS INC.

and

DEERFIELD PRIVATE DESIGN FUND III, L.P.,
DEERFIELD INTERNATIONAL MASTER FUND, L.P.
AND DEERFIELD PARTNERS, L.P.,
as Lenders

February 5, 2016

CANADIAN SECURITY AGREEMENT

THIS CANADIAN SECURITY AGREEMENT dated as of February 5, 2016 (this "Agreement") is entered into between Aralez Pharmaceuticals Inc., a corporation formed under the laws of British Columbia ("Borrower") and each other Person signatory hereto as a Grantor (together with Borrower and any other Person that becomes a party hereto as provided herein, the "Grantors" and each, a "Grantor") in favor of Deerfield Private Design Fund III, L.P., Deerfield International Master Fund, L.P. and Deerfield Partners, L.P. (the "Lenders").

RECITALS

A. Lenders have agreed to extend credit to Borrower pursuant to the Facility Agreement (defined below).

B. It is a condition precedent to Lenders' obligation to extend credit under the Facility Agreement (defined below) that Grantors shall have executed and delivered this Agreement to Lenders.

In consideration of the premises and to induce Lenders to enter into the Facility Agreement and to induce Lenders to extend credit thereunder, each Grantor hereby agrees with Lenders as follows:

SECTION 1 DEFINITIONS.

1.1 Unless otherwise defined herein, terms defined in the Facility Agreement and used herein shall have the meanings given to them in the Facility Agreement, and the following terms are used herein as defined in the PPSA: Accounts, Certificated Security, Chattel Paper, Consumer Goods, Documents of Title, Equipment, Goods, Instruments, Intangibles and Inventory.

1.2 When used herein the following terms shall have the following meanings:

"Agreement" has the meaning set forth in the preamble of this Agreement.

"Collateral" means any and all property or other assets, exclusive of Excluded Property, now existing or hereafter acquired or created, real or personal, tangible or intangible, wherever located, and whether owned by, consigned to, or held by, or under the care, custody or control of Grantors (or any of them), including:

(a) money, cash, and cash equivalents;

(b) Accounts and all of each Grantor's rights and benefits under the Accounts, including, but not limited to, each Grantor's right to receive payment in full of the obligations owing to such Grantor thereunder, whether now or hereafter existing, together with any and all guarantees and/or security therefor, as well as all of Grantors' books and records relating thereto;

(c) Deposit Accounts, other bank and deposit accounts (including any bank accounts maintained by Grantors (or any of them) or any of their Subsidiaries), and all sums on deposit in any of them, and any items in such accounts;

(d) Investment Property;

(e) Inventory, Equipment, fixtures, and other Goods;

(f) Chattel Paper, Documents of Title, and Instruments;

(g) letters of credit and letter of credit rights;

(h) [Intentionally Omitted.]

(i) [Intentionally Omitted.]

(j) books and records;

(k) real property interests, leases and leasehold estates in real property of each Grantor, as lessee;

(l) Intangibles (including all Intellectual Property, Claims, Intangibles, contract rights, choses in action, and software);

(m) all of each Grantor's other interests in property of every kind and description, and the products, profits, rents of, dividends or distributions on, or accessions to such property; and

(n) all Proceeds (including insurance claims and insurance proceeds) of any of the foregoing, regardless of whether the Collateral, or any of it, is property as to which the PPSA provides the perfection of a security interest, and all rights and remedies applicable to such property.

Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof. Notwithstanding the foregoing, "Collateral" shall not include Excluded Property.

"Control Agreement" means an agreement among a Grantor or any of its Subsidiaries, Lenders and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of such Grantor or such Subsidiary, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of such Grantor or such Subsidiary, or (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by such Grantor or such Subsidiary.

"Deposit Account" means a deposit, demand, savings, passbook or similar account maintained with a bank or other financial institution and having a depository function.

"Dollars" and "$" each mean lawful money of the United States of America.

"Excluded Property" means, collectively, (a) any permit, license or agreement entered into by any Grantor (i) to the extent that any such permit, license or agreement or any requirement of law applicable thereto prohibits the creation of a Lien thereon, but only to the extent, and for as long as, such prohibition is not terminated or rendered unenforceable or otherwise deemed ineffective by the PPSA or any other requirement of law, (ii) which would be abandoned, invalidated or unenforceable as a result of the creation of a Lien in favor of Lenders or (iii) to the extent that the creation of a Lien in favor of Lenders would result in a breach or termination pursuant to the terms of or a default under any such permit, license or agreement (other than to the extent that any such term would be rendered ineffective pursuant to the Section 40(4) of the PPSA or any other applicable law (including bankruptcy legislation) or principles of equity), (b) property owned by any Grantor that is subject to a purchase money Lien or a capital lease permitted under the Facility Agreement if the agreement pursuant to which such Lien is granted (or in the document providing for such capital lease) prohibits or requires the consent of any Person other than a

Grantor and its Affiliates which has not been obtained as a condition to the creation of any other Lien on such property, (c) any "intent to use" trademark applications for which a statement of use has not been filed (but only until such statement is filed) and (d) Consumer Goods; provided, however, "Excluded Property" shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

"Facility Agreement" means the Second Amended and Restated Facility Agreement dated as of December 7, 2015 among Aralez Pharmaceuticals Inc., Tribute and Lenders, as amended, supplemented, restated or otherwise modified from time to time.

"Grantor" has the meaning set forth in the preamble of this Agreement.

"Investment Property" means the collective reference to (a) all "investment property" as such term is defined in the PPSA, (b) all "financial assets" as such term is defined in the PPSA, and (c) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Equity.

"Issuers" means the collective reference to each issuer of any Investment Property.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or otherwise), security interest or other security arrangement and any other preference, priority or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement.

"Obligations" means all Obligations (as defined in the Facility Agreement) of Credit Parties to Lenders whether now existing or hereafter and however arising.

"Paid in Full" means (a) all Secured Obligations (other than contingent claims for indemnification or reimbursement not then asserted) have been indefeasibly repaid in full in cash and have been fully performed, (b) all other Obligations (other than contingent claims for indemnification or reimbursement not then asserted) under the Facility Agreement and the other Loan Documents have been completely discharged, (c) all commitments of Lenders, if any, to extend credit that would constitute Obligations have been terminated or have expired and (d) Lenders have been released by each Grantor of all claims against Lenders under the Loan Documents.

"Pledged Equity" means the equity interests listed on Schedule 1, together with any other equity interests, certificates, options or rights of any nature whatsoever in respect of the equity interests of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect.

"Pledged Notes" means all promissory notes listed on Schedule 1, all intercompany notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

"PPSA" means the *Personal Property Security Act* (Ontario), as amended; provided that, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lenders' Lien on any Collateral is governed by other personal property security laws in any other province or territory of Canada, the term "PPSA" shall mean the personal property security law as enacted and in effect in such other jurisdiction solely for purposes of the

provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Proceeds" means all "proceeds" as such term is defined in the PPSA and, in any event, shall include all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable" means any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including any Accounts).

"Secured Obligations" means, collectively, the Obligations and all obligations and liabilities of Grantors to Lenders under this Agreement.

"Securities Act" means the *Securities Act* (Ontario), as amended.

SECTION 2 [Intentionally Omitted.].

SECTION 3 GRANT OF SECURITY INTEREST.

3.1 Grant. Each Grantor hereby assigns and transfers to Lenders, and hereby grants to Lenders and (to the extent provided herein) their Affiliates, a continuing security interest in all of its Collateral, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations. Notwithstanding the foregoing, no Lien or security interest is hereby granted on any Excluded Property.

SECTION 4 REPRESENTATIONS AND WARRANTIES.

To induce Lenders to enter into the Facility Agreement and to induce Lenders to make extensions of credit to Borrower thereunder, each Grantor jointly and severally hereby represents and warrants to Lenders that:

4.1 Title; No Other Liens. Except for Permitted Liens, the Grantors own each item of the Collateral free and clear of any and all Liens or claims of others. As of the Closing Date, no effective financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except filings evidencing Permitted Liens.

4.2 Perfected Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 2 (which filings and other documents referred to on Schedule 2, have been delivered to Lenders in completed form) will constitute valid perfected security interests in all of the Collateral in favor of Lenders as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof and in accordance with the terms of the Facility Agreement and (b) shall be prior to all other Liens on the Collateral except for Permitted Liens having priority over Lenders' Lien by operation of law or permitted pursuant to the Facility Agreement upon (i) in the case of all pledged certificated stock, Pledged Notes, Pledged Equity and other pledged Investment Property, the delivery thereof to Lenders of such pledged certificated stock, Pledged Notes, Pledged Equity and other pledged Investment Property consisting of instruments and certificates, in each case properly endorsed for transfer to Lenders or in blank, (ii) in the case of all pledged Investment Property not in certificated form, the execution of Control Agreements with respect to such pledged Investment Property and (iii) in the case of all other pledged instruments and tangible chattel paper that are not pledged certificated stock, Pledged Notes, Pledged Equity and other pledged Investment

Property, the delivery thereof to Lenders of such instruments and tangible chattel paper. Except as set forth in this Section 4.2, all actions by each Grantor necessary to perfect the Lien granted hereunder on the Collateral have been duly taken. As of the date hereof, the filings and other actions specified on Schedule 2 constitute all of the filings and other actions necessary to perfect all security interests granted hereunder.

4.3 Grantor Information. On the date hereof, Schedule 3 sets forth (a) each Grantor's jurisdiction of organization, (b) the location of each Grantor's chief executive office, (c) each Grantor's exact legal name as it appears on its organizational documents, (d) each Grantor's incorporation number (to the extent a Grantor is organized in a jurisdiction which assigns such numbers) and (e) each province or territory of Canada not listed on Schedule 4 in which the Grantor has assets.

4.4 Collateral Locations. On the date hereof, Schedule 4 sets forth (a) each place of business of each Grantor (including its chief executive office), (b) all locations where all Inventory and Equipment with a book value in excess of $50,000 individually or $100,000 in the aggregate for all Collateral owned by each Grantor is kept (other than Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by the Facility Agreement) and (c) whether each such Collateral location and place of business (including each Grantor's chief executive office) is owned or leased (and if leased, specifies the complete name and notice address of each lessor). On the Closing Date, no Collateral (other than Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by the Facility Agreement) with a book value greater than $50,000 individually or $100,000 in the aggregate for all Grantors is located outside Canada or the United States or in the possession of any lessor, bailee, warehouseman or consignee, except as indicated on Schedule 4.

4.5 Certain Property. None of the Collateral constitutes, or is the Proceeds of vessels, aircraft or any other personal property subject to any certificate of title or other registration statute of Canada, the United States, any State or other jurisdiction, except for motor vehicles owned by the Grantors and used by employees of the Grantors in the ordinary course of business with an aggregate fair market value of less than $25,000 (in the aggregate for all Grantors).

4.6 Investment Property.

(a) The Pledged Equity pledged by each Grantor hereunder constitutes all the issued and outstanding equity interests of each Issuer owned by such Grantor.

(b) All of the Pledged Equity has been duly and validly issued and, in the case of shares of capital stock and membership interests, is fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms (subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing).

4.7 As of the date hereof, Schedule 1 lists all Investment Property owned by each Grantor with a value greater than $50,000 individually or $100,000 in the aggregate for all Grantors. Each Grantor is the record and beneficial owner of, and has good and valid title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except Permitted Liens.

4.8 Receivables.

(a) No material amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to Lenders.

(b) No obligor on any Receivable is a Governmental Authority.

(c) The amounts represented by such Grantor to Lenders from time to time as owing to such Grantor in respect of the Receivables will at all such times be accurate in all material respects.

4.9 Intellectual Property. Schedule 5 lists all Intellectual Property that is registered or is the subject of an application to register and owned by such Grantor in its own name on the date hereof. Except as set forth in Schedule 5 and except for non-exclusive licenses of software and other Intellectual Property acquired in the ordinary course of business, none of the Intellectual Property of any Grantor is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

4.10 Depository and Other Accounts. Schedule 6 lists all banks and other financial institutions at which any Grantor maintains deposit or other accounts as of the Closing Date and such Schedule 6 correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

4.11 Facility Agreement. Each Grantor makes each of the representations and warranties made by Borrower in the Facility Agreement to the extent applicable to it on the date such Grantor becomes a party hereto (which representations and warranties shall be deemed to be renewed upon each borrowing under the Facility Agreement). Such representations and warranties shall be incorporated herein by this reference as if fully set forth herein.

SECTION 5 COVENANTS.

Each Grantor covenants and agrees with Lenders that, from and after the date of this Agreement until the Secured Obligations shall have been Paid in Full:

5.1 Delivery of Instruments, Certificated Securities and Chattel Paper. If any amount payable under or in connection with any of the Collateral in excess of $50,000 individually or $100,000 in the aggregate for all Grantors shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall (unless Lenders have agreed in writing that such delivery will not be required) be promptly (and, in any event, within five (5) Business Days) delivered to Lenders, duly indorsed in a manner reasonably satisfactory to Lenders, to be held as Collateral pursuant to this Agreement. In the event that an Event of Default shall have occurred and be continuing, upon the request of Lenders, any Instrument, certificated security or Chattel Paper not theretofore delivered to Lenders and at such time being held by any Grantor shall be promptly (and, in any event, within five (5) Business Days) delivered to Lenders, duly indorsed in a manner satisfactory to Lenders, to be held as Collateral pursuant to this Agreement.

5.2 Maintenance of Perfected Security Interest; Further Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.2, and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as Lenders may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of Lenders, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as Lenders may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including (i) filing any financing or continuation statements under the PPSA (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby, (ii) in the case of Investment Property and any other relevant Collateral, taking any such requested actions necessary to enable Lenders to obtain "control" (within the meaning of the applicable PPSA) with respect to such Investment Property or Collateral to the extent required to be pledged hereunder; and (iii) if requested by Lenders, delivering, to the extent permitted by law, any original motor vehicle certificates of title received by such Grantor from the applicable secretary of state or other Governmental Authority after information reflecting Lenders' security interest has been recorded in such motor vehicles to the extent required to be pledged thereunder.

5.3 Changes in Locations, Name, etc. Such Grantor shall not, except upon 10 Business Days' prior written notice to Lenders and delivery to Lenders of (a) all additional financing statements and other documents reasonably requested by Lenders as to the validity, perfection and priority of the security interests provided for herein; (b) if applicable, a written supplement to Schedule 4 showing any additional location at which Inventory or Equipment with a book value in excess of $50,000 individually or $100,000 in the aggregate for all Grantors shall be kept (other than Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by the Facility Agreement); and (c) if applicable, a written supplement to Schedule 3 showing any additional province or territory of Canada not listed on Schedule 4 in which the Grantor has assets:

(i) permit any of the Inventory or Equipment with a book value greater than $50,000 individually or $100,000 in the aggregate for all Grantors to be kept at a location other than those listed on Schedule 4, other than the Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by Facility Agreement;

(ii) change its jurisdiction of organization or the location of its chief executive office from that specified on Schedule 3 or in any subsequent notice delivered pursuant to this Section 5.3; or

(iii) change its name, identity or corporate structure.

5.4 Notices. Such Grantor will advise Lenders promptly upon becoming aware, in reasonable detail, of:

(a) any Lien (other than Permitted Liens) on any of the Collateral; and

(b) the occurrence of any other event which would reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereby.

5.5 Investment Property.

(a) If such Grantor shall become entitled to receive or shall receive any certificate, option or rights in respect of the equity interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any of the Pledged Equity, or otherwise in respect thereof, such Grantor shall accept the same as the agent of Lenders, hold the same in trust for Lenders and deliver the same forthwith to Lenders in the exact form received, duly indorsed by such Grantor to Lenders, if required, together with an undated instrument of transfer covering such certificate duly executed in blank by such Grantor and with, if Lenders so requests, signature guarantied, to be held by Lenders, subject to the terms hereof, as additional Collateral for the Secured Obligations. Upon the occurrence and during the continuance of an Event of Default, (i) any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to Lenders to be held by it hereunder as additional Collateral for the Secured Obligations, and (ii) in case any distribution of capital shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected Lien in favor of Lenders, be delivered to Lenders to be held by them hereunder as additional Collateral for the Secured Obligations. Upon the occurrence and during the continuance of an Event of Default, if any sums of money or property so paid or distributed in respect of the Investment Property shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to Lenders, hold such money or property in trust for Lenders, segregated from other funds of such Grantor, as additional Collateral for the Secured Obligations.

(b) Without the prior written consent of Lenders, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any equity interests of any nature or to issue any other securities or interests convertible into or granting the right to purchase or exchange for any equity interests of any nature of any Issuer, except, in each case, as permitted by the Facility Agreement, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Facility Agreement) other than, with respect to Investment Property not constituting Pledged Equity or Pledged Notes, any such action in the ordinary course of business which is not prohibited by the Facility Agreement, (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for Permitted Liens, or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or Lenders to sell, assign or transfer any of the Investment Property or Proceeds thereof, except, any such action which is not prohibited by the Facility Agreement.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Investment Property issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify Lenders promptly in writing of the occurrence of any of the events described in Section 5.5(a) of this Agreement with respect to the Investment Property issued by it and (iii) the terms of Sections 6.3(c) and 6.7 of this Agreement shall apply to such Grantor with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 of this Agreement regarding the Investment Property issued by it.

5.6 Receivables.

(a) Other than in the ordinary course of business or with respect to amounts which are not material to such Grantor, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that would reasonably be expected to adversely affect the value thereof in any material respect.

(b) Such Grantor will deliver to Lenders a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than five percent (5%) of the aggregate amount of the then outstanding Receivables for all Grantors.

5.7 Intellectual Property. Except as expressly permitted by the Facility Agreement,

(a) Such Grantor (either itself or through licensees) will (i) continue to use each trademark (owned by such Grantor) material to its business, in order to maintain such material trademark in full force free from any claim of abandonment for non-use, (ii) use such material trademark with the appropriate notice of registration and all other notices and legends required by applicable law, (iii) not adopt or use any mark which is confusingly similar or a colorable imitation of such material trademark unless Lenders shall obtain a perfected security interest in such mark pursuant to this Agreement and (iv) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such material trademark becomes invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any patent owned by such Grantor material to its business may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each copyright owned by such Grantor material to its business and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of such copyrights may become invalidated or otherwise impaired, and (iii) will not (either itself or through licensees) do any act whereby any material portion of such copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not knowingly do any act that uses any Intellectual Property material to its business to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify Lenders promptly if it knows that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any determination or development (including the institution of, or any such determination or development in, any proceeding in the Canadian Intellectual Property Office, the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding, such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same would reasonably be expected to have a Material Adverse Effect.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the Canadian Intellectual Property Office, the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to Lenders concurrently with the next delivery of financial statements of Borrower pursuant to the Facility Agreement. Upon the request of Lenders, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as Lenders may request to evidence Lenders' security interest in any copyright, patent or trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of all material Intellectual Property owned by it.

(h) In the event that any material Intellectual Property is infringed upon or misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify Lenders after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

5.8 Depositary and Other Deposit Accounts. Grantors shall cause each Bank at which they maintain Deposit Accounts to enter into a Control Agreement with Lenders. No Grantor shall open any Deposit Accounts not listed on Schedule 6 unless such Grantor shall have given to Lenders 10 calendar days' prior written notice (or such lesser notice as Lenders may agree in its reasonable discretion) of its intention to open any such new Deposit Accounts and shall have caused the bank at which such account is held to enter into a Control Agreement.

5.9 Other Matters.

(a) Each Grantor authorizes Lenders to, at any time and from time to time, file financing statements, continuation statements, and amendments thereto that describe the Collateral as "all assets" of each Grantor, or words of similar effect, and which contain any other information required pursuant to the PPSA for the sufficiency of filing office acceptance of any financing statement, continuation statement or amendment, and each Grantor agrees to furnish any such information to Lenders promptly upon request. Any such financing statement, continuation statement or amendment may be signed by Lenders on behalf of any Grantor and may be filed at any time in any jurisdiction.

(b) Each Grantor shall, at any time and from time and to time, take such steps as Lenders may reasonably request for Lenders to insure the continued perfection and priority of Lenders' security interest in any of the Collateral and of the preservation of its rights therein.

5.10 Facility Agreement. Each of the Grantors covenants that it will, and, if necessary, will cause or enable Borrower to, fully comply with each of the covenants and other agreements set forth in Facility Agreement.

5.11 Insurance.

Each Grantor shall:

(a) Keep the Collateral properly housed and insured for the full insurable value thereof against loss or damage by fire, theft, explosion, sprinklers, collision (in the case of motor vehicles) and such other risks as are customarily insured against by Persons engaged in businesses similar to that of such Grantor, with such companies, in such amounts, with such deductibles, and under policies in such form, as shall be reasonably satisfactory to Lenders. Grantor shall provide Lenders with certificates of insurance on the date of this Agreement and original (or certified) copies of such policies of insurance within thirty (30) days of the date of this Agreement, together with evidence of payment of all premiums therefor, and such policies shall contain an endorsement, in form and substance acceptable to Lenders, showing loss under such insurance policies payable to Lenders. Such endorsement, or an independent instrument furnished to Lenders, shall provide that the insurance company shall give Lenders at least thirty (30) days written notice before any such policy of insurance is altered or canceled.

(b) Maintain, at their expense, such public liability and third party property damage insurance as is customary for Persons engaged in businesses similar to that of Grantors with such companies and in such amounts, with such deductibles and under policies in such form as shall be

satisfactory to Lenders. Grantor shall provide Lenders with certificates of insurance on the date of this Agreement and original (or certified) copies of such policies within thirty (30) days after the date of this Agreement, together with evidence of payment of all premiums therefor. Each such policy shall contain an endorsement showing Lenders as additional insureds thereunder and providing that the insurance company shall give Lenders at least thirty (30) days written notice before any such policy shall be altered or canceled.

SECTION 6 REMEDIAL PROVISIONS.

6.1 Certain Matters Relating to Receivables.

(a) At any time and from time to time after the occurrence and during the continuance of an Event of Default, Lenders shall have the right to make test verifications of the Receivables in any manner and through any medium that they reasonably consider advisable, and each Grantor shall furnish all such assistance and information as Lenders may reasonably require in connection with such test verifications. At any time and from time to time after the occurrence and during the continuance of an Event of Default, upon Lenders' request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to Lenders to furnish to Lenders reports showing reconciliations, agings and test verifications of, and trial balances for, the Receivables.

(b) Lenders hereby authorize each Grantor to collect such Grantor's Receivables, and Lenders may curtail or terminate such authority at any time after the occurrence and during the continuance of an Event of Default. If required by Lenders at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to Lenders if required and upon notice to such Grantor, in a collateral account maintained under the sole dominion and control of Lenders, subject to withdrawal by Lenders only as provided in Section 6.5, and (ii) until so turned over after such request by Lenders, shall be held by such Grantor in trust for Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At any time and from time to time after the occurrence and during the continuance of an Event of Default, at Lenders' request, each Grantor shall deliver to Lenders copies of all documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including all orders, invoices and shipping receipts.

(d) Each Grantor hereby irrevocably authorizes and empowers Lenders, in Lenders' sole discretion, at any time after the occurrence and during the continuance of an Event of Default, following Lenders' concurrent notice to such Grantor, to assert, either directly or on behalf of such Grantor, any claim such Grantor may from time to time have against the sellers under or with respect to any agreements assigned or collaterally assigned to Lenders and to receive and collect any and all damages, awards and other monies resulting therefrom and to apply the same to the Secured Obligations in such order as Lenders may determine in their discretion. After the occurrence and during the continuance of an Event of Default, each Grantor hereby irrevocably makes, constitutes and appoints Lenders as their true and lawful attorney in fact for the purpose of enabling Lenders to assert and collect such claims and to apply such monies in the manner set forth above, which appointment, being coupled with an interest, is irrevocable until the Secured Obligations are Paid in Full.

6.2 Communications with Obligors; Grantors Remain Liable.

(a) Lenders in their own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables to verify with them to Lenders' satisfaction the existence, amount and terms of any Receivables.

(b) Upon the written request of Lenders at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables that the Receivables have been assigned to Lenders and that payments in respect thereof shall be made directly to Lenders.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable in respect of each of the Receivables to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Lenders shall have no obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by Lenders of any payment relating thereto, nor shall Lenders be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(d) After the occurrence and during the continuance of an Event of Default, for the purpose of enabling Lenders to exercise rights and remedies under this Agreement, each Grantor hereby grants to Lenders an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. Such license will terminate when all of the Secured Obligations have been Paid in Full.

6.3 Investment Property.

(a) Unless an Event of Default shall have occurred and be continuing and Lenders shall have given written notice to the relevant Grantor of Lenders' intent to exercise their corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends and distributions paid in respect of the Pledged Equity and all payments made in respect of the Pledged Notes, to the extent permitted in the Facility Agreement, and to exercise all voting and other rights with respect to the Investment Property; provided, that no vote shall be cast or other right exercised or action taken which would reasonably be expected to materially impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Facility Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and Lenders shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) Lenders shall have the right to receive any and all cash dividends and distributions, payments or other Proceeds paid in respect of the Investment Property and make application thereof to the Secured Obligations in such order as Lenders may determine in their discretion, (ii) Lenders shall have the right to cause any or all of the Investment Property to be registered in the name of Lenders or their nominee and (iii) Lenders or their nominee may exercise (x) all voting and other rights pertaining to such Investment Property at any meeting of holders of the equity interests of the relevant Issuer or Issuers or otherwise (or by written consent) and (y) any and

all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if they were the absolute owner thereof (including the right to exchange at its discretion any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate or other structure of any Issuer, or upon the exercise by any Grantor or Lenders of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as Lenders may determine), all without liability except to account for property actually received by it, but Lenders shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) After the occurrence and during the continuance of an Event of Default, each Grantor hereby authorizes and instructs each Issuer of any Investment Property pledged by such Grantor hereunder to (i) comply with any instruction received by it from Lenders in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying and (ii) unless otherwise expressly permitted hereby, pay any dividends, distributions or other payments with respect to the Investment Property directly to Lenders.

6.4 Proceeds to be Turned Over to Lenders. In addition to the rights of Lenders specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other cash equivalent items shall be held by such Grantor in trust for Lenders, segregated from other funds of such Grantor, and shall, upon written request of Lenders, forthwith upon receipt by such Grantor, be turned over to Lenders in the exact form received by such Grantor (duly indorsed by such Grantor to Lenders, if required). All Proceeds received by Lenders hereunder shall be held by Lenders in a collateral account maintained under its sole dominion and control. All Proceeds, while held by Lenders in any collateral account (or by such Grantor in trust for Lenders) established pursuant hereto, shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5 Application of Proceeds. Lenders may apply all or any part of Proceeds from the sale of, or other realization upon, all or any part of the Collateral in payment of the Secured Obligations in such order as Lenders shall determine in its discretion. Any part of such funds which Lenders elects not so to apply and deems not required as collateral security for the Secured Obligations shall be paid over from time to time by Lenders to the applicable Grantor or to whomsoever may be lawfully entitled to receive the same. Any balance of such Proceeds remaining after the Secured Obligations shall have been Paid in Full shall be paid over to the applicable Grantor or to whomsoever may be lawfully entitled to receive the same.

6.6 PPSA and Other Remedies. If an Event of Default shall occur and be continuing, Lenders may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the PPSA or any other applicable law. Without limiting the generality of the foregoing, Lenders, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses (other than defense of payment), advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or

contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of Lenders or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery with assumption of any credit risk. Lenders shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at Lenders' request, to assemble the Collateral and make it available to Lenders at places which Lenders shall reasonably select, whether at such Grantor's premises or elsewhere. Lenders shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable documented out-of-pocket costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of Lenders hereunder, to the payment in whole or in part of the Secured Obligations, in such order as Lenders may elect in its discretion, and only after such application and after the payment by Lenders of any other amount required by any provision of law, need Lenders account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against Lenders arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 calendar days before such sale or other disposition.

6.7 Registration Rights.

(a) If Lenders shall determine to exercise their right to sell any or all of the Pledged Equity pursuant to Section 6.6, and if in the opinion of Lenders it is necessary or advisable to have the Pledged Equity, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of Lenders, necessary or advisable to register the Pledged Equity, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its commercially reasonable efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Equity, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of Lenders, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which Lenders shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of the Securities Act.

(b) Each Grantor recognizes that Lenders may be unable to effect a public sale of any or all the Pledged Equity, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Lenders shall be under no obligation to delay a sale of any of the Pledged Equity for the period of time necessary to permit the Issuer thereof to register such securities or other interests for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Equity pursuant to this Section 6.7 valid and binding and in compliance with applicable law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to Lenders, that Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Facility Agreement.

6.8 Waiver; Deficiency. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 64 of the PPSA. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations in full and the reasonable fees and disbursements of any attorneys employed by Lenders to collect such deficiency.

SECTION 7 MISCELLANEOUS.

7.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Facility Agreement.

7.2 Notices. All notices, requests and demands to or upon Lenders or any Grantor hereunder shall be addressed to such party and effected in the manner provided for in the Facility Agreement.

7.3 Indemnification by Grantors. Each Grantor agrees to jointly and severally indemnify, pay, and hold Lenders and their Affiliates, officers, directors, employees, agents, and attorneys (the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, reasonable and documented out-of-pocket costs and expenses (including all reasonable documented out-of-pocket fees and reasonable expenses of counsel to such Indemnitees) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Indemnitee as a result of such Indemnitees being a party to this Agreement or the transactions consummated pursuant to this Agreement or otherwise relating to any of the Loan Documents; provided that no Grantor shall have any obligation to an Indemnitee hereunder with respect to liabilities to the extent resulting from the gross negligence or willful misconduct of that Indemnitee as determined by a final non-appealable order of a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, such Grantor agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law. The provisions in this Section 7.3 shall survive repayment of all (and shall be) Secured Obligations (and all commitments of Lenders, if any, to extend credit that would constitute Obligations have been terminated or have expired), any foreclosure under, or any modification, release or discharge of, any or all of the Collateral and termination of this Agreement.

7.4 Enforcement Expenses.

(a) Each Grantor agrees, on a joint and several basis, to pay or reimburse on demand Lenders for all reasonable out-of-pocket documented costs and expenses incurred in collecting against any Grantor or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents.

(b) Each Grantor agrees to pay, and to save Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) The agreements in this Section 7.4 shall survive repayment of all (and shall be) Secured Obligations (and all commitments of Lenders, if any, to extend credit that would constitute Borrower Obligations have been terminated or have expired), any foreclosure under, or any modification, release or discharge of, any or all of the Collateral and termination of this Agreement.

7.5 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

7.6 Nature of Remedies. All Secured Obligations of each Grantor and rights of Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law. No failure to exercise and no delay in exercising, on the part of Lenders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

7.7 Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one in the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

7.8 Severability. The invalidity, illegality or unenforceability in any jurisdiction of any provision under this Agreement or any of the other Loan Documents shall not affect or impair the remaining provisions in this Agreement or any of the other Loan Documents.

7.9 Entire Agreement. This Agreement and the other Loan Documents to which the parties hereto are parties embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations and understandings, whether oral or written, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. All Exhibits, Schedules and Annexes referred to herein are incorporated in this Agreement by reference and constitute a part of this Agreement. If any provision contained in this Agreement conflicts with any provision of the Facility Agreement, then with regard to such conflicting provisions, the Facility Agreement shall govern and control.

7.10 Successors; Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns except that Grantors may not assign their rights or obligations hereunder without the written consent of Lenders and any such purported assignment without such written consent shall be void.

7.11 Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

7.12 Consent to Jurisdiction. GRANTORS HEREBY CONSENT TO THE JURISDICTION OF THE COURTS OF COMPETENT JURISDICTION IN THE PROVINCE OF

ONTARIO AND IRREVOCABLY AGREE THAT, SUBJECT TO LENDERS' ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE LITIGATED IN SUCH COURTS. GRANTORS EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVE ANY DEFENSE OF FORUM NON CONVENIENS. GRANTORS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON GRANTORS BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWER, AT THE ADDRESS SET FORTH IN THE FACILITY AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.

7.13 Waiver of Jury Trial. GRANTORS AND LENDERS HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS. GRANTORS AND LENDERS ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. GRANTORS AND LENDERS WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

7.14 Set-off. Each Grantor agrees that Lenders have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, each Grantor agrees that at any time any Event of Default exists, Lenders may apply to the payment of any Secured Obligations in such order as Lenders may determine in its discretion, whether or not then due, any and all balances, credits, deposits, accounts or moneys of such Grantor then or thereafter with Lenders. Lenders hereby agrees that it shall endeavor to notify such Grantor of any such set-off or any such application, but failure to notify shall have no adverse determination or effect hereunder.

7.15 Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) Lenders have no fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Grantors and Lenders.

7.16 Addition of New Grantors. In accordance with the terms of the Facility Agreement, additional Persons may from time to time after the date of this Agreement become Grantors under this Agreement by executing and delivering to Lenders a joinder (together with all schedules thereto, a "Joinder") to this Agreement, in substantially the form attached hereto as Annex A. Effective from and after the date of the execution and delivery by any Person to the Lenders of a Joinder:

(a) such Person shall be, and shall be deemed for all purposes to be, a Grantor under this Agreement with the same force and effect, and subject to the same agreements, representations, indemnities, liabilities, obligations, liens and security interests, as if such Person had been an original signatory to this Agreement as a Grantor; and

(b) all Collateral of such Person shall be, and shall be deemed for all purposes to be "Collateral" of such Person for the purposes of this Agreement and subject to security interests from such Person in accordance with the provisions of this Agreement as security for the due payment and performance of the Secured Obligations in accordance with the provisions of this Agreement.

7.17 Releases.

(a) At such time as the Secured Obligations have been Paid in Full, Lenders shall release the Collateral from the Liens created hereby, and this Agreement and all guarantees and obligations (other than those expressly stated to survive such termination) of Lenders and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the sole expense (to the extent reasonable, documented and out-of-pocket) of any Grantor following any such termination, Lenders shall promptly deliver to the Grantors any Collateral held by Lenders hereunder, and execute and deliver to the Grantors such documents (including authorization to file PPSA discharge statements) to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Facility Agreement, then Lenders, at the request and sole expense (to the extent reasonable, documented and out-of-pocket) of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense (to the extent reasonable, documented and out-of-pocket) of Grantors, a Grantor shall be released from its obligations hereunder in the event that all the equity interests of such Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Facility Agreement; provided that Borrower shall have delivered to Lenders, with reasonable notice prior to the date of the proposed release, a written request for release identifying the relevant Grantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by Borrower stating that such transaction is in compliance with the Facility Agreement and the other Loan Documents.

7.18 Obligations and Liens Absolute and Unconditional. Each Grantor understands and agrees that the obligations of each Grantor under this Agreement shall be construed as a continuing, absolute and unconditional without regard to (a) the validity or enforceability of any Loan Document, any of the Secured Obligations or any other collateral security therefor or guaranty or right of offset with respect thereto at any time or from time to time held by Lenders, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by any Grantor or any other Person against Lenders, or (c) any other circumstance whatsoever (with or without notice to or knowledge of any Grantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of any Grantor for the Secured Obligations, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Grantor, Lenders may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against any other Grantor or any other Person or against any collateral security or guaranty for the Secured Obligations or any right of offset with respect thereto, and any failure by Lenders to make any such demand, to pursue such other rights or remedies or to collect any payments from any other Grantor or any other Person or to realize upon any such collateral

security or guaranty or to exercise any such right of offset, or any release of any other Grantor or any other Person or any such collateral security, guaranty or right of offset, shall not relieve any Grantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Lenders against any Grantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

7.19 Reinstatement. In the event that any payment in respect of the Secured Obligations, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

[Signatures Immediately Follow]

IN WITNESS WHEREOF, each of the undersigned has caused this Canadian Security Agreement to be duly executed and delivered as of the date first above written.

GRANTORS:

ARALEZ PHARMACEUTICALS INC.

By: Adrian Adams
Name: Adrian Adams
Title: Chief Executive Officer

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt. III, L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, each of the undersigned has caused this Canadian Security Agreement to be duly executed and delivered as of the date first above written.

GRANTORS:

ARALEZ PHARMACEUTICALS INC.

By: _____
Name: Adrian Adams
Title: Chief Executive Officer

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt. III, L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner
By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner
By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner
By: _____
Name David J. Clark
Title: Authorized Signatory

SCHEDULE 1

INVESTMENT PROPERTY

A. PLEDGED EQUITY

Pledgor	Issuer	Class of Shares/Units	Certificate Number(s)	Number of Shares/Units	Percentage of Outstanding Shares/Units
Aralez Pharmaceuticals Inc.	Tribute Pharmaceuticals Canada Inc.	Common Shares	C-1	1	100%
Aralez Pharmaceuticals Inc.	Aralez Pharmaceuticals Holdings Limited	Ordinary Shares	1	1	100%
Aralez Pharmaceuticals Inc.	Aralez Pharmaceuticals Management Inc.	Common Stock	#2	100	100%

B. PLEDGED NOTES

NIL

C. OTHER INVESTMENT PROPERTY

NIL

SCHEDULE 2

FILINGS AND PERFECTION

See PPSA Financing Statement attached.

Page: 1

BC OnLine: DOCUMENT PRINT 2016/02/04
Lterm: XPSP0054 For: PX84000 DLA PIPER (CANADA) LLP 09:06:33

Attn./Ref. No.: DXS/TMY

********** P P S A S E C U R I T Y A G R E E M E N T **********

Reg. Date: FEB 04, 2016 Reg. Length: 8 YEARS
Reg. Time: 09:06:33 Expiry Date: FEB 04, 2024
Base Reg. #: 096215J Control #: D3585620

Block#

S0001 Secured Party: DEERFIELD PRIVATE DESIGN FUND III, L.P.
780 THIRD AVENUE, 37TH FLOOR
NEW YORK NY 10017

S0002 Secured Party: DEERFIELD INTERNATIONAL MASTER FUND, L.P.
780 THIRD AVENUE, 37TH FLOOR
NEW YORK NY 10017

S0003 Secured Party: DEERFIELD PARTNERS, L.P.
780 THIRD AVENUE, 37TH FLOOR
NEW YORK NY 10017

D0001 Base Debtor: ARALEZ PHARMACEUTICALS INC
(Business) 2800 PARK PL, 666 BURRARD ST.
VANCOUVER BC V6C 2Z7

General Collateral:
ALL OF THE DEBTOR'S PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

Registering Party: DLA PIPER (CANADA) LLP/DAVIS MANAGEMENT LTD.
2800 PARK PLACE 666 BURRARD ST
VANCOUVER BC V6C 2Z7

>>>>>>>>>>>>>>>>>>>>>>>>>>> END OF DOCUMENT PRINT <<<<<<<<<<<<<<<<<<<<<<<<<<<

Account No. (if applicable)/*N° de compte (si pertinent)* | Registration Account Code/*Code du compte d'enregistrement*

Financing Change Statement/Change Statement
État de modification du financement/État de modification

2016/02/02 033 02789
1862A20160202A

Registration No. (for office use only)/*N° d'enregistrement (usage interne)*
YYYY/*AAAA* MM/*MM* DD/*JJ* Time/*Heure* Branch/*Bureau* Sequence/*Séquence*

01

Ontario

Ministry of Consumer and Business Services / Ministère des Services aux Consommateurs et aux Entreprises

Form *Formule* 3C

10553(03/95)

Registered Under (office use only)/
Enregistré aux termes de (usage interne) PPSA

31 Reference File Number/*N° de dossier de référence*: 713749212
Renewal (B) OR Discharge (C)/*Renouvellement (B) OU Mainlevée(C)*:
Enter Number of Additional Years if Renewal (see reverse)/*Indiquer le nombre d'années supplémentaires s'il s'agit d'un renouvellement (voir au verso)*:

First Given Name/*Premier prénom* | Initial/*Initiale* | Surname/*Nom de famille*

32 Individual Debtor (as recorded)/*Débiteur particulier (tel qu'inscrit)*:

33 Business Debtor (as recorded)/*Débiteur commercial (tel qu'inscrit)*: ARALEZ PHARMACEUTICALS INC.

Ontario Corporation No./*N° matricule de la personne morale en Ontario*:

08/16 Secured Party/Lien Claimant/Registering Agent/*Créancier garanti/Créancier privilégié/Agent d'enregistrement*

Address/*Adresse* | City, etc./*Ville, etc.* | Prov./*Prov.* | Postal Code/*Code postal*

09/17

BENNETT JONES LLP (SG/TT)
3400, 1 FIRST CANADIAN PLACE, PO BOX 1
TORONTO ON M5X 1A4

Authorized Signature/*Signature autorisée*

Name and Signature of Secured Party/Lien Claimant OR Name of Secured Party/Lien Claimant AND Name and Signature of Agent of Secured Party/Lien Claimant. / *Nom et signature du créancier garanti/créancier privilégié OU Nom du créancier garanti/créancier privilégié ET nom et signature de l'agent du créancier garanti/créancier privilégié.*

Verification Statement/*État de vérification*

Form Type/*Type de formule*	Page/*Page*	Line/*Ligne*	*The expiry date calculated by the system may exceed the date on which the registration ceases to be effective. / *La date d'expiration établie en vertu du système peut être postérieure à la date à laquelle l'enregistrement cesse d'être en vigueur.*	Page/*Page*	OF/*DE*	Total Pages/*Nombre de pages*	*Expiry Date/*Date d'expiration* YYYY/*AAAA* MM/*MM* DD/*JJ*
				1		3	2024/02/02

```
1C  1  00  713749212
1C  1  01  CAUTION FILING/AVERTIS:      PAGE:   1 OF/DE:   3  MV SCHEDULE
1C  1  01  ATTACHED/LISTE VA:      REG NUM/NO ENREGIST: 20160202 0911 1862 8871
1C  1  01  REG UNDER/T. ENREG: P   REG PERIOD/PERIODE: 8
1C  1  03  ARALEZ PHARMACEUTICALS INC.
1C  1  04  2800 PARK PLACE, 666 BURRARD ST.
1C  1  04  VANCOUVER                  BC   V6C 2Z7
1C  1  08  DEERFIELD PRIVATE DESIGN FUND III, L.P.
1C  1  09  780 THIRD AVENUE, 37TH FLOOR
1C  1  09  NEW YORK                   NY   10017
1C  1  10  CONS GOODS/BIENS CONS:      INVTRY/STOCK: X   EQUIP/MATER: X
1C  1  10  ACCTS/COMPT: X   OTHER/AUTRE: X   MV INCL/VA INCLUS: X
1C  1  10  AMOUNT/MONTANT:              DATE OF MATURITY/DATE ECHEANCE:
1C  1  10            NO FIXED MAT DATE/D ECHE PAS DET:
1C  1  16  BENNETT JONES LLP (SG/TT)
1C  1  17  3400, 1 FIRST CANADIAN PLACE, PO BOX 130
1C  1  17  TORONTO                    ON   M5X 1A4

    ***  VERIFY IMMEDIATELY UPON RECEIPT / VERIFIEZ IMMEDIATEMENT VOTRE AVIS  ***
```

Account No. (if applicable) /N° de compte (si pertinent) | Registration Account Code/Code du compte d'enregistrement

Financing Change Statement/Change Statement
État de modification du financement/État de modification

2016/02/02 033 02790
1862A20160202A

Registration No. (for office use only) /N° d'enregistrement (usage interne)

YYYY/AAAA MM/MM DD/JJ Time/Heure Branch/Bureau Sequence/Séquence

01

Ontario

Ministry of Consumer and Business Services / Ministère des Services aux Consommateurs et aux Entreprises

Form / Formule 3C

10553(03/95)

Registered Under (office use only)/
Enregistré aux termes de (usage interne)

31 Reference File Number/ *N° de dossier de référence*: 713749212

Renewal (R) OR Discharge (C)/ *Renouvellement (R) OU Mainlevée(C)*:

Enter Number of Additional Years if Renewal (see reverse)/ *Indiquer le nombre d'années supplémentaires s'il s'agit d'un renouvellement (voir au verso)*:

32 Individual Debtor (as recorded)/ *Débiteur particulier (tel qu'inscrit)*: First Given Name/ *Premier prénom* | Initial/ *Initiale* | Surname/ *Nom de famille*

33 Business Debtor (as recorded)/ *Débiteur commercial (tel qu'inscrit)*: ARALEZ PHARMACEUTICALS INC.

Ontario Corporation No. / *N° matricule de la personne morale en Ontario*:

08/16 Secured Party/Lien Claimant/Registering Agent: /*Créancier garanti/Créancier privilégié/Agent d'enregistrement*

Address/*Adresse* | City, etc./*Ville, etc.* | Prov./*Prov.* | Postal Code/*Code postal*

09/17

BENNETT JONES LLP (SG/TT)
3400, 1 FIRST CANADIAN PLACE, PO BOX 1
TORONTO ON M5X 1A4

Authorized Signature/*Signature autorisée*

Name and Signature of Secured Party/Lien Claimant OR Name of Secured Party/Lien Claimant AND Name and Signature of Agent of Secured Party/Lien Claimant / *Nom et signature du créancier garanti/créancier privilégié OU Nom du créancier garanti/créancier privilégié ET nom et signature de l'agent du créancier garanti/créancier privilégié.*

This form must not be reproduced for registration purposes. / Cette formule ne doit pas être reproduite aux fins d'enregistrement.

(Cut along dotted line /*Détachez à la ligne pointillée*)

This is not a Certificate issued under the PPSA. It is provided as a courtesy to assist you/ *Le présent n'est pas un certificat délivré en vertu de PPSA. Il est délivré à titre gracieux pour vous aider.*

Verification Statement/*État de vérification*

Form Type/ *Type de formule*	Page/ *Page*	Line/ *Ligne*	*The expiry date calculated by the system may exceed the date on which the registration ceases to be effective. / *La date d'expiration établie en vertu du système peut être postérieure à la date à laquelle l'enregistrement cesse d'être en vigueur.*	Page/ *Page*	OF/ *DE*	Total Pages/ *Nombre de pages*	*Expiry Date/ *Date d'expiration* YYYY/AAAA MM/MM DD/JJ
				2		3	2024/02/02
1C	2	00	713749212				
1C	2	01	CAUTION FILING/AVERTIS: PAGE: 2 OF/DE: 3 MV SCHEDULE				
1C	2	01	ATTACHED/LISTE VA: REG NUM/NO ENREGIST: 20160202 0911 1862 8871				
1C	2	01	REG UNDER/T. ENREG: REG PERIOD/PERIODE:				
1C	2	08	DEERFIELD INTERNATIONAL MASTER FUND, L.P.				
1C	2	09	780 THIRD AVENUE, 37TH FLOOR				
1C	2	09	NEW YORK NY 10017				

*** VERIFY IMMEDIATELY UPON RECEIPT / VERIFIEZ IMMEDIATEMENT VOTRE AVIS ***

(ccr04a 05/2001)

Account No. (if applicable)/*N° de compte (si pertinent)* | Registration Account Code/*Code du compte d'enregistrement*

Financing Change Statement/Change Statement
État de modification du financement/État de modification

2016/02/02 033 02791
1862A20160202A

Registration No. (for office use only) /*N° d'enregistrement (usage interne)*

YYYY/*AAAA* MM/*MM* DD/*JJ* Time/*Heure* Branch/*Bureau* Sequence/*Séquence*

01

Ontario

Ministry of Consumer and Business Services / Ministère des Services aux Consommateurs et aux Entreprises

Form *Formule* 3C

10553(03/95)

Registered Under (office use only)/
Enregistré aux termes de (usage interne)

31 Reference File Number/ *N° de dossier de référence*: 713749212

Renewal (B) OR Discharge (C)/ *Renouvellement (B) OU Mainlevée(C)*:

Enter Number of Additional Years if Renewal (see reverse)/ *Indiquer le nombre d'années supplémentaires s'il s'agit d'un renouvellement (voir au verso)*:

First Given Name/*Premier prénom* | Initial/*Initiale* | Surname/*Nom de famille*

32 Individual Debtor (as recorded)/ *Débiteur particulier (tel qu'inscrit)*:

33 Business Debtor (as recorded)/ *Débiteur commercial (tel qu'inscrit)*: ARALEZ PHARMACEUTICALS INC.

Ontario Corporation No./ *N° matricule de la personne morale en Ontario*:

08/15 Secured Party/Lien Claimant/Registering Agent /*Créancier garanti/Créancier privilégié/Agent d'enregistrement*:

Address/*Adresse* | City, etc./*Ville, etc.* | Prov./*Prov.* | Postal Code/*Code postal*

09/17

BENNETT JONES LLP (SG/TT)
3400, 1 FIRST CANADIAN PLACE, PO BOX 1
TORONTO ON M5X 1A4

Authorized Signature/*Signature autorisée*

Name and Signature of Secured Party/Lien Claimant OR Name of Secured Party/Lien Claimant AND Name and Signature of Agent of Secured Party/Lien Claimant. /*Nom et signature du créancier garanti/créancier privilégié OU Nom du créancier garanti/créancier privilégié ET nom et signature de l'agent du créancier garanti/créancier privilégié.*

This form must not be reproduced for registration purposes. / Cette formule ne doit pas être reproduite aux fins d'enregistrement.

(Cut along dotted line /*Détachez à la ligne pointillée*)

This is not a Certificate issued under the PPSA. It is provided as a courtesy to assist you/ *Le présent n'est pas un certificat délivré en vertu de PPSA. Il est délivré à titre gracieux pour vous aider.*

Verification Statement/*État de vérification*

Form Type/ *Type de formule*	Page/ *Page*	Line/ *Ligne*	*The expiry date calculated by the system may exceed the date on which the registration ceases to be effective. / *La date d'expiration établie en vertu du système peut être postérieure à la date à laquelle l'enregistrement cesse d'être en vigueur.*	Page/ *Page*	OF/ *DE*	Total Pages/ *Nombre de pages*	*Expiry Date/ *Date d'expiration* YYYY/*AAAA* MM/*MM* DD/*JJ*
				3		3	2024/02/02

```
1C  3  00  713749212
1C  3  01  CAUTION FILING/AVERTIS:      PAGE:    3 OF/DE:    3  MV SCHEDULE
1C  3  01  ATTACHED/LISTE VA:      REG NUM/NO ENREGIST: 20160202 0911 1862 8871
1C  3  01  REG UNDER/T. ENREG:      REG PERIOD/PERIODE:
1C  3  08  DEERFIELD PARTNERS, L.P.
1C  3  09  780 THIRD AVENUE, 37TH FLOOR
1C  3  09  NEW YORK                    NY    10017

    ***   VERIFY IMMEDIATELY UPON RECEIPT / VERIFIEZ IMMEDIATEMENT VOTRE AVIS   ***
```

(ccr04a 05/2001)

SCHEDULE 3

GRANTOR INFORMATION

GRANTOR (exact legal name)	JURISDICTION OF ORGANIZATION	CHIEF EXECUTIVE OFFICE	CORPORATION NUMBER	OTHER CANADIAN LOCATIONS OF ASSETS
Aralez Pharmaceuticals Inc.	British Columbia	2800 Park Place 666 Burrard Street Vancouver, British Columbia, Canada V6C 2Z7	BC1057156	None

SCHEDULE 4

A. COLLATERAL LOCATIONS

N/A

B. COLLATERAL IN POSSESSION OF LESSOR, BAILEE, CONSIGNEE OR WAREHOUSEMAN

N/A

SCHEDULE 5

INTELLECTUAL PROPERTY

Patents and Patent Licenses

NIL

Trademarks and Trademark Licenses

NIL

Copyrights

NIL

SCHEDULE 6

DEPOSITORY AND OTHER DEPOSIT ACCOUNTS

N/A

ANNEX I

FORM OF JOINDER TO CANADIAN SECURITY AGREEMENT

This JOINDER AGREEMENT (this "Agreement") dated as of [_____], 20[__] is executed by the undersigned for the benefit of _____, as lenders (the "Lenders") in connection with that certain Canadian Security Agreement dated as of February 5, 2016 among the Grantors party thereto and Lenders (as amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"). Capitalized terms not otherwise defined herein are being used herein as defined in the Security Agreement.

Each Person signatory hereto is required to execute this Agreement pursuant to Section 7.16 of the Security Agreement.

In consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each such Person hereby agrees as follows:

1. Each such Person assumes all the obligations of a Grantor under the Security Agreement and agrees that such person or entity is a Grantor and bound as a Grantor under the terms of the Security Agreement, as if it had been an original signatory to such agreement. In furtherance of the foregoing, such Person hereby assigns, pledges and grants to Lenders and (to the extent provided therein) its Affiliates, a security interest in all of its right, title and interest in and to the Collateral (other than Excluded Property) owned thereby to secure the Secured Obligations.

2. Schedules 1, 2, 3, 4, 5, 6 and 7 of the Security Agreement are hereby amended to add the information relating to each such Person set out on Schedules 1, 2, 3, 4, 5, 6 and 7 respectively, hereof. Each such Person hereby makes to Lenders the representations and warranties set forth in the Security Agreement applicable to such Person and the applicable Collateral and confirms that such representations and warranties are true and correct in all material respects (without duplication of any materiality qualifier) as of the date hereof after giving effect to such amendment to such Schedules (except to the extent stated to relate to a specific earlier date).

3. In furtherance of its obligations under Section 5.2 of the Security Agreement, each such Person agrees to deliver to Lenders appropriately complete PPSA financing statements naming such person or entity as debtor and Lenders as secured party, and describing its Collateral and such other documentation as Lenders (or its successors or assigns) may require to evidence, protect and perfect the Liens created by the Security Agreement, as modified hereby. Each such Person acknowledges the authorizations given to Lenders under the Section 5.9 of the Security Agreement and otherwise.

4. Each such Person's address for notices under the Security Agreement shall be the address of the Borrower set forth in the Facility Agreement and each such Person hereby appoints the Borrower as its agent to receive notices hereunder.

5. Lenders acknowledge that upon the effectiveness of this Agreement, the undersigned shall have the rights of a Grantor under the Security Agreement.

6. This Agreement shall be deemed to be part of, and a modification to, the Security Agreement and shall be governed by all the terms and provisions of the Security Agreement, with respect to the modifications intended to be made to such agreement, which terms are incorporated herein by reference, are ratified and confirmed and shall continue in full force and effect as valid and binding agreements of each such person or entity enforceable against such person or entity. Each such Person hereby waives notice of Lenders' acceptance of this Agreement. Each such Person will deliver an executed original of this Agreement to Lenders.

[add signature block for each new Grantor]

Acknowledged and agreed to as of the year and date first written above:

LENDERS:

_____

By: _____
Name: _____
Title: _____

CONFIRMATION OF GUARANTY AND SECURITY

TO: Deerfield Private Design Fund III, L.P., Deerfield International Master Fund, L.P. and Deerfield Partners, L.P. (collectively, the "**Lenders**").

WHEREAS:

A. Pursuant to a second amended and restated facility agreement dated as of December 7, 2015 (as amended, supplemented, restated or otherwise modified from time to time, the "**Facility Agreement**") among Aralez Pharmaceuticals Inc. ("**Parent**"), Tribute Pharmaceuticals Canada Inc. ("**Tribute**"), Pozen Inc. and Lenders, Lenders agreed to extend credit to Parent and Tribute on the terms and conditions set forth therein;

B. Tribute and Medical Futures Inc. ("**Medical Futures**"), among others, entered into a guaranty dated as of February 5, 2016 (as amended, supplemented, restated or otherwise modified from time to time, the "**Guaranty**") in favor of Lenders;

C. Tribute and Medical Futures entered into a Canadian security agreement dated as of February 5, 2016 (as amended, supplemented, restated or otherwise modified from time to time, the "**Canadian Security Agreement**") in favor of Lenders, as security for each party's Obligations to Lenders under the Facility Agreement and the Guaranty;

D. Pursuant to an amended and restated plan of arrangement dated as of February 5, 2016 (the "**Arrangement**") under section 182 of the *Business Corporations Act* (Ontario) involving Tribute and its securityholders, Tribute and ARLZ CA Acquisition Corp. ("**Can Merger Sub**") amalgamated to continue as one entity named "Tribute Pharmaceuticals Canada Inc." ("**Amalco**");

E. Pursuant to section 5.1(l) of the Facility Agreement, as a result of the consummation of the transactions contemplated under the Arrangement, the obligations of Tribute under the Facility Agreement were automatically assumed by Parent; and

F. Each party hereto wishes to confirm that the Facility Agreement, the Guaranty, the Canadian Security Agreement and each other Loan Document to which it is a party (collectively, the "**Confirmed Documents**") continues in full force and effect.

NOW THEREFORE:

1. Each party hereto hereby ratifies and confirms that it is bound by the terms of each of the Confirmed Documents, and that each of the Confirmed Documents continues in full force and effect.

2. Amalco hereby confirms that it is bound by the terms of each Loan Document to which Tribute or Can Merger Sub was a party, and that each such Loan Document continues in full force and effect.

3. Each party hereto hereby confirms that the Canadian Security Agreement secures its respective Obligations owing to the Lenders.

4. Each party hereto will, from time to time at the request of Lenders, make and do all such acts and things and execute and deliver all such instruments, agreements and documents as Lenders may reasonably request in order to create, preserve, perfect, validate or otherwise protect their rights under the Confirmed Documents and the transactions contemplated thereby and to exercise and enforce its rights and remedies thereunder and generally carry out the provisions and purposes of such Confirmed Documents.

5. This Confirmation shall enure to the benefit of and be enforceable by Lenders, and its successors and assigns and be binding upon the parties hereto and their respective successors and permitted assigns.

6. This Confirmation shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Facility Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF each party hereto has caused this Confirmation to be duly executed and delivered as of the 5th day of February, 2016.

TRIBUTE PHARMACEUTICALS CANADA INC.

By: _____
Name: Rob Harris
Title: Chief Executive Officer

MEDICAL FUTURES INC.

By: _____
Name: Rob Harris
Title: President and Secretary

CANADIAN SECURITY AGREEMENT

between

TRIBUTE PHARMACEUTICALS CANADA INC.
AND MEDICAL FUTURES INC.

and

DEERFIELD PRIVATE DESIGN FUND III, L.P.,
DEERFIELD INTERNATIONAL MASTER FUND, L.P.
AND DEERFIELD PARTNERS, L.P.,
as Lenders

February 5, 2016

CANADIAN SECURITY AGREEMENT

THIS CANADIAN SECURITY AGREEMENT dated as of February 5, 2016 (this "Agreement") is entered into between Tribute Pharmaceuticals Canada Inc., a corporation formed under the laws of Ontario ("Tribute"), Medical Futures Inc., a corporation formed under the laws of Ontario, and each other Person signatory hereto as a Grantor (together with Tribute and any other Person that becomes a party hereto as provided herein, the "Grantors" and each, a "Grantor") in favor of Deerfield Private Design Fund III, L.P., Deerfield International Master Fund, L.P. and Deerfield Partners, L.P. (the "Lenders").

RECITALS

A. Lenders have agreed to extend credit to Tribute pursuant to the Facility Agreement (defined below).

B. Grantors have guarantied the Obligations pursuant to Guaranties dated as of February 5, 2016 by Grantors in favor of Lenders ("Guaranty").

C. It is a condition precedent to Lenders' obligation to extend credit under the Facility Agreement (defined below) that Grantors shall have executed and delivered this Agreement to Lenders.

In consideration of the premises and to induce Lenders to enter into the Facility Agreement and to induce Lenders to extend credit thereunder, each Grantor hereby agrees with Lenders as follows:

SECTION 1 DEFINITIONS.

1.1 Unless otherwise defined herein, terms defined in the Facility Agreement and used herein shall have the meanings given to them in the Facility Agreement, and the following terms are used herein as defined in the PPSA: Accounts, Certificated Security, Chattel Paper, Consumer Goods, Documents of Title, Equipment, Goods, Instruments, Intangibles and Inventory.

1.2 When used herein the following terms shall have the following meanings:

"Agreement" has the meaning set forth in the preamble of this Agreement.

"Collateral" means any and all property or other assets, exclusive of Excluded Property, now existing or hereafter acquired or created, real or personal, tangible or intangible, wherever located, and whether owned by, consigned to, or held by, or under the care, custody or control of Grantors (or any of them), including:

(a) money, cash, and cash equivalents;

(b) Accounts and all of each Grantor's rights and benefits under the Accounts, including, but not limited to, each Grantor's right to receive payment in full of the obligations owing to such Grantor thereunder, whether now or hereafter existing, together with any and all guarantees and/or security therefor, as well as all of Grantors' books and records relating thereto;

(c) Deposit Accounts, other bank and deposit accounts (including any bank accounts maintained by Grantors (or any of them) or any of their Subsidiaries), and all sums on deposit in any of them, and any items in such accounts;

(d) Investment Property;

(e) Inventory, Equipment, fixtures, and other Goods;

(f) Chattel Paper, Documents of Title, and Instruments;

(g) letters of credit and letter of credit rights;

(h) [Intentionally Omitted.]

(i) [Intentionally Omitted.]

(j) books and records;

(k) real property interests, leases and leasehold estates in real property of each Grantor, as lessee;

(l) Intangibles (including all Intellectual Property, Claims, Intangibles, contract rights, choses in action, and software);

(m) all of each Grantor's other interests in property of every kind and description, and the products, profits, rents of, dividends or distributions on, or accessions to such property; and

(n) all Proceeds (including insurance claims and insurance proceeds) of any of the foregoing, regardless of whether the Collateral, or any of it, is property as to which the PPSA provides the perfection of a security interest, and all rights and remedies applicable to such property.

Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof. Notwithstanding the foregoing, "Collateral" shall not include Excluded Property.

"Control Agreement" means an agreement among a Grantor or any of its Subsidiaries, Lenders and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of such Grantor or such Subsidiary, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of such Grantor or such Subsidiary, or (iii) a futures commission merchant or clearing house, as applicable, with respect to commodity accounts and commodity contracts held by such Grantor or such Subsidiary.

"Deposit Account" means a deposit, demand, savings, passbook or similar account maintained with a bank or other financial institution and having a depository function.

"Dollars" and "$" each mean lawful money of the United States of America.

"Excluded Property" means, collectively, (a) any permit, license or agreement entered into by any Grantor (i) to the extent that any such permit, license or agreement or any requirement of law applicable thereto prohibits the creation of a Lien thereon, but only to the extent, and for as long as, such prohibition is not terminated or rendered unenforceable or otherwise deemed ineffective by the PPSA or any other requirement of law, (ii) which would be abandoned, invalidated or unenforceable as a result of the creation of a Lien in favor of Lenders or (iii) to the extent that the creation of a Lien in favor of Lenders would result in a breach or termination pursuant to the terms of or a default under any such permit, license or agreement (other than to the extent that any such term would be rendered ineffective pursuant to the Section 40(4) of the PPSA or any other applicable law (including bankruptcy legislation) or principles of equity), (b) property owned by any Grantor that is subject to a purchase money Lien or a capital lease

permitted under the Facility Agreement if the agreement pursuant to which such Lien is granted (or in the document providing for such capital lease) prohibits or requires the consent of any Person other than a Grantor and its Affiliates which has not been obtained as a condition to the creation of any other Lien on such property, (c) any "intent to use" trademark applications for which a statement of use has not been filed (but only until such statement is filed) and (d) Consumer Goods; provided, however, "Excluded Property" shall not include any proceeds, products, substitutions or replacements of Excluded Property (unless such proceeds, products, substitutions or replacements would otherwise constitute Excluded Property).

"Facility Agreement" means the Second Amended and Restated Facility Agreement dated as of December 7, 2015 among Aralez Pharmaceuticals Inc., Tribute and Lenders, as amended, supplemented, restated or otherwise modified from time to time.

"Grantor" has the meaning set forth in the preamble of this Agreement.

"Investment Property" means the collective reference to (a) all "investment property" as such term is defined in the PPSA, (b) all "financial assets" as such term is defined in the PPSA, and (c) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Equity.

"Issuers" means the collective reference to each issuer of any Investment Property.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or otherwise), security interest or other security arrangement and any other preference, priority or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement.

"Obligations" means all Obligations (as defined in the Facility Agreement) of Credit Parties to Lenders whether now existing or hereafter and however arising.

"Paid in Full" means (a) all Secured Obligations (other than contingent claims for indemnification or reimbursement not then asserted) have been indefeasibly repaid in full in cash and have been fully performed, (b) all other Obligations (other than contingent claims for indemnification or reimbursement not then asserted) under the Facility Agreement and the other Loan Documents have been completely discharged, (c) all commitments of Lenders, if any, to extend credit that would constitute Obligations have been terminated or have expired and (d) Lenders have been released by each Grantor of all claims against Lenders under the Loan Documents.

"Pledged Equity" means the equity interests listed on Schedule 1, together with any other equity interests, certificates, options or rights of any nature whatsoever in respect of the equity interests of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect.

"Pledged Notes" means all promissory notes listed on Schedule 1, all intercompany notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

"PPSA" means the *Personal Property Security Act* (Ontario), as amended; provided that, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lenders' Lien on any Collateral is governed by other personal property security laws in any other province or territory of Canada, the term "PPSA" shall mean the personal

property security law as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"Proceeds" means all "proceeds" as such term is defined in the PPSA and, in any event, shall include all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable" means any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including any Accounts).

"Secured Obligations" means, collectively, the Obligations and all obligations and liabilities of Grantors to Lenders under the Guaranties and this Agreement.

"Securities Act" means the *Securities Act* (Ontario), as amended.

SECTION 2 [Intentionally Omitted.].

SECTION 3 GRANT OF SECURITY INTEREST.

3.1 Grant. Each Grantor hereby assigns and transfers to Lenders, and hereby grants to Lenders and (to the extent provided herein) their Affiliates, a continuing security interest in all of its Collateral, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations. Notwithstanding the foregoing, no Lien or security interest is hereby granted on any Excluded Property.

SECTION 4 REPRESENTATIONS AND WARRANTIES.

To induce Lenders to enter into the Facility Agreement and to induce Lenders to make extensions of credit to Borrower thereunder, each Grantor jointly and severally hereby represents and warrants to Lenders that:

4.1 Title; No Other Liens. Except for Permitted Liens, the Grantors own each item of the Collateral free and clear of any and all Liens or claims of others. As of the Closing Date, no effective financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except filings evidencing Permitted Liens.

4.2 Perfected Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 2 (which filings and other documents referred to on Schedule 2, have been delivered to Lenders in completed form) will constitute valid perfected security interests in all of the Collateral in favor of Lenders as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof and in accordance with the terms of the Facility Agreement and (b) shall be prior to all other Liens on the Collateral except for Permitted Liens having priority over Lenders' Lien by operation of law or permitted pursuant to the Facility Agreement upon (i) in the case of all pledged certificated stock, Pledged Notes, Pledged Equity and other pledged Investment Property, the delivery thereof to Lenders of such pledged certificated stock, Pledged Notes, Pledged Equity and other pledged Investment Property consisting of instruments and certificates, in each case properly endorsed for transfer to Lenders or in blank, (ii) in the case of all pledged Investment Property not in certificated form, the execution of Control Agreements with respect to such pledged Investment Property and (iii) in the case of all other pledged instruments and tangible chattel

paper that are not pledged certificated stock, Pledged Notes, Pledged Equity and other pledged Investment Property, the delivery thereof to Lenders of such instruments and tangible chattel paper. Except as set forth in this Section 4.2, all actions by each Grantor necessary to perfect the Lien granted hereunder on the Collateral have been duly taken. As of the date hereof, the filings and other actions specified on Schedule 2 constitute all of the filings and other actions necessary to perfect all security interests granted hereunder.

4.3 Grantor Information. On the date hereof, Schedule 3 sets forth (a) each Grantor's jurisdiction of organization, (b) the location of each Grantor's chief executive office, (c) each Grantor's exact legal name as it appears on its organizational documents, (d) each Grantor's incorporation number (to the extent a Grantor is organized in a jurisdiction which assigns such numbers) and (e) each province or territory of Canada not listed on Schedule 4 in which the Grantor has assets.

4.4 Collateral Locations. On the date hereof, Schedule 4 sets forth (a) each place of business of each Grantor (including its chief executive office), (b) all locations where all Inventory and Equipment with a book value in excess of $50,000 individually or $100,000 in the aggregate for all Collateral owned by each Grantor is kept (other than Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by the Facility Agreement) and (c) whether each such Collateral location and place of business (including each Grantor's chief executive office) is owned or leased (and if leased, specifies the complete name and notice address of each lessor). On the Closing Date, no Collateral (other than Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by the Facility Agreement) with a book value greater than $50,000 individually or $100,000 in the aggregate for all Grantors is located outside Canada or the United States or in the possession of any lessor, bailee, warehouseman or consignee, except as indicated on Schedule 4.

4.5 Certain Property. None of the Collateral constitutes, or is the Proceeds of vessels, aircraft or any other personal property subject to any certificate of title or other registration statute of Canada, the United States, any State or other jurisdiction, except for motor vehicles owned by the Grantors and used by employees of the Grantors in the ordinary course of business with an aggregate fair market value of less than $25,000 (in the aggregate for all Grantors).

4.6 Investment Property.

(a) The Pledged Equity pledged by each Grantor hereunder constitutes all the issued and outstanding equity interests of each Issuer owned by such Grantor.

(b) All of the Pledged Equity has been duly and validly issued and, in the case of shares of capital stock and membership interests, is fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms (subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing).

4.7 As of the date hereof, Schedule 1 lists all Investment Property owned by each Grantor with a value greater than $50,000 individually or $100,000 in the aggregate for all Grantors. Each Grantor is the record and beneficial owner of, and has good and valid title to, the Investment

Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except Permitted Liens.

4.8 Receivables.

(a) No material amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to Lenders.

(b) No obligor on any Receivable is a Governmental Authority.

(c) The amounts represented by such Grantor to Lenders from time to time as owing to such Grantor in respect of the Receivables will at all such times be accurate in all material respects.

4.9 Intellectual Property. Schedule 5 lists all Intellectual Property that is registered or is the subject of an application to register and owned by such Grantor in its own name on the date hereof. Except as set forth in Schedule 5 and except for non-exclusive licenses of software and other Intellectual Property acquired in the ordinary course of business, none of the Intellectual Property of any Grantor is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

4.10 Depository and Other Accounts. Schedule 6 lists all banks and other financial institutions at which any Grantor maintains deposit or other accounts as of the Closing Date and such Schedule 6 correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

4.11 Facility Agreement. Each Grantor makes each of the representations and warranties made by Borrower in the Facility Agreement to the extent applicable to it on the date such Grantor becomes a party hereto (which representations and warranties shall be deemed to be renewed upon each borrowing under the Facility Agreement). Such representations and warranties shall be incorporated herein by this reference as if fully set forth herein.

SECTION 5 COVENANTS.

Each Grantor covenants and agrees with Lenders that, from and after the date of this Agreement until the Secured Obligations shall have been Paid in Full:

5.1 Delivery of Instruments, Certificated Securities and Chattel Paper. If any amount payable under or in connection with any of the Collateral in excess of $50,000 individually or $100,000 in the aggregate for all Grantors shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall (unless Lenders have agreed in writing that such delivery will not be required) be promptly (and, in any event, within five (5) Business Days) delivered to Lenders, duly indorsed in a manner reasonably satisfactory to Lenders, to be held as Collateral pursuant to this Agreement. In the event that an Event of Default shall have occurred and be continuing, upon the request of Lenders, any Instrument, certificated security or Chattel Paper not theretofore delivered to Lenders and at such time being held by any Grantor shall be promptly (and, in any event, within five (5) Business Days) delivered to Lenders, duly indorsed in a manner satisfactory to Lenders, to be held as Collateral pursuant to this Agreement.

5.2 Maintenance of Perfected Security Interest; Further Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.2, and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection therewith as Lenders may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of Lenders, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as Lenders may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including (i) filing any financing or continuation statements under the PPSA (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby, (ii) in the case of Investment Property and any other relevant Collateral, taking any such requested actions necessary to enable Lenders to obtain "control" (within the meaning of the applicable PPSA) with respect to such Investment Property or Collateral to the extent required to be pledged hereunder; and (iii) if requested by Lenders, delivering, to the extent permitted by law, any original motor vehicle certificates of title received by such Grantor from the applicable secretary of state or other Governmental Authority after information reflecting Lenders' security interest has been recorded in such motor vehicles to the extent required to be pledged thereunder.

5.3 Changes in Locations, Name, etc. Such Grantor shall not, except upon 10 Business Days' prior written notice to Lenders and delivery to Lenders of (a) all additional financing statements and other documents reasonably requested by Lenders as to the validity, perfection and priority of the security interests provided for herein; (b) if applicable, a written supplement to Schedule 4 showing any additional location at which Inventory or Equipment with a book value in excess of $50,000 individually or $100,000 in the aggregate for all Grantors shall be kept (other than Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by the Facility Agreement); and (c) if applicable, a written supplement to Schedule 3 showing any additional province or territory of Canada not listed on Schedule 4 in which the Grantor has assets:

(i) permit any of the Inventory or Equipment with a book value greater than $50,000 individually or $100,000 in the aggregate for all Grantors to be kept at a location other than those listed on Schedule 4, other than the Inventory or Equipment that is otherwise in transit or out for repair, refurbishment or processing in the ordinary course of business or otherwise disposed of in a transaction permitted by Facility Agreement;

(ii) change its jurisdiction of organization or the location of its chief executive office from that specified on Schedule 3 or in any subsequent notice delivered pursuant to this Section 5.3; or

(iii) change its name, identity or corporate structure.

5.4 Notices. Such Grantor will advise Lenders promptly upon becoming aware, in reasonable detail, of:

(a) any Lien (other than Permitted Liens) on any of the Collateral; and

(b) the occurrence of any other event which would reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereby.

5.5 Investment Property.

(a) If such Grantor shall become entitled to receive or shall receive any certificate, option or rights in respect of the equity interests of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any of the Pledged Equity, or otherwise in respect thereof, such Grantor shall accept the same as the agent of Lenders, hold the same in trust for Lenders and deliver the same forthwith to Lenders in the exact form received, duly indorsed by such Grantor to Lenders, if required, together with an undated instrument of transfer covering such certificate duly executed in blank by such Grantor and with, if Lenders so requests, signature guarantied, to be held by Lenders, subject to the terms hereof, as additional Collateral for the Secured Obligations. Upon the occurrence and during the continuance of an Event of Default, (i) any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to Lenders to be held by it hereunder as additional Collateral for the Secured Obligations, and (ii) in case any distribution of capital shall be made on or in respect of the Investment Property or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected Lien in favor of Lenders, be delivered to Lenders to be held by them hereunder as additional Collateral for the Secured Obligations. Upon the occurrence and during the continuance of an Event of Default, if any sums of money or property so paid or distributed in respect of the Investment Property shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to Lenders, hold such money or property in trust for Lenders, segregated from other funds of such Grantor, as additional Collateral for the Secured Obligations.

(b) Without the prior written consent of Lenders, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any equity interests of any nature or to issue any other securities or interests convertible into or granting the right to purchase or exchange for any equity interests of any nature of any Issuer, except, in each case, as permitted by the Facility Agreement, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Facility Agreement) other than, with respect to Investment Property not constituting Pledged Equity or Pledged Notes, any such action in the ordinary course of business which is not prohibited by the Facility Agreement, (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for Permitted Liens, or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or Lenders to sell, assign or transfer any of the Investment Property or Proceeds thereof, except, any such action which is not prohibited by the Facility Agreement.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Investment Property issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify Lenders promptly in writing of the occurrence of any of the events described in Section 5.5(a) of this Agreement with respect to the Investment Property issued by it and (iii) the terms of Sections 6.3(c) and 6.7 of this Agreement shall apply to such Grantor with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 of this Agreement regarding the Investment Property issued by it.

5.6 Receivables.

(a) Other than in the ordinary course of business or with respect to amounts which are not material to such Grantor, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that would reasonably be expected to adversely affect the value thereof in any material respect.

(b) Such Grantor will deliver to Lenders a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than five percent (5%) of the aggregate amount of the then outstanding Receivables for all Grantors.

5.7 Intellectual Property. Except as expressly permitted by the Facility Agreement,

(a) Such Grantor (either itself or through licensees) will (i) continue to use each trademark (owned by such Grantor) material to its business, in order to maintain such material trademark in full force free from any claim of abandonment for non-use, (ii) use such material trademark with the appropriate notice of registration and all other notices and legends required by applicable law, (iii) not adopt or use any mark which is confusingly similar or a colorable imitation of such material trademark unless Lenders shall obtain a perfected security interest in such mark pursuant to this Agreement and (iv) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such material trademark becomes invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any patent owned by such Grantor material to its business may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each copyright owned by such Grantor material to its business and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of such copyrights may become invalidated or otherwise impaired, and (iii) will not (either itself or through licensees) do any act whereby any material portion of such copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not knowingly do any act that uses any Intellectual Property material to its business to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify Lenders promptly if it knows that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any determination or development (including the institution of, or any such determination or development in, any proceeding in the Canadian Intellectual Property Office, the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding, such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same would reasonably be expected to have a Material Adverse Effect.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the Canadian Intellectual Property Office, the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such

Grantor shall report such filing to Lenders concurrently with the next delivery of financial statements of Borrower pursuant to the Facility Agreement. Upon the request of Lenders, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as Lenders may request to evidence Lenders' security interest in any copyright, patent or trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of all material Intellectual Property owned by it.

(h) In the event that any material Intellectual Property is infringed upon or misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify Lenders after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

5.8 Depositary and Other Deposit Accounts. Grantors shall cause each Bank at which they maintain Deposit Accounts to enter into a Control Agreement with Lenders. No Grantor shall open any Deposit Accounts not listed on Schedule 6 unless such Grantor shall have given to Lenders 10 calendar days' prior written notice (or such lesser notice as Lenders may agree in its reasonable discretion) of its intention to open any such new Deposit Accounts and shall have caused the bank at which such account is held to enter into a Control Agreement.

5.9 Other Matters.

(a) Each Grantor authorizes Lenders to, at any time and from time to time, file financing statements, continuation statements, and amendments thereto that describe the Collateral as "all assets" of each Grantor, or words of similar effect, and which contain any other information required pursuant to the PPSA for the sufficiency of filing office acceptance of any financing statement, continuation statement or amendment, and each Grantor agrees to furnish any such information to Lenders promptly upon request. Any such financing statement, continuation statement or amendment may be signed by Lenders on behalf of any Grantor and may be filed at any time in any jurisdiction.

(b) Each Grantor shall, at any time and from time and to time, take such steps as Lenders may reasonably request for Lenders to insure the continued perfection and priority of Lenders' security interest in any of the Collateral and of the preservation of its rights therein.

5.10 Facility Agreement. Each of the Grantors covenants that it will, and, if necessary, will cause or enable Borrower to, fully comply with each of the covenants and other agreements set forth in Facility Agreement.

5.11 Insurance.

Each Grantor shall:

(a) Keep the Collateral properly housed and insured for the full insurable value thereof against loss or damage by fire, theft, explosion, sprinklers, collision (in the case of motor vehicles) and such other risks as are customarily insured against by Persons engaged in businesses similar to that of such Grantor, with such companies, in such amounts, with such deductibles, and under policies in such form, as shall be reasonably satisfactory to Lenders. Grantor shall provide Lenders with certificates of

insurance on the date of this Agreement and original (or certified) copies of such policies of insurance within thirty (30) days of the date of this Agreement, together with evidence of payment of all premiums therefor, and such policies shall contain an endorsement, in form and substance acceptable to Lenders, showing loss under such insurance policies payable to Lenders. Such endorsement, or an independent instrument furnished to Lenders, shall provide that the insurance company shall give Lenders at least thirty (30) days written notice before any such policy of insurance is altered or canceled.

(b) Maintain, at their expense, such public liability and third party property damage insurance as is customary for Persons engaged in businesses similar to that of Grantors with such companies and in such amounts, with such deductibles and under policies in such form as shall be satisfactory to Lenders. Grantor shall provide Lenders with certificates of insurance on the date of this Agreement and original (or certified) copies of such policies within thirty (30) days after the date of this Agreement, together with evidence of payment of all premiums therefor. Each such policy shall contain an endorsement showing Lenders as additional insureds thereunder and providing that the insurance company shall give Lenders at least thirty (30) days written notice before any such policy shall be altered or canceled.

SECTION 6 REMEDIAL PROVISIONS.

6.1 Certain Matters Relating to Receivables.

(a) At any time and from time to time after the occurrence and during the continuance of an Event of Default, Lenders shall have the right to make test verifications of the Receivables in any manner and through any medium that they reasonably consider advisable, and each Grantor shall furnish all such assistance and information as Lenders may reasonably require in connection with such test verifications. At any time and from time to time after the occurrence and during the continuance of an Event of Default, upon Lenders' request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to Lenders to furnish to Lenders reports showing reconciliations, agings and test verifications of, and trial balances for, the Receivables.

(b) Lenders hereby authorize each Grantor to collect such Grantor's Receivables, and Lenders may curtail or terminate such authority at any time after the occurrence and during the continuance of an Event of Default. If required by Lenders at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to Lenders if required and upon notice to such Grantor, in a collateral account maintained under the sole dominion and control of Lenders, subject to withdrawal by Lenders only as provided in Section 6.5, and (ii) until so turned over after such request by Lenders, shall be held by such Grantor in trust for Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At any time and from time to time after the occurrence and during the continuance of an Event of Default, at Lenders' request, each Grantor shall deliver to Lenders copies of all documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including all orders, invoices and shipping receipts.

(d) Each Grantor hereby irrevocably authorizes and empowers Lenders, in Lenders' sole discretion, at any time after the occurrence and during the continuance of an Event of Default, following Lenders' concurrent notice to such Grantor, to assert, either directly or on behalf of such

Grantor, any claim such Grantor may from time to time have against the sellers under or with respect to any agreements assigned or collaterally assigned to Lenders and to receive and collect any and all damages, awards and other monies resulting therefrom and to apply the same to the Secured Obligations in such order as Lenders may determine in their discretion. After the occurrence and during the continuance of an Event of Default, each Grantor hereby irrevocably makes, constitutes and appoints Lenders as their true and lawful attorney in fact for the purpose of enabling Lenders to assert and collect such claims and to apply such monies in the manner set forth above, which appointment, being coupled with an interest, is irrevocable until the Secured Obligations are Paid in Full.

6.2 Communications with Obligors; Grantors Remain Liable.

(a) Lenders in their own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables to verify with them to Lenders' satisfaction the existence, amount and terms of any Receivables.

(b) Upon the written request of Lenders at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables that the Receivables have been assigned to Lenders and that payments in respect thereof shall be made directly to Lenders.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable in respect of each of the Receivables to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Lenders shall have no obligation or liability under any Receivable (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by Lenders of any payment relating thereto, nor shall Lenders be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(d) After the occurrence and during the continuance of an Event of Default, for the purpose of enabling Lenders to exercise rights and remedies under this Agreement, each Grantor hereby grants to Lenders an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. Such license will terminate when all of the Secured Obligations have been Paid in Full.

6.3 Investment Property.

(a) Unless an Event of Default shall have occurred and be continuing and Lenders shall have given written notice to the relevant Grantor of Lenders' intent to exercise their corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends and distributions paid in respect of the Pledged Equity and all payments made in respect of the Pledged Notes, to the extent permitted in the Facility Agreement, and to exercise all voting and other rights with respect to the Investment Property; provided, that no vote shall be cast or other right exercised or action taken which would reasonably be expected to materially impair the Collateral or which would be inconsistent

with or result in any violation of any provision of the Facility Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing and Lenders shall give notice of its intent to exercise such rights to the relevant Grantor or Grantors, (i) Lenders shall have the right to receive any and all cash dividends and distributions, payments or other Proceeds paid in respect of the Investment Property and make application thereof to the Secured Obligations in such order as Lenders may determine in their discretion, (ii) Lenders shall have the right to cause any or all of the Investment Property to be registered in the name of Lenders or their nominee and (iii) Lenders or their nominee may exercise (x) all voting and other rights pertaining to such Investment Property at any meeting of holders of the equity interests of the relevant Issuer or Issuers or otherwise (or by written consent) and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Investment Property as if they were the absolute owner thereof (including the right to exchange at its discretion any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate or other structure of any Issuer, or upon the exercise by any Grantor or Lenders of any right, privilege or option pertaining to such Investment Property, and in connection therewith, the right to deposit and deliver any and all of the Investment Property with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as Lenders may determine), all without liability except to account for property actually received by it, but Lenders shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) After the occurrence and during the continuance of an Event of Default, each Grantor hereby authorizes and instructs each Issuer of any Investment Property pledged by such Grantor hereunder to (i) comply with any instruction received by it from Lenders in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying and (ii) unless otherwise expressly permitted hereby, pay any dividends, distributions or other payments with respect to the Investment Property directly to Lenders.

6.4 Proceeds to be Turned Over to Lenders. In addition to the rights of Lenders specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and other cash equivalent items shall be held by such Grantor in trust for Lenders, segregated from other funds of such Grantor, and shall, upon written request of Lenders, forthwith upon receipt by such Grantor, be turned over to Lenders in the exact form received by such Grantor (duly indorsed by such Grantor to Lenders, if required). All Proceeds received by Lenders hereunder shall be held by Lenders in a collateral account maintained under its sole dominion and control. All Proceeds, while held by Lenders in any collateral account (or by such Grantor in trust for Lenders) established pursuant hereto, shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5 Application of Proceeds. Lenders may apply all or any part of Proceeds from the sale of, or other realization upon, all or any part of the Collateral in payment of the Secured Obligations in such order as Lenders shall determine in its discretion. Any part of such funds which Lenders elects not so to apply and deems not required as collateral security for the Secured Obligations shall be paid over from time to time by Lenders to the applicable Grantor or to whomsoever may be lawfully entitled to receive the same. Any balance of such Proceeds remaining after the Secured Obligations shall have been Paid in Full shall be paid over to the applicable Grantor or to whomsoever may be lawfully entitled to receive the same.

6.6 PPSA and Other Remedies. If an Event of Default shall occur and be continuing, Lenders may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the PPSA or any other applicable law. Without limiting the generality of the foregoing, Lenders, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses (other than defense of payment), advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of Lenders or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery with assumption of any credit risk. Lenders shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at Lenders' request, to assemble the Collateral and make it available to Lenders at places which Lenders shall reasonably select, whether at such Grantor's premises or elsewhere. Lenders shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable documented out-of-pocket costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of Lenders hereunder, to the payment in whole or in part of the Secured Obligations, in such order as Lenders may elect in its discretion, and only after such application and after the payment by Lenders of any other amount required by any provision of law, need Lenders account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against Lenders arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 calendar days before such sale or other disposition.

6.7 Registration Rights.

(a) If Lenders shall determine to exercise their right to sell any or all of the Pledged Equity pursuant to Section 6.6, and if in the opinion of Lenders it is necessary or advisable to have the Pledged Equity, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of Lenders, necessary or advisable to register the Pledged Equity, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its commercially reasonable efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Equity, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of Lenders, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which Lenders shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of the Securities Act.

(b) Each Grantor recognizes that Lenders may be unable to effect a public sale of any or all the Pledged Equity, by reason of certain prohibitions contained in the Securities Act and

applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Lenders shall be under no obligation to delay a sale of any of the Pledged Equity for the period of time necessary to permit the Issuer thereof to register such securities or other interests for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Equity pursuant to this Section 6.7 valid and binding and in compliance with applicable law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to Lenders, that Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Facility Agreement.

6.8 Waiver; Deficiency. Each Grantor waives and agrees not to assert any rights or privileges which it may acquire under Section 64 of the PPSA. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations in full and the reasonable fees and disbursements of any attorneys employed by Lenders to collect such deficiency.

SECTION 7 MISCELLANEOUS.

7.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Facility Agreement.

7.2 Notices. All notices, requests and demands to or upon Lenders or any Grantor hereunder shall be addressed to such party and effected in the manner provided for in the Facility Agreement.

7.3 Indemnification by Grantors. Each Grantor agrees to jointly and severally indemnify, pay, and hold Lenders and their Affiliates, officers, directors, employees, agents, and attorneys (the "Indemnitees") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, reasonable and documented out-of-pocket costs and expenses (including all reasonable documented out-of-pocket fees and reasonable expenses of counsel to such Indemnitees) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Indemnitee as a result of such Indemnitees being a party to this Agreement or the transactions consummated pursuant to this Agreement or otherwise relating to any of the Loan Documents; provided that no Grantor shall have any obligation to an Indemnitee hereunder with respect to liabilities to the extent resulting from the gross negligence or willful misconduct of that Indemnitee as determined by a final non-appealable order of a court of competent jurisdiction. If and to the extent that the foregoing undertaking may be unenforceable for any reason, such Grantor agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law. The provisions in this Section 7.3 shall survive repayment of all (and shall be) Secured Obligations (and all commitments of Lenders, if any, to extend credit that would constitute Obligations have been terminated

or have expired), any foreclosure under, or any modification, release or discharge of, any or all of the Collateral and termination of this Agreement.

7.4 Enforcement Expenses.

(a) Each Grantor agrees, on a joint and several basis, to pay or reimburse on demand Lenders for all reasonable out-of-pocket documented costs and expenses incurred in collecting against any Grantor or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents.

(b) Each Grantor agrees to pay, and to save Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) The agreements in this Section 7.4 shall survive repayment of all (and shall be) Secured Obligations (and all commitments of Lenders, if any, to extend credit that would constitute Borrower Obligations have been terminated or have expired), any foreclosure under, or any modification, release or discharge of, any or all of the Collateral and termination of this Agreement.

7.5 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

7.6 Nature of Remedies. All Secured Obligations of each Grantor and rights of Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law. No failure to exercise and no delay in exercising, on the part of Lenders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

7.7 Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one in the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

7.8 Severability. The invalidity, illegality or unenforceability in any jurisdiction of any provision under this Agreement or any of the other Loan Documents shall not affect or impair the remaining provisions in this Agreement or any of the other Loan Documents.

7.9 Entire Agreement. This Agreement and the other Loan Documents to which the parties hereto are parties embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations and understandings, whether oral or written, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. All Exhibits, Schedules and Annexes referred to herein are incorporated in this Agreement by reference and constitute a part of this Agreement. If any provision contained in this Agreement conflicts with any provision of the Facility Agreement, then with regard to such conflicting provisions, the Facility Agreement shall govern and control.

7.10 Successors; Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns except that Grantors

may not assign their rights or obligations hereunder without the written consent of Lenders and any such purported assignment without such written consent shall be void.

7.11 Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES.

7.12 Consent to Jurisdiction. GRANTORS HEREBY CONSENT TO THE JURISDICTION OF THE COURTS OF COMPETENT JURISDICTION IN THE PROVINCE OF ONTARIO AND IRREVOCABLY AGREE THAT, SUBJECT TO LENDERS' ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE LITIGATED IN SUCH COURTS. GRANTORS EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVE ANY DEFENSE OF FORUM NON CONVENIENS. GRANTORS HEREBY WAIVE PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON GRANTORS BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWER, AT THE ADDRESS SET FORTH IN THE FACILITY AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED.

7.13 Waiver of Jury Trial. GRANTORS AND LENDERS HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS. GRANTORS AND LENDERS ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. GRANTORS AND LENDERS WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

7.14 Set-off. Each Grantor agrees that Lenders have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, each Grantor agrees that at any time any Event of Default exists, Lenders may apply to the payment of any Secured Obligations in such order as Lenders may determine in its discretion, whether or not then due, any and all balances, credits, deposits, accounts or moneys of such Grantor then or thereafter with Lenders. Lenders hereby agrees that it shall endeavor to notify such Grantor of any such set-off or any such application, but failure to notify shall have no adverse determination or effect hereunder.

7.15 Acknowledgements. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) Lenders have no fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Grantors and Lenders.

7.16 Addition of New Grantors. In accordance with the terms of the Facility Agreement, additional Persons may from time to time after the date of this Agreement become Grantors under this Agreement by executing and delivering to Lenders a joinder (together with all schedules thereto, a "Joinder") to this Agreement, in substantially the form attached hereto as Annex A. Effective from and after the date of the execution and delivery by any Person to the Lenders of a Joinder:

(a) such Person shall be, and shall be deemed for all purposes to be, a Grantor under this Agreement with the same force and effect, and subject to the same agreements, representations, indemnities, liabilities, obligations, liens and security interests, as if such Person had been an original signatory to this Agreement as a Grantor; and

(b) all Collateral of such Person shall be, and shall be deemed for all purposes to be "Collateral" of such Person for the purposes of this Agreement and subject to security interests from such Person in accordance with the provisions of this Agreement as security for the due payment and performance of the Secured Obligations in accordance with the provisions of this Agreement.

7.17 Releases.

(a) At such time as the Secured Obligations have been Paid in Full, Lenders shall release the Collateral from the Liens created hereby, and this Agreement and all guarantees and obligations (other than those expressly stated to survive such termination) of Lenders and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the sole expense (to the extent reasonable, documented and out-of-pocket) of any Grantor following any such termination, Lenders shall promptly deliver to the Grantors any Collateral held by Lenders hereunder, and execute and deliver to the Grantors such documents (including authorization to file PPSA discharge statements) to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Facility Agreement, then Lenders, at the request and sole expense (to the extent reasonable, documented and out-of-pocket) of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense (to the extent reasonable, documented and out-of-pocket) of Grantors, a Grantor shall be released from its obligations hereunder in the event that all the equity interests of such Grantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Facility Agreement; provided that Borrower shall have delivered to Lenders, with reasonable notice prior to the date of the proposed release, a written request for release identifying the relevant Grantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by Borrower stating that such transaction is in compliance with the Facility Agreement and the other Loan Documents.

7.18 Obligations and Liens Absolute and Unconditional. Each Grantor understands and agrees that the obligations of each Grantor under this Agreement shall be construed as a continuing, absolute and unconditional without regard to (a) the validity or enforceability of any Loan Document, any of the Secured Obligations or any other collateral security therefor or guaranty or right of offset with respect thereto at any time or from time to time held by Lenders, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by

any Grantor or any other Person against Lenders, or (c) any other circumstance whatsoever (with or without notice to or knowledge of any Grantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of any Grantor for the Secured Obligations, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Grantor, Lenders may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against any other Grantor or any other Person or against any collateral security or guaranty for the Secured Obligations or any right of offset with respect thereto, and any failure by Lenders to make any such demand, to pursue such other rights or remedies or to collect any payments from any other Grantor or any other Person or to realize upon any such collateral security or guaranty or to exercise any such right of offset, or any release of any other Grantor or any other Person or any such collateral security, guaranty or right of offset, shall not relieve any Grantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of Lenders against any Grantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

7.19 Reinstatement. In the event that any payment in respect of the Secured Obligations, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

[Signatures Immediately Follow]

IN WITNESS WHEREOF, each of the undersigned has caused this Canadian Security Agreement to be duly executed and delivered as of the date first above written.

GRANTORS:

TRIBUTE PHARMACEUTICALS CANADA INC.

By: _____
Name: Rob Harris
Title: Chief Executive Officer

MEDICAL FUTURES INC.

By: _____
Name: Rob Harris
Title: President and Secretary

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt. III, L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: _____
Name: David J. Clark
Title: Authorized Signatory

IN WITNESS WHEREOF, each of the undersigned has caused this Canadian Security Agreement to be duly executed and delivered as of the date first above written.

GRANTORS:

TRIBUTE PHARMACEUTICALS CANADA INC.

By: _____
Name: Rob Harris
Title: Chief Executive Officer

MEDICAL FUTURES INC.

By: _____
Name: Rob Harris
Title: President and Secretary

LENDERS:

DEERFIELD PRIVATE DESIGN FUND III, L.P.
By: Deerfield Mgmt. III, L.P., its General Partner
By: J.E. Flynn Capital III, LLC, its General Partner

By: David J. Clark
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD INTERNATIONAL MASTER FUND, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: David J. Clark
Name: David J. Clark
Title: Authorized Signatory

DEERFIELD PARTNERS, L.P.
By: Deerfield Mgmt., L.P., its General Partner
By: J.E. Flynn Capital, LLC, its General Partner

By: David J. Clark
Name: David J. Clark
Title: Authorized Signatory

SCHEDULE 1

INVESTMENT PROPERTY

A. PLEDGED EQUITY

Pledgor	Issuer	Class of Shares/Units	Certificate Number(s)	Number of Shares/Units	Percentage of Outstanding Shares/Units
Tribute Pharmaceuticals Canada Inc.	Medical Futures Inc.	Common Shares	C-3	1	100%
Tribute Pharmaceuticals Canada Inc.	Medical Futures Inc.	Special Shares	SP-2	350	100%
Tribute Pharmaceuticals Canada Inc.	Medical Futures Inc.	Special B Shares	SPB-2	516,907	100%
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals International Inc.	Common Shares	1	100	100%
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals US Inc.	Common Stock	1	100	100%

B. PLEDGED NOTES

NIL

C. OTHER INVESTMENT PROPERTY

NIL

SCHEDULE 2

FILINGS AND PERFECTION

See PPSA Financing Statement attached.

Verification Statement

Cyberbahn Transaction ID: 7967893

Form 1C

Ontario: Financing Statement / Claim for Lien

	Reference File No.			Registration No.				Expiry Date			
	713789982			20160203092618628971				03	FEB	2024	
	Caution Filing	Page	Total Page	Motor Vehicle Schedule				PPSA/RSLA		Registration Period	
01		1 of 3						P		8	

Debtor

02	Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
03	Business Debtor	Name: TRIBUTE PHARMACEUTICALS CANADA INC.				
		Name cont'd				Ontario Corporation No
04	Address: 151 STEELES AVE E.		City: MILTON		Prov.: ON	Postal Code: L9T 1Y1

Debtor

05	Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
06	Business Debtor	Name				
		Name cont'd				Ontario Corporation No.
07	Address		City		Prov.	Postal Code

Secured Party

08	Secured Party: Deerfield Private Design Fund III, L.P.			
09	Address: 780 Third Avenue, 37th Floor	City: New York	Prov.: NY	Postal Code: 10017

Collateral

	Section 1: Collateral Classification					Section 2: Vehicle Included	Section 3: Principal Amount Secured	Section 4:	
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity	No Fixed Date of Maturity
10		X	X	X	X	X	$ .00		

	Year	Make	Model	Vehicle Identification No.
11				
12				

	General Collateral Description
13	
14	
15	

Agent

16	Registering Agent: BENNETT JONES LLP (SG/TT)			
17	Address: 3400, 1 FIRST CANADIAN PLACE, PO BOX 130	City: TORONTO	Prov.: ON	Postal Code: M5X 1A4

Verification Statement

Cyberbahn Transaction ID: 7967893

Form 1C

Ontario: Financing Statement / Claim for Lien

	Reference File No.				Registration No.				Expiry Date			
	713789982				20160203092618628971				03	FEB	2024	
	Caution Filing	Page	Total Page	Motor Vehicle Schedule					PPSA/RSLA		Registration Period	
01		2 of 3										
Debtor 02	Individual Debtor	Date of Birth			First Given Name		Initial	Surname				
03	Business Debtor	Name										
		Name cont'd									Ontario Corporation No.	
04		Address				City			Prov.		Postal Code	
Debtor 05	Individual Debtor	Date of Birth			First Given Name		Initial	Surname				
06	Business Debtor	Name										
		Name cont'd									Ontario Corporation No.	
07		Address				City			Prov.		Postal Code	
Secured Party 08	Secured Party	Deerfield International Master Fund, L.P.										
09		Address				City			Prov.		Postal Code	
		780 Third Avenue, 37th Floor				New York			NY		10017	
Collateral		**Section 1:** Collateral Classification				**Section 2:** Vehicle Included		**Section 3:** Principal Amount Secured		**Section 4:**		
10		Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included	$ .00		Date of Maturity		No Fixed Date of Maturity
11		Year	Make			Model		Vehicle Identification No.				
12												
13		General Collateral Description										
14												
15												
Agent 16		Registering Agent										
17		Address				City			Prov.		Postal Code	

Verification Statement

Cyberbahn Transaction ID: 7967893

Form 1C

Ontario: Financing Statement / Claim for Lien

	Reference File No.			Registration No.				Expiry Date			
	713789982			20160203092618628971				03	FEB	2024	
	Caution Filing	Page	Total Page	Motor Vehicle Schedule				PPSA/RSLA		Registration Period	
01		3 of 3									
Debtor 02	Individual Debtor	Date of Birth			First Given Name		Initial	Surname			
Debtor 03	Business Debtor	Name									
		Name cont'd								Ontario Corporation No	
Debtor 04	Address				City			Prov.		Postal Code	
Debtor 05	Individual Debtor	Date of Birth			First Given Name		Initial	Surname			
Debtor 06	Business Debtor	Name									
		Name cont'd								Ontario Corporation No.	
Debtor 07	Address				City			Prov.		Postal Code	
Secured Party 08	Secured Party	Deerfield Partners, L.P.									
Secured Party 09	Address	780 Third Avenue, 37th Floor			City	New York		Prov.	NY	Postal Code	10017
Collateral 10	**Section 1:** Collateral Classification				**Section 2:** Vehicle Included	**Section 3:** Principal Amount Secured		**Section 4:**			
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle Included	$ .00	Date of Maturity			No Fixed Date of Maturity
Collateral 11	Year	Make				Model		Vehicle Identification No.			
Collateral 12											
Collateral 13	General Collateral Description										
Collateral 14											
Collateral 15											
Agent 16	Registering Agent										
Agent 17	Address				City			Prov.		Postal Code	

IMPORTANT INFORMATION

Due to the manner in which registrations are handled by the PPSR system, your original 3C Verification Statement ('Original Verification Statement') produced by the PPSR Registrar may contain warnings or error messages generated by the Ministry of Government Services, Companies and Personal Property Security Branch. Your Cyberbahn verification statement will NOT contain these messages, and Cyberbahn strongly recommends, in all cases, that you review your Original Verification Statement to ensure that you are aware of any potential errors or warnings generated by the PPSA system. Cyberbahn is not responsible for system errors.

Should you have any questions, please do not hesitate to contact Cyberbahn.

Verification Statement

Cyberbahn Transaction ID: 7967968

Form 1C

Ontario: Financing Statement / Claim for Lien

	Reference File No.			Registration No.			Expiry Date		
	713790018			20160203092618628972			03	FEB	2024
	Caution Filing	Page	Total Page	Motor Vehicle Schedule			PPSA/RSLA		Registration Period
01		1 of 3					P		8

Debtor

02	Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
03	Business Debtor	Name: MEDICAL FUTURES INC.				
		Name cont'd				Ontario Corporation No.
04	Address: 151 STEELES AVE E.		City: MILTON		Prov.: ON	Postal Code: L9T 1Y1

Debtor

05	Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
06	Business Debtor	Name				
		Name cont'd				Ontario Corporation No.
07	Address		City		Prov.	Postal Code

Secured Party

08	Secured Party: Deerfield Private Design Fund III, L.P.			
09	Address: 780 Third Avenue, 37th Floor	City: New York	Prov.: NY	Postal Code: 10017

Collateral

	Section 1: Collateral Classification					Section 2: Vehicle Included	Section 3: Principal Amount Secured	Section 4:	
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity	No Fixed Date of Maturity
10		X	X	X	X	X	$ .00		

	Year	Make	Model	Vehicle Identification No.
11				
12				

	General Collateral Description
13	
14	
15	

Agent

16	Registering Agent: BENNETT JONES LLP (SG/TT)			
17	Address: 3400, 1 FIRST CANADIAN PLACE, PO BOX 130	City: TORONTO	Prov.: ON	Postal Code: M5X 1A4

Verification Statement

Cyberbahn Transaction ID: 7967968

Form 1C

Ontario: Financing Statement / Claim for Lien

	Reference File No.			Registration No.				Expiry Date		
	713790018			20160203092618628972				03	FEB	2024
	Caution Filing	Page	Total Page	Motor Vehicle Schedule				PPSA/RSLA		Registration Period
01		2 of 3								

Debtor

02	Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
03	Business Debtor	Name				
		Name cont'd				Ontario Corporation No
04	Address		City		Prov.	Postal Code

Debtor

05	Individual Debtor	Date of Birth	First Given Name	Initial	Surname	
06	Business Debtor	Name				
		Name cont'd				Ontario Corporation No.
07	Address		City		Prov.	Postal Code

Secured Party

08	Secured Party			
	Deerfield International Master Fund, L.P.			
09	Address	City	Prov.	Postal Code
	780 Third Avenue, 37th Floor	New York	NY	10017

Collateral

	Section 1: Collateral Classification					Section 2: Vehicle Included	Section 3: Principal Amount Secured	Section 4:	
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity	No Fixed Date of Maturity
10							$ .00		

	Year	Make	Model	Vehicle Identification No.
11				
12				

	General Collateral Description
13	
14	
15	

Agent

16	Registering Agent			
17	Address	City	Prov.	Postal Code

Verification Statement

Cyberbahn Transaction ID: 7967968

Form 1C

Ontario: Financing Statement / Claim for Lien

	Reference File No.			Registration No.			Expiry Date		
	713790018			20160203092618628972			03	FEB	2024
	Caution Filing	Page	Total Page	Motor Vehicle Schedule			PPSA/RSLA		Registration Period
01		3 of 3							

Debtor

02	Individual Debtor	Date of Birth	First Given Name	Initial	Surname
03	Business Debtor	Name			
		Name cont'd			Ontario Corporation No.
04	Address	City		Prov.	Postal Code

Debtor

05	Individual Debtor	Date of Birth	First Given Name	Initial	Surname
06	Business Debtor	Name			
		Name cont'd			Ontario Corporation No.
07	Address	City		Prov.	Postal Code

Secured Party

08	Secured Party			
	Deerfield Partners, L.P.			
09	Address	City	Prov.	Postal Code
	780 Third Avenue, 37th Floor	New York	NY	10017

Collateral

	Section 1: Collateral Classification					Section 2: Vehicle Included	Section 3: Principal Amount Secured	Section 4:		
	Consumer Goods	Inventory	Equipment	Accounts	Other	Type 'X' if Motor Vehicle included		Date of Maturity		No Fixed Date of Maturity
10							$ .00			

	Year	Make	Model	Vehicle Identification No.
11				
12				

	General Collateral Description
13	
14	
15	

Agent

16	Registering Agent			
17	Address	City	Prov.	Postal Code

IMPORTANT INFORMATION

Due to the manner in which registrations are handled by the PPSR system, your original 3C Verification Statement ('Original Verification Statement') produced by the PPSR Registrar may contain warnings or error messages generated by the Ministry of Government Services, Companies and Personal Property Security Branch. Your Cyberbahn verification statement will NOT contain these messages, and Cyberbahn strongly recommends, in all cases, that you review your Original Verification Statement to ensure that you are aware of any potential errors or warnings generated by the PPSA system. Cyberbahn is not responsible for system errors.

Should you have any questions, please do not hesitate to contact Cyberbahn.

SCHEDULE 3

GRANTOR INFORMATION

Grantor (Exact Legal Name)	Jurisdiction Of Organization	Chief Executive Office	Corporation Number	Other Canadian Locations Of Assets
Tribute Pharmaceuticals Canada Inc.	Ontario	151 Steeles Avenue East Milton, Ontario L9T 1Y1	1887858	None
Medical Futures Inc.	Ontario	151 Steeles Avenue East Milton, Ontario L9T 1Y1	1513106	None

SCHEDULE 4

A. COLLATERAL LOCATIONS

Chief Executive Office

151 Steeles Avenue East, Milton, Ontario L9T 1Y1

2800 Park Place, 666 Burrard Street Vancouver, British Columbia, Canada V6C 2Z7

Additional Business Offices

544 Egerton Street, London, Ontario N5W 3Z8

1414 Raleigh Road, Suite 400, Chapel Hill, North Carolina 27517

B. COLLATERAL IN POSSESSION OF LESSOR, BAILEE, CONSIGNEE OR WAREHOUSEMAN

Site Name	Location Address	Item Type
Accuristix	2844 Bristol Circle Oakville, ON L6H 6G4	Finished Good Product
Accuristix	100 Vaughan Valley Blvd. Vaughan, ON L4H 3C5	Finished Good Product
Therapure Biopharma Inc.	2585 Meadowpine Boulevard Mississauga, ON L5N 8H9	Manufacturing Equipment Raw Material Work in Process Product
Jubilant HollisterStier	16751 Trans-Canada Highway Kirkland, QC Canada H9H 4J4	Manufacturing Equipment Raw Material Work in Process Product
Supplement Fulfillment Inc.	914 Baptist Hill Rd Chillicothe, OH 45601	Finished Good Product
QPharm	180 Werlich Drive Cambridge, ON N1T 1N6	Raw Material Packaging Material
Cardinal Health 105, Inc	15 Ingram Boulevard LaVergne TN 37086	Finished Good Product
Tribute Pharmaceuticals Canada Inc.	544 Egerton St London, ON N5W 3Z8	Finished Good Product Work in Process Components Packaging Materials

SCHEDULE 5

INTELLECTUAL PROPERTY

Tribute Pharmaceuticals Canada Inc.

Holder/Licensee	Name / Identifier of IP or License	Type of IP	Expiration Date (if a License, expiration of License and Licensed Property)	Jurisdiction
Tribute Pharmaceuticals Canada Inc.	Uracyst - #6,083,933 (US Patent)	Patent	04/19/2019	US
Tribute Pharmaceuticals Canada Inc.	Uracyst - #2,269,260 (Canadian Patent)	Patent	04/16/2019	CAN
Tribute Pharmaceuticals Canada Inc.	Uracyst - #US 7772210 (United States)	Patent	2/19/2023	US
Tribute Pharmaceuticals Canada Inc.	Uracyst - #ZL200480006467.1 (China)	Patent	02/18/2024	CHINA
Tribute Pharmaceuticals Canada Inc.	Uracyst - #4778888 (Japan)	Patent	02/18/2024	JAPAN
Tribute Pharmaceuticals Canada Inc.	Uracyst - #AU 2004212650 (Australia)	Patent	02/18/2024	AUS
Tribute Pharmaceuticals Canada Inc.	Uracyst - #1603578 (Europe)	Patent	02/18/2024	EURO
Tribute Pharmaceuticals Canada Inc.	Uracyst - Application #4050/DELNP (India – pending)	Patent Application	N/A	INDIA
Tribute Pharmaceuticals Canada Inc.	Uracyst - Application #170309 (Israel – pending)	Patent Application	N/A	ISRAEL
Tribute Pharmaceuticals Canada Inc.	Uracyst - #2515512 (Canada)	Patent	02/18/2024	CAN
Tribute Pharmaceuticals Canada Inc.	Uracyst - #8084441 (United States – second high dose patent)	Patent	2/19/2023	US

Tribute Pharmaceuticals Canada Inc.	Uracyst - #8334276 (United States – third high dose patent)	Patent	2/19/23	US
Tribute Pharmaceuticals Canada Inc.	Uracyst - 8.778,908 (United States – fourth high dose patent)	Patent	2/19/23	US
Tribute Pharmaceuticals Canada Inc.	NeoVisc Trademarks - Canada (TMA 486692), Germany (30457514.3), European Community (004376208), Dominican Republic (140250), Mexico (823752)	Trademarks	N/A	CAN GERMANY EURO DOM. REP. MEXICO
Tribute Pharmaceuticals Canada Inc.	Uracyst Trademarks - Canada (TMA486693), United States (2677199), European Community (002297653), Korea (40-0849594), Turkey 2008055507	Trademarks	N/A	CANADA US EURO KOREA TURKEY
Tribute Pharmaceuticals Canada Inc.	Uropol Trademarks - Germany (303 46 971), Austria (230 503), Switzerland (514 536) EU (010499218)	Trademarks	N/A	GERMANY AUSTRIA SWITZERLAND EURO
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application# 86/006,569 and 86/006,574 (United States); Application #1609470	Trademark Application	N/A	US CAN

Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application # 1,609,443 (Canada)	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application # 1,609,447 (Canada)	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals Application # 1,609,440 (Canada)	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Ltd.	Cambia Patent Application # 2,254,144 (Canada) (granted)	Patent	May 15, 2017	CAN
Tribute Pharmaceuticals Canada Ltd.	Cambia Patent Application # 2,632,375 (Canada) (pending)	Patent	June 16, 2026 (if granted)	CAN
Tribute Pharmaceuticals Canada Ltd.	Cambia Trademark TMA806381	Trademark License Agreement	December 31, 2025	CAN
Tribute Pharmaceuticals Canada Inc.	Benzimidazole derivatives (bilastine) patent CA#2,206,754	Patent	June 3, 2017	CAN
Tribute Pharmaceuticals Canada Inc.	Benzimidazole derivatives (bilastine) CA#2,206,754	Patent	April 19, 2022	CAN
Tribute Pharmaceuticals Canada Inc.	Visken & Viskazide Reg #: TMA231315 Novartis Pharmaceuticals Canada Inc	Trademark	40 years	CAN
Tribute Pharmaceuticals Canada Inc.	Fiorinal Reg #: TMA285639 Novartis Pharmaceuticals Canada Inc	Trademark	Owned by Tribute	CAN

Tribute Pharmaceuticals Canada Inc.	Soriatane Trademarks TMA436505	License to use Trademarks	December 31, 2018	CAN
Tribute Pharmaceuticals Canada Inc.	Bezalip SR Trademarks TMA247035	License to use Trademarks	December 31, 2018	CAN
Tribute Pharmaceuticals Canada Inc.	License Agreement for Bezalip and Soriatane in Canada	License Agreement	December 31, 2018	CAN
Tribute Pharmaceuticals Canada Ltd.	License Agreement for Bezalip in the United States	License Agreement	N/A	US
Tribute Pharmaceuticals Canada Ltd.	License Agreement for Cambia in Canada	License Agreement	December 31, 2025	CAN
Tribute Pharmaceuticals Canada Inc.	License Agreement for MycoVa in Canada	License Agreement	December 30, 2026	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals App# 1609446 Reg#TMA924415	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	Tribute Pharmaceuticals & Design App#1609470 Reg#TMA924430	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	FIORICET App#1699153	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	SOLUTION K App#1122084 Reg#TMA603920	Trademark	N/A	CAN
Tribute Pharmaceuticals Canada Inc.	FIORINAL App#0217852 Reg#UCA043301	Trademark	N/A	CAN

Medical Futures Inc. Intellectual Property

Holder/Licensee	Name/Identifier of IP or License	Type of IP (e.g., paten, TM, ©, mark work) or License Agreement	Expiration Date (if a License, expiration of License and Licensed Property)	Jurisdiction
Medical Futures Inc.	MEDICAL FUTURES App #1517459 Reg#TMA869149	Trademark	January 15, 2029	CAN
Medical Futures Inc.	MFI PHARMA App#1517458 Reg#TMA869148	Trademark	January 15, 2029	CAN
Medical Futures Inc.	ONYPEN App#1504324 Reg#TMA817342	Trademark	February 9, 2027	CAN
Medical Futures Inc.	PEGALAX App#1364518 Reg#TMA733513	Trademark	January 29, 2024	CAN
Medical Futures Inc.	PHARMA CUBE App#1514622 Reg#TMA869150	Trademark	January 15, 2029	CAN
Medical Futures Inc.	PINK BOX DESIGN App#1534490 Rg#TMA831061	Trademark	September 4, 2027	CAN
Medical Futures Inc.	PURFEM App#1500683 Reg#TMA813952	Trademark	December 11, 2026	CAN
Medical Futures Inc.	RESULTZ App#1224453 Reg#TMA717920	Trademark	July 4, 2023	CAN
Medical Futures Inc.	RESULTZ LT App#1308003 Reg#TMA717885	Trademark	July 4, 2023	CAN

Medical Futures Inc.	PURFEM Serial #: 85335697 Registration #: 4281394	Trademark	January 29, 2023	U.S.
Medical Futures Inc.	2CEC App#1623588	Trademark Application	Application Date: April 23, 2013	CAN
Medical Futures Inc.	BALANSE DESIGN App#1635678	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	BALANCE PROBIOTIC App#1617955	Trademark Application	Application Date: March 12, 2013	CAN
Medical Futures Inc.	DIAFLOR App#1645027	Trademark Application	Application Date: September 25, 2013	CAN
Medical Futures Inc.	MF Design Mark App#1517860	Trademark Application	Application Date: March 4, 2011	CAN
Medical Futures Inc.	MFBL1 App#1635679	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFBL2 App#1635680	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFLA1 App#1635683	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFLR1 App#1635684	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	MFLR2 App#1635685	Trademark Application	Application Date: July 18, 2013	CAN
Medical Futures Inc.	ONYSPRAY App#1616304	Trademark Application	Application Date: March 1, 2013	CAN
Medical Futures Inc.	2CEC Serial#85920158	Trademark Application	Application Date: May 1, 2013	US
Medical Futures Inc.	ONYSPRAY Serial#85868594	Trademark Application	Application Date: March 6, 2013	US
Medical Futures Inc.	BALANSE PROBIOTIC Serial#86057581	Trademark Application	Application Date: September 6, 2013	US

Medical Futures Inc.	PROBIOTIC BALANSE PROBIOTIC DESIGN Serial#86168769	Trademark Application	Application Date : January 17, 2014	US
Medical Futures Inc.	MFBL1 Serial#86159115	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFBL2 Serial#86159092	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFLA1 Serial#86159106	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFLR1 Serial#86159110	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	MFLR2 Serial#86159101	Trademark Application	Application Date: January 7, 2014	US
Medical Futures Inc.	Purfem Carton Design Reg#1087581	Copyright	N/A	CAN[1]
Medical Futures Inc.	A composition for prevention and treatment of colon adenomas CA 2467894	Patent	N/A	CAN
Medical Futures Inc.	Nutritional Supplementation for treating deficiency states in bowel disease CA 2432358	Patent	N/A	CAN
Medical Futures Inc.	Medicated gumstick for treatment in anti-inflammatory conditions and prophylaxis against NSAID gastropathy CA 2511158	Patent	N/A	CAN

IP Agreements

[1] Highlight rows - discovered in Bennett Jones searches.

EUSA Pharma (Europe) Ltd. Magdalen Centre Oxford Science Park Oxford, England OXG4GA	EUSA Consent Agreement to the Collatamp G licensing rights to Theramed
Medical Futures Inc.	License and Supply Agreement dated November 26, 2008 between Norgine B.V. and MFI for Moviprep, as amended
Medical Futures Inc.	License Agreement dated April 23, 2015 between Piedmont Pharmaceuticals LLC and MFI
Medical Futures Inc.	MFI is also licensed to use the following trademarks: Durela, Iberogast, Moviprep, Mutaflor, Normacol, Octasa, Proferrin and Resultz
Medical Futures Inc.	Distribution and Supply Agreement dated September 22, 2011 between Cipher Pharmaceuticals Inc. and MFI for Durela, as amended
Medical Futures Inc.	Distribution Agreement dated December 1, 20106 between Colorado Biolabs, Inc. and MFI, as amended.
Medical Futures Inc.	RESULTZ Commercial Licensing Agreement dated 5 September 2012 whereby Lapidot Medical Inc. grants a license to MFI to use the Product RESULTZ for broadcast on commercial television in Canada.
Medical Futures Inc.	Assignment and Assumption Agreement dated 16 August 2012 whereby Takeda Canada, Inc. assigns to MFI all of its rights to manufacture, distribute, market and sell the Product "Resultz" in Canada. Takeda Canada, Inc. also assigns to MFI all of its right, title, estate and interest in the RESULTZ trademark and corresponding registrations, and the RESULTZ website.
Medical Futures Inc.	Amended and Restated Exclusive Distribution Agreement dated October, 2014 between Bayer Inc. and MR for Iberogast.
Medical Futures Inc.	Octasa Distribution and Marketing Agreement dated July 9, 2014 between Tillots Pharma AG and MFI for Octasa.
Medical Futures Inc.	Software licence agreements with respect to the following programs: a) Microsoft Dynamic b) Microsoft Office c) Windows 7 d) Windows Server 2013 e) UPS WorldShip f) ATS Shipping g) Adobe Suite h) Concur i) Quickbooks j) Salesforce.com k) Invoice for Order No. 9382738536 regarding purchase by MFI from Digital River International Sarl of SaaS Endpoint and Email Protection by McAfee, Inc.

SCHEDULE 6

DEPOSITORY AND OTHER DEPOSIT ACCOUNTS

Bank Name	Account Holder	Account Number	Branch Address and Telephone Number	Purpose of Account
HSBC Bank Canada	Tribute Pharmaceuticals Canada Inc.	352 039167-001	285 King St., London ON N6B 3M6 (519) 439-1631	Cash Management Account - Cdn
HSBC Bank	Tribute Pharmaceuticals Canada Inc.	352 039167-070	285 King St., London ON N6B 3M6 (519) 439-1631	Cash Management Account - US
HSBC Bank	Tribute Pharmaceuticals Canada Inc.	352 039167-270	285 King St., London ON N6B 3M6 (519) 439-1631	Commercial Savings Euro
HSBC Bank	Tribute Pharmaceuticals Canada Inc.	352 039167-002	285 King St., London ON N6B 3M6 (519) 439-1631	Commercial Investment
CIBC	Tribute Pharmaceuticals Canada Inc.	00082 10-58614	355 Wellington Street, Unit 177, London, ON N6A 3N7 (519) 661-8000	Used exclusively for employee expenses.
BMO Bank of Montreal	Tribute Pharmaceuticals Canada Inc.	3772-1003-286	Oakville Town Center II 240 North Service Road West, Oakville, ON L6M 2Y5 (905) 849-6290	Chequing

BMO Bank of Montreal	Tribute Pharmaceuticals Canada Inc.	3772-4601-221	Oakville Town Center II 240 North Service Road West, Oakville, ON L6M 2Y5 (905) 849-6290	USD
BMO Bank of Montreal	Tribute Pharmaceuticals Canada Inc.	3772-1002-021	Oakville Town Center II 240 North Service Road West, Oakville, ON L6M 2Y5 (905) 849-6290	Savings
CIBC Bank	Medical Futures Inc.	08642 19-25415	300 Richmond Beaver Creek Road Richmond Hill, ON L4B 3B1 (905) 886-1370	Unlimited Business Operating Account
CIBC Bank	Medical Futures Inc.	08642 03-65815	300 Richmond Beaver Creek Road Richmond Hill, ON L4B 3B1 (905) 886-1370	U.S. Dollar Current Account

ANNEX I

FORM OF JOINDER TO CANADIAN SECURITY AGREEMENT

This JOINDER AGREEMENT (this "Agreement") dated as of [_____], 20[__] is executed by the undersigned for the benefit of _____, as lenders (the "Lenders") in connection with that certain Canadian Security Agreement dated as of February 5, 2016 among the Grantors party thereto and Lenders (as amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"). Capitalized terms not otherwise defined herein are being used herein as defined in the Security Agreement.

Each Person signatory hereto is required to execute this Agreement pursuant to Section 7.16 of the Security Agreement.

In consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each such Person hereby agrees as follows:

1. Each such Person assumes all the obligations of a Grantor under the Security Agreement and agrees that such person or entity is a Grantor and bound as a Grantor under the terms of the Security Agreement, as if it had been an original signatory to such agreement. In furtherance of the foregoing, such Person hereby assigns, pledges and grants to Lenders and (to the extent provided therein) its Affiliates, a security interest in all of its right, title and interest in and to the Collateral (other than Excluded Property) owned thereby to secure the Secured Obligations.

2. Schedules 1, 2, 3, 4, 5, 6 and 7 of the Security Agreement are hereby amended to add the information relating to each such Person set out on Schedules 1, 2, 3, 4, 5, 6 and 7 respectively, hereof. Each such Person hereby makes to Lenders the representations and warranties set forth in the Security Agreement applicable to such Person and the applicable Collateral and confirms that such representations and warranties are true and correct in all material respects (without duplication of any materiality qualifier) as of the date hereof after giving effect to such amendment to such Schedules (except to the extent stated to relate to a specific earlier date).

3. In furtherance of its obligations under Section 5.2 of the Security Agreement, each such Person agrees to deliver to Lenders appropriately complete PPSA financing statements naming such person or entity as debtor and Lenders as secured party, and describing its Collateral and such other documentation as Lenders (or its successors or assigns) may require to evidence, protect and perfect the Liens created by the Security Agreement, as modified hereby. Each such Person acknowledges the authorizations given to Lenders under the Section 5.9 of the Security Agreement and otherwise.

4. Each such Person's address for notices under the Security Agreement shall be the address of the Borrower set forth in the Facility Agreement and each such Person hereby appoints the Borrower as its agent to receive notices hereunder.

5. Lenders acknowledge that upon the effectiveness of this Agreement, the undersigned shall have the rights of a Grantor under the Security Agreement.

6. This Agreement shall be deemed to be part of, and a modification to, the Security Agreement and shall be governed by all the terms and provisions of the Security Agreement, with respect to the modifications intended to be made to such agreement, which terms are incorporated herein by reference, are ratified and confirmed and shall continue in full force and effect as valid and binding agreements of each such person or entity enforceable against such person or entity. Each such Person hereby waives notice of Lenders' acceptance of this Agreement. Each such Person will deliver an executed original of this Agreement to Lenders.

[add signature block for each new Grantor]

Acknowledged and agreed to as of the year and date first written above:

LENDERS:

_____

By: _____
Name: _____
Title: _____

TAB G

Exhibit "G" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

Alvarez & Marsal
Healthcare Industry Group, LLC
600 Madison Avenue, 8th Floor
New York, NY 10022
Phone: +1 212 759 4433
Fax: +1 212 759 5532

As of July 9, 2018

Adrian Adams
Chief Executive Officer
Aralez Pharmaceuticals Inc.
400 Alexander Park Drive
Princeton, NJ 08540

Dear Mr. Adams:

This letter confirms and sets forth the terms and conditions of the engagement between Alvarez & Marsal Healthcare Industry Group, LLC ("A&M HIG") and Alvarez & Marsal Canada Inc. ("A&M Canada"; together with A&M HIG, "A&M"), on the one hand, and Aralez Pharmaceuticals Inc. ("API") and Aralez Pharmaceuticals Canada Inc. ("APCI"; together with API, "Aralez Canada") and API's other subsidiaries identified on the signature page hereto (the "US Debtors"; jointly and severally with Aralez Canada, the "Company" or the "Debtors"), on the other hand, including the scope of the services to be performed and the basis of compensation for those services. Upon execution of this letter by each of the parties below and receipt of the retainer described below, this letter will constitute an agreement between the Company and A&M (the "Agreement") and this Agreement will supersede that certain prior engagement letter agreement, dated June 12, 2018, between A&M HIG and API (the "Prior Agreement").

1. Description of Services

A&M shall provide consulting services to the Company at the direction of the Company's Chief Executive Officer or such other officer designated by the Chief Executive Officer or the applicable Company's Board (the "Responsible Officer") in connection with the Company's efforts in seeking to improve the its financial and operating performance, and assist the Company in its reorganization efforts. It is expected that such services shall include the following:

(i) assistance in implementing a restructuring plan, which may include wind-down of operations or working with other professionals retained by the Company to support a sale process, or supporting a restructuring process using the U.S. bankruptcy, Companies' Creditors Arrangement Act ("CCAA") in Canada and/or or similar process(es);

(ii) assistance in financing issues including assistance in preparation of reports and liaison with creditors;

(iii) report to the Boards of Directors, the Company's creditors or other parties as directed by the Responsible Officer; and

(iv) with respect to US Debtors, assistance to the Debtors in preparation of financial-related disclosures required by the Bankruptcy Court, including schedules of assets and liabilities, statements of financial affairs and monthly operating reports;

(v) assistance to the Company with information and analyses required pursuant to its use of cash collateral, and if applicable, debtor-in-possession financing;

(vi) assistance with identification of executory contracts and leases and performance of evaluations to support the Debtors' analysis and decision to assume or reject each contract and lease;

(vii) if, applicable, assistance with obtaining approval of key employee compensation and benefit programs;

(viii) attendance at meetings and assistance in discussions with prepetition creditors and potential investors, banks, and other secured lenders, any official committee(s) appointed, the United States Trustee, a court appoint Monitor pursuant to CCAA proceeding, other parties in interest and professionals hired by same, as requested;

(ix) analysis of creditor claims by type, entity, and individual claim, including assistance with development of databases, as necessary, to track such claims;

(x) assistance in the evaluation and analysis of avoidance actions, including fraudulent conveyances and preferential transfers;

(xi) assistance in the preparation of information and analysis necessary for the confirmation of a plan of reorganization in the US Debtors' chapter 11 cases, including information contained in the disclosure statement, and a plan of arrangement or compromise pursuant to a CCAA proceeding;

(xii) assistance in the preparation and rolling updates of the Company's 13 week cash flow forecast and weekly variance reporting of actual to forecast results;

(xiii) expert witness testimony on issues directly related to the services provided by A&M, as requested by the Debtors and agreed to by A&M;

(i) other activities as are approved by the Responsible Officer and agreed to by A&M.

In rendering its services to the Company, A&M will report directly to the Responsible Officer and will make recommendations to and consult with the Company's Boards of Directors and other senior officers at the direction of the Responsible Officer.

In connection with the services to be provided hereunder, from time to time A&M may utilize the services of employees of its affiliates, subsidiaries and independent contractors. Such affiliates are wholly owned by A&M's parent company and employees. A&M personnel providing services to the Company may also work with other A&M clients in conjunction with unrelated matters.

2. Information Provided by the Company and Forward Looking Statements

The Company shall use all reasonable efforts to: (i) provide A&M with access to management and other representatives of the Company; and (ii) to furnish all data, material, and other information concerning the business, assets, liabilities, operations, cash flows, properties, financial condition and prospects of the Company that A&M reasonably request in connection with the services to be provided to the Company. A&M shall rely, without further independent verification, on the accuracy and completeness of all publicly available information and information that is furnished by or on behalf of the Company and otherwise reviewed by A&M in connection with the services performed for the Company. The Company acknowledges and agrees that A&M is not responsible for the accuracy or completeness of such information and shall not be responsible for any inaccuracies or omissions therein. A&M is under no obligation to update data submitted to it or to review any other areas unless specifically requested by the Responsible Officer to do so.

You understand that the services to be rendered by A&M may include the preparation of projections and other forward-looking statements, and numerous factors can affect the actual results of the Company's operations, which may materially and adversely differ from those projections. In addition, A&M will be relying on information provided by the Company in the preparation of those projections and other forward-looking statements.

3. Limitation of Duties

A&M makes no representation or guarantee that, inter alia, (i) an appropriate restructuring proposal or strategic alternative can be formulated for the Company (ii) any restructuring proposal or strategic alternative presented to the Company's management or the Responsible Officer will be more successful than all other possible restructuring proposals or strategic alternatives, (iii) restructuring is the best course of action for the Company or (iv) if formulated, that any proposed restructuring plan or strategic alternative will be accepted by any of the Company's creditors, shareholders

and other constituents. Further, A&M does not assume any responsibility for the Company's decision to pursue, or not pursue any business strategy, or to effect, or not to effect any transaction. A&M shall be responsible for assistance with the implementation only of the restructuring proposal or strategic alternative approved by the Responsible Officer and only to the extent and in the manner authorized by and directed by the Responsible Officer and agreed to by A&M.

4. Compensation

(a) A&M will receive fees based on the following hourly rates (in their local currency):

Managing Directors	$775 - $975
Directors – Sr. Directors	$600 - $750
Associates – Sr. Associates	$450 - $575
Analysts / Staff	$375 - $425

Such rates shall be subject to adjustment annually at such time as A&M adjusts its rates generally.

(b) In addition, A&M will be reimbursed for its reasonable and documented out-of-pocket expenses incurred in connection with this assignment, such as travel, lodging, duplicating, messenger, computer research and telephone charges. All fees and expenses will be billed on a monthly basis or, at A&M's discretion, more frequently. Invoices are payable upon receipt of the invoice by the Company.

(c) Pursuant to the Prior Agreement, the Company remitted to A&M a retainer in the amount of $150,000 and it was agreed between the parties that such retainer would be increased to $350,000. It is agreed that A&M may continue to hold such $350,000 retainer under this Agreement and such retainer shall be credited against any amounts due at the termination of this engagement and returned upon the satisfaction of all obligations hereunder.

(d) It is understood and agreed that payments of A&M's fees and expenses shall be allocated between Aralez Canada and the US Debtors based on the party for whose benefit the related services are provided. In the event such an allocation is not readily discernable (ie, for services for the benefit of one or more Aralez Canada entities and one or more US Debtors), Aralez Canada and the US Debtors agree that the US Debtors will pay 50% of such fees and expenses and Aralez Canada will pay the remaining 50%. In any event, payments by Aralez Canada will be made to A&M Canada and payments by the US Debtors will be made to A&M HIG.

5. Term

(a) This Agreement will apply from the commencement of the services referred to in Section 1 and may be terminated with immediate effect by either party without cause by written notice to the other party.

(b) On termination of the Agreement, any fees and expenses due to A&M shall be remitted promptly (including fees and expenses that accrued prior to but are invoiced subsequent to such termination).

(c) The provisions of this Agreement that give the parties rights or obligations beyond its termination shall survive and continue to bind the parties.

6. Relationship of the Parties

The parties intend that an independent contractor relationship will be created by this engagement letter. Neither A&M nor any of its personnel or agents is to be considered an employee or agent of the Company and the personnel and agents of A&M are not entitled to any of the benefits that the Company provides for the Company employees. The Company acknowledges and agrees that A&M's engagement shall not constitute an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to the rules of the AICPA, SEC or other state or national professional or regulatory body.

7. No Third Party Beneficiary

The Company acknowledges that all advice (written or oral) provided by A&M to the Company in connection with this engagement is intended solely for the benefit and use of the Company (limited to its Board and management) in considering the matters to which this engagement relates. The Company agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

8. Conflicts

A&M is not currently aware of any relationship that would create a conflict of interest with the Company or those parties-in-interest of which you have made us aware, but we note that A&M has represented several of the Company's known creditors on other matters unrelated to the Company. Because A&M and its affiliates and subsidiaries comprise a consulting firm (the "Firm") that serves clients on a global basis in numerous cases, both in and out of court, it is possible that the Firm may have rendered or will render services to or have business associations with other entities or people which had or have or may have relationships with the Company, including creditors of the Company. The Firm will not be prevented or restricted by virtue of providing the services under this Agreement from providing services to other entities or individuals, including entities or individuals whose interests may be in competition or conflict with the Company, provided the Firm makes appropriate arrangements to ensure that the confidentiality of information is maintained. Aralez Canada and each of the US Debtors (each, a "Company Entity") acknowledges and agrees that the services being provided hereunder are being provided on behalf of each of them and each of them hereby waives any and all conflicts of interest that may arise on account of the services being provided

on behalf of any other Company Entity. Each Company Entity represents that it has taken all corporate action necessary and is authorized to waive such potential conflicts of interest.

9. Confidentiality / Non-Solicitation

A&M shall keep as confidential all non-public information received from or on behalf of the Company or its representatives in conjunction with this engagement, except: (i) as requested by the Company or its legal counsel; (ii) as required by legal proceedings or (iii) as reasonably required in the performance of this engagement. All obligations as to non-disclosure shall cease as to any part of such information to the extent that such information is or becomes public other than as a result of a breach of this provision. The Company, on behalf of itself and its subsidiaries and affiliates and any person which may acquire all or substantially all of its assets agrees that, until two (2) years subsequent to the termination of this engagement, it will not solicit recruit, hire or otherwise engage any employee of A&M or any of its affiliates who worked on this engagement while employed by A&M or its affiliates ("Solicited Person"). Should the Company or any of its subsidiaries or affiliates or any person who acquires all or substantially all of its assets extend an offer of employment to or otherwise engage any Solicited Person (in violation of the previous sentence) and should such offer be accepted, A&M shall be entitled to a fee from the Company equal to the Solicited Person's hourly client billing rate at the time of the offer multiplied by 4,000 hours for a Managing Director, 3,000 hours for a Senior Director and 2,000 hours for any other A&M employee. The Company acknowledges and agrees that this fee fairly represents the loss that A&M will suffer if the Company breaches this provision. The fee shall be payable at the time of the Solicited Person's acceptance of employment or engagement.

10. Indemnification and Limitations on Liability

The attached indemnification and limitation on liability agreement is incorporated herein by reference and shall be executed upon the acceptance of this Agreement. Termination of this engagement shall not affect these indemnification and limitation on liability provisions, which shall remain in full force and effect.

11. Joint and Several Liability

Each Company Entity hereby acknowledges and agrees that they are each jointly and severally liable to A&M and its affiliates for all of the Company's representations, warranties, covenants, liabilities and obligations set forth in the Agreement. Any beneficiary of this agreement may seek to enforce any of its rights and remedies hereunder against any or all Company Entities in any order at any time in its sole discretion.]

12. Miscellaneous

This Agreement (together with the attached indemnity provisions), including, without limitation, the construction and interpretation of thereof and all claims, controversies and disputes arising under or relating thereto, shall be governed and construed in accordance with the laws of the State of New York, without regard to principles of conflict of law that would defer to the laws of another jurisdiction. The Company and A&M agree to waive trial by jury in any action, proceeding or counterclaim brought by or on behalf of the parties hereto with respect to any matter relating to or arising out of the engagement or the performance or non-performance of A&M hereunder. The Company and A&M agree, to the extent permitted by applicable law, that any Federal Court sitting within the Southern District of New York shall have exclusive jurisdiction over any litigation arising out of this Agreement; to submit to the personal jurisdiction of the Courts of the United States District Court for the Southern District of New York; and to waive any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of New York for any litigation arising in connection with this Agreement.

This Agreement shall be binding upon A&M and the Company, their respective heirs, successors, and assignees, and any heir, successor, or assignee of a substantial portion of A&M's or the Company's respective businesses and/or assets, including any Chapter 11 Trustee. This Agreement incorporates the entire understanding of the parties with respect to the subject matter hereof and may not be amended or modified except in writing executed by the Company and A&M. This Agreement may be executed simultaneously in one or more counterparts, and by different parties hereto in separate counterparts, each of which when executed will be deemed an original, but all of which taken together shall constitute one and the same instrument. Facsimile signatures or signatures by other electronic means shall be deemed an original signature for purposes of executing this Agreement. Notwithstanding anything herein to the contrary, with the prior written consent of the Company, A&M may reference or list the Company's name and/or logo and/or a general description of the services in A&M's marketing materials, including, without limitation, on A&M's website.

If the foregoing is acceptable to you, kindly sign where indicated below and return a copy to acknowledge your agreement with its terms.

Very truly yours,

Alvarez & Marsal Healthcare Industry Group, LLC

By: _____
Martin J. McGahan
Title: A&M Healthcare Industry Group Head
Managing Director

Alvarez & Marsal Canada Inc.

By: _____
Michael Stewart
Title: Senior Vice-President

Accepted and agreed:

Aralez Pharmaceuticals Inc.
Aralez Pharmaceuticals Canada Inc.
Aralez Pharmaceuticals Management Inc.
Aralez Pharmaceuticals Holdings Limited
POZEN Inc.
Aralez Pharmaceuticals US Inc.
Halton Laboratories LLC
Aralez Pharmaceuticals Trading DAC
Aralez Pharmaceuticals R&D Inc.

By: _____
Adrian Adams
Chief Executive Officer

If the foregoing is acceptable to you, kindly sign where indicated below and return a copy to acknowledge your agreement with its terms.

Very truly yours,

Alvarez & Marsal Healthcare Industry Group, LLC

By: _____
Martin J. McGahan
Title: A&M Healthcare Industry Group Head
Managing Director

Alvarez & Marsal Canada Inc.

By: _____
Michael Stewart
Title: Senior Vice-President

Accepted and agreed:

Aralez Pharmaceuticals Inc.
Aralez Pharmaceuticals Canada Inc.
Aralez Pharmaceuticals Management Inc.
Aralez Pharmaceuticals Holdings Limited
POZEN Inc.
Aralez Pharmaceuticals US Inc.
Halton Laboratories LLC
Aralez Pharmaceuticals Trading DAC
Aralez Pharmaceuticals R&D Inc.

By: _____
Adrian Adams
Chief Executive Officer

INDEMNIFICATION AGREEMENT

This indemnity is made part of an agreement, dated as of July 9, 2018 (which together with any renewals, modifications or extensions thereof, is herein referred to as the "Agreement") by and between Alvarez & Marsal Healthcare Industry Group, LLC and Alvarez & Marsal Canada ULC (together, "A&M"), on the one hand, and Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc. ("APCI"; together with API, "Aralez Canada") and API's other subsidiaries identified on the signature page hereto (the "US Debtors"; jointly and severally with Aralez Canada, the "Company"), on the other hand, for services to be rendered to the Company by A&M. Capitalized terms used herein but not otherwise defined shall have the respective meanings set forth in the Agreement.

A. The Company agrees to indemnify and hold harmless each of A&M, its affiliates and their respective shareholders, members, managers, employees, agents, representatives and subcontractors (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations and expenses, including the reasonable and documented costs for outside counsel or employees of A&M (based on their then current hourly billing rates) in investigating, preparing or defending any action or claim, whether or not in connection with litigation in which any Indemnified Party is a party, or enforcing the Agreement (including these indemnity provisions), as and when incurred, caused by, relating to, based upon or arising out of (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of their obligations under the Agreement or Prior Agreement; provided, however, such indemnity shall not apply to any such loss, claim, damage, liability or expense to the extent it is found in a final judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees that (a) no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of A&M, except to the extent that any such liability for losses, claims, damages, liabilities or expenses are found in a final judgment by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's gross negligence or willful misconduct and (b) in no event will any Indemnified Party have any liability to the Company for special, consequential, incidental or exemplary damages or loss (nor any lost profits, savings or business opportunity). The Company further agrees that it will not, without the prior consent of an Indemnified Party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which such Indemnified Party seeks indemnification hereunder (whether or not such Indemnified Party is an actual party to such claim, action, suit or proceedings) unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liabilities arising out of such claim, action, suit or proceeding.

B. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to the Indemnified Parties. In the event that, at any time whether before or after termination of the engagement or the Agreement, as a result of or in connection with the Agreement or Prior Agreement or A&M's and its personnel's role under the Agreement or Prior Agreement, A&M or any Indemnified Party is required to produce any of its personnel (including former employees) for examination, deposition or other written, recorded or oral presentation, or A&M or any of its personnel (including former employees) or any other Indemnified Party is required to produce or otherwise review, compile, submit, duplicate, search for, organize or report on any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal (including administrative) process, the Company will reimburse the Indemnified Party for its out of pocket expenses, including the reasonable and documented fees and expenses of its outside counsel, and will compensate the Indemnified Party for the time expended by its personnel based on such personnel's then current hourly rate.

C. If any action, proceeding or investigation is commenced to which any Indemnified Party proposes to demand indemnification hereunder, such Indemnified Party will notify the Company with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify the Company will not relieve the Company from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the defense of such action. The Company shall promptly pay expenses reasonably incurred by any Indemnified Party in defending, participating in, or settling any action, proceeding or investigation in which such Indemnified Party is a party or is threatened to be made a party or otherwise is participating in by reason of the engagement under the Agreement or Prior Agreement, upon submission of invoices therefor, whether in advance of the final disposition of such action, proceeding, or investigation or otherwise. Each Indemnified Party hereby undertakes, and the

Company hereby accepts its undertaking, to repay any and all such amounts so advanced if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified therefor. If any such action, proceeding or investigation in which an Indemnified Party is a party is also against the Company, the Company may, in lieu of advancing the expenses of separate counsel for such Indemnified Party, provide such Indemnified Party with legal representation by the same counsel who represents the Company, provided such counsel is reasonably satisfactory to such Indemnified Party, at no cost to such Indemnified Party; provided, however, that if such counsel or counsel to the Indemnified Party shall determine that due to the existence of actual or potential conflicts of interest between such Indemnified Party and the Company such counsel is unable to represent both the Indemnified Party and the Company, then the Indemnified Party shall be entitled to use separate counsel of its own choice, and the Company shall promptly advance its reasonable and documented expenses of such separate counsel upon submission of invoices therefor. Nothing herein shall prevent an Indemnified Party from using separate counsel of its own choice at its own expense. The Company will be liable for any reasonable settlement of any claim against an Indemnified Party made with the Company's written consent, which consent shall not be unreasonably withheld.

D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts or omissions which resulted in the losses, claims, damages, liabilities and costs giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all losses, claims, damages, liabilities and expenses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.

E. To the extent permitted by applicable law or order of a court of competent jurisdiction, in the event the Company and A&M seek judicial approval for the assumption of the Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay documented expenses reasonably incurred by the Indemnified Parties, including reasonable and documented attorneys' fees and expenses, in connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. To the extent permitted by applicable law or order of a court of competent jurisdiction, the Company will also promptly pay the Indemnified Parties for any documented expenses reasonably incurred by them, including reasonable and documented attorneys' fees and expenses, in seeking payment of all amounts owed it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.

F. Subject to applicable law, neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition under Chapter 7 or 11 of the United States Bankruptcy Code (nor the conversion of an existing case to one under a different chapter) nor the application or award of protection under the Canadian Companies' Creditors Arrangement Act shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.

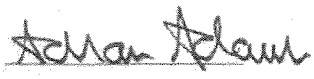
G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or bylaws of the Company, any other agreements, any vote of stockholders or disinterested directors of the Company, any applicable law or otherwise.

Aralez Pharmaceuticals Inc.
Aralez Pharmaceuticals Canada Inc.
Aralez Pharmaceuticals Holdings Limited

Alvarez and Marsal Healthcare Industry Group, LLC

Aralez Pharmaceuticals Management Inc.
POZEN Inc.
Aralez Pharmaceuticals Trading DAC
Aralez Pharmaceuticals US Inc.
Aralez Pharmaceuticals R&D Inc.
Halton Laboratories LLC

By: 

By: 

TAB H

Exhibit "H" to the Affidavit

Of Andrew Koven sworn

August 9th, 2018

Rebecca Cordy

Commissioner for taking affidavits

REBECCA B. CORDY
Notary Public, State of New York
No. 01CO6315535
Qualified in New York County
Commission Expires Nov. 24, 2018

399 Park Avenue
5th Floor
New York, New York 10022

T 212 883 3800
F 212 880 4260

MOELIS & COMPANY

CONFIDENTIAL

July 18, 2018

Aralez Pharmaceuticals Inc.
7100 West Credit Avenue, Suite 101
Mississauga, Ontario L5N 0E4

Aralez Pharmaceuticals US Inc.
400 Alexander Park Drive
Princeton, NJ 08540

Attn: Mr. Andrew I. Koven
President and Chief Business Officer

Dear Andrew:

Reference is hereby made to that certain engagement letter agreement, dated December 20, 2017, (the "Original Agreement") between Aralez Pharmaceuticals Inc. (together with Aralez Pharmaceuticals US Inc. and its other subsidiaries, the "Company") and Moelis & Company LLC ("Moelis"). The parties hereby agree to amend and restate the Original Agreement in its entirety as follows, which amended and restated agreement supersedes and replaces any obligations of the Company contained in the Original Agreement:

The purpose of this letter agreement is to confirm the engagement of Moelis to act as financial advisor to the Company in connection with general investment banking advisory services, a potential Transaction, Financing (to the extent applicable), and/or Restructuring. This amended and restated agreement is effective as of December 20, 2017.

For purposes hereof, a "Transaction" shall mean the direct or indirect sale, transfer or other disposition of all or a significant portion of the equity interests, assets or business of the Company or the Canadian business of the Company, or any other business combination or extraordinary corporate transaction involving the Company or the Canadian business of the Company, whether in one or a series of transactions, including, without limitation, by way of a negotiated sale, merger or consolidation, spin-off, split-off or other extraordinary dividend of cash, securities or other assets, tender or exchange offer, leveraged buyout, minority investment or partnership, strategic relationship, collaborative venture, divestiture or otherwise. This engagement is exclusive to Moelis with respect to a potential Transaction only, except that it is understood and agreed that the Company may, with prior written notice to Moelis, also engage one or more other investment banks in connection with any Transaction that does not involve a change of control of the Company or the Canadian business of the Company. For the avoidance of doubt, a Transaction shall not include any sale or license of the Company's Bezalip (U.S. rights), Fibricor or Yosprala products (or any combination of the foregoing) and no Transaction Fee (as defined herein) shall be payable with respect to any such transaction.

For purposes hereof, a "Restructuring" shall mean any restructuring, reorganization, rescheduling, repayment, refinancing or recapitalization of all or any material portion of the liabilities of the Company, however such result is achieved, including, without limitation, through a plan of reorganization or liquidation (a "Plan") confirmed in connection with a case (a "Bankruptcy Case") commenced by or against the Company or any of its subsidiaries or affiliates under Restructuring Law (as defined below), an exchange offer or consent solicitation, covenant relief, a rescheduling of debt maturities, a change in interest rates, a settlement or forgiveness of debt, a conversion of debt into equity, or other amendments to the Company's debt instruments, in each case that is material. For the avoidance of doubt, an amendment to any of the Company's

existing agreements with AztraZeneca that occurs outside of a Bankruptcy Case shall not constitute a Restructuring.

"Restructuring Law" means the U.S. Bankruptcy Code (the "Bankruptcy Code"), the Companies' Creditors Arrangement Act of Canada ("CCAA"), the Canada Business Corporations Act ("CBCA"), the Alberta Business Corporations Act ("ABCA"), the Canadian Bankruptcy & Insolvency Act ("BIA"), or any similar applicable law, and "Bankruptcy Court" means the U.S., Canadian or other court administering a Bankruptcy Case.

1. In connection with its engagement hereunder, Moelis proposes to undertake the following services on behalf of the Company, to the extent requested by the Company and as appropriate:

   a. reviewing the business, assets and operations of the Company and its historical and projected financial condition;

   b. assisting the Company in evaluating the business, assets and operations of various targets and their respective historical and projected financial condition;

   c. evaluating and recommending potential financial and strategic alternatives with respect to a potential Restructuring, Transaction or Financing (to the extent applicable) (as defined below);

   d. advising the Company as to the timing, structure and pricing of a potential Restructuring, Transaction or Financing (to the extent applicable);

   e. assisting the Company in negotiating the financial terms and consummating a potential Restructuring, Transaction or Financing (to the extent applicable);

   f. providing testimony, including written declarations, in any Bankruptcy Case arising from, related to, or regarding the process for any Transaction, Restructuring and/or Financing, if necessary (provided that any expert report or similar litigation services will entitle Moelis to additional fees to be negotiated in good faith at the appropriate time); and

   g. providing such other financial advisory and investment banking services in respect of a potential Restructuring or Transaction and related matters as are customary for similar restructurings and transactions and reasonably agreed upon by the Company and Moelis.

The Company hereby authorizes the use of data furnished to Moelis by the Company for distribution to third parties being considered for a potential Transaction, Restructuring and/or Financing (to the extent applicable), provided that such parties are subject to a confidentially agreement signed by the Company.

In order to coordinate most effectively our efforts together to effect a Transaction, Restructuring or Financing (to the extent applicable) during the term of the engagement hereunder, the Company will inform Moelis of any material discussions they may have or of any inquiry they may receive concerning a potential Transaction.

The foregoing services with respect to a Financing will only apply if (and to the extent) Moelis is engaged by the Company to act as its placement agent and/or capital markets advisor in connection with a Financing.

2. As compensation for Moelis' services hereunder, the Company shall pay Moelis the following cash fees:

Transaction Fee

   a. A transaction fee in an amount determined in accordance with the formula set forth in Schedule B hereto (the "Transaction Fee"), payable at the consummation of a Transaction if, (i) during the term of this letter agreement a Transaction is consummated or (ii) within 12 months after such term or, if this letter agreement is terminated prior to the end of its

stated term, within 12 months of such termination (except in the case of a termination by Moelis without Cause (as defined below) or in the case of a termination by the Company for Cause), a Transaction is consummated or a definitive agreement for a Transaction is entered into and such Transaction is subsequently consummated. The Transaction Fee shall be payable solely upon or after the consummation of such Transaction in accordance with Schedule B hereto. Pursuant to Schedule B, the aggregate Transaction Fee(s) above the Aggregate Transaction Fee Minimum (the "Transaction Fee Credit") shall be credited against the Restructuring Fee.

In the event that, during the term of this letter agreement, within 12 months after such term or, if this letter agreement is terminated prior to the end of its stated term, within 12 months of such termination (except in the case of a termination by Moelis without Cause or in the case of a termination by the Company for Cause), the Company shall execute a definitive agreement providing for a Transaction, such agreement shall subsequently be terminated and the Company is paid a termination, "break up", liquidated damages or similar fee or payment (including, without limitation, any judgment for damages or amount in settlement of any dispute as a result of such termination) in connection with such termination (a "Break-Up Payment"), then the Company shall pay to Moelis, upon its receipt of such Break-Up Payment, an amount (the "Break-Up Fee") equal to the lesser of (i) 15% of the difference resulting from the Break-Up Payment minus all out-of-pocket fees and expenses actually incurred and payable by the Company in connection with the Transaction (e.g. legal, accounting, tax, etc.) and (ii) the Transaction Fee (based on the estimated Transaction Fee that would have been payable had the proposed Transaction been consummated in accordance with the terms of such definitive agreement). Any non-cash component of Transaction Value (as defined on Schedule B) utilized in determining any such Break-Up Payment shall be valued in accordance with the provisions of Schedule B relating to such non-cash consideration.

Financing Fee

b. Upon the commencement of a Bankruptcy Case and until the completion of a Restructuring, Moelis shall have the right to act as exclusive placement agent in connection with any potential Financing. Other than as set forth in the previous sentence, Moelis acknowledges that should the Company pursue raising funds through a public or private equity or debt transaction, the Company may engage one or more investment banks other than Moelis, and unless agreed in writing otherwise, Moelis will not be entitled to compensation in connection with such transaction. However, should Moelis become engaged as the Company's placement agent and/or capital markets advisor (which the Company may request in its sole discretion) in connection with a Financing, such roles will be subject to the fees below. Notwithstanding anything to the contrary contained in this agreement, the Company may engage Commercial Capital Corporation and/or its affiliates ("CCC") in connection with a Financing provided by Canadian investors (and/or their non-Canadian affiliates) of any type (except debtor-in-possession financings), including without limitation any investment in an emerged company, and at any time and no Financing Fee shall be payable to Moelis with respect to any such Financing arranged by CCC.

A transaction fee in an amount determined in accordance with the formulas set forth below (the "Financing Fee"), payable at the consummation of a Financing (as defined below) if, (i) during the term of this letter agreement a Financing is consummated or (ii) within 12 months after such term or, if this letter agreement is terminated prior to the end of its stated term, within 12 months of such termination (except in the case of a termination by Moelis without Cause (as defined below) or in the case of a termination by the Company for Cause), a Financing is consummated or a definitive agreement for a Financing is entered into and such Financing is subsequently consummated. The Financing Fee shall be payable solely upon the consummation of such Financing.

For purposes hereof, a "Financing" shall mean a New Financing or a Refinancing.

A "New Financing" shall mean a public or private issuance, sale or placement of equity or debt securities, instruments or obligations of the Company, or any loan or other debt financing (including any "debtor-in-possession" financing) involving debt securities, instruments or obligations of the Company, with one or more lenders and/or investors but shall exclude a Refinancing and any amendment or modification to the Company's indebtedness that does not constitute a Refinancing.

A "Refinancing" shall mean any refinancing or restructuring (including, without limitation, through any exchange, conversion, cancellation, settlement, forgiveness, retirement and/or modification or amendment to the terms, conditions or covenants thereof) of all or a material portion of the Company's debt securities and/or other indebtedness, obligations or liabilities outside a Bankruptcy Case, provided that with respect to any such other indebtedness, obligations or liabilities, Moelis represents the Company outside a Bankruptcy Case (as evidenced through the execution of a new engagement letter or amendment hereto with respect to such representation) with respect to the refinancing, restructuring, or renegotiation thereof (including, without limitation, swap liabilities, pension liabilities, OPEB liabilities, capital or operating lease obligations, trade claims, other contract or tort obligations, and other on and off balance sheet indebtedness but excluding any funds from asset sales under $15 million used to pay down debt), however such result is achieved.

The amount of the Financing Fee shall be equal to:

i) 1.50% of the gross proceeds of any debt capital (including any "debtor-in-possession" financing) raised; and/or

ii) 3.50% of the gross proceeds of any equity capital raised; and/or

iii) 1.00% of the face value (consisting of principal plus fees, premiums, accrued and unpaid cash or payment in kind interest) of any of the Company's debt securities and/or other indebtedness, obligations or liabilities that is the subject of a Refinancing.

If the debtor-in-possession ("DIP") financing is raised solely from Deerfield Management Company L.P. and/or its affiliates (together with their affiliates, "Deerfield"), 100% of the Financing Fee paid pursuant to this DIP financing shall be credited (the "DIP Credit") against any Restructuring Fee (as defined below). If the DIP financing is raised from Deerfield in conjunction with other new money lenders, the DIP Credit shall be pro-rated to reflect Deerfield's share of commitment in that DIP facility.

Discretionary Fee

c. At the sole discretion of the Company, it may pay Moelis an additional fee (a "Discretionary Fee") in such amount as the Company may determine, based on such factors as the Company's satisfaction with Moelis' services, the complexity of the transaction, the time and effort expended by Moelis on the Company's behalf and value added by Moelis.

Monthly Fee

d. During the term of this agreement, a fee of $150,000 per month (the "Monthly Fee"), shall be payable on the first day of each month starting May 1, 2018. The Company will pay the Monthly Fees for May 2018, June 2018 and July 2018 immediately upon the execution of this agreement, and all subsequent Monthly Fees prior to each monthly anniversary of the date of this agreement. Whether or not a Restructuring has taken place or will take place, Moelis shall earn and be paid the Monthly Fee every month during the term of this agreement. 50% of the Monthly Fees, beginning with the fifth full Monthly Fee that is actually paid, shall be offset (the "Monthly Fee Credit") against the Restructuring Fee (as defined below).

Restructuring Fee

c. A one-time fee (the "Restructuring Fee"), payable upon any Restructuring shall be $3.5 million. If, at any time prior to the end of the Restructuring Tail Period (as defined below), the Company consummates any Restructuring or enters into an agreement or a Plan is filed regarding any Restructuring and a Restructuring is subsequently consummated, then the Company (or its bankruptcy estates) shall pay Moelis the applicable Restructuring Fee immediately upon the closing of any such Restructuring(s). The "Restructuring Tail Period" shall end on the earlier of (i) when a Restructuring is consummated or (ii) 12 months following the expiration or termination of this agreement. If the Company requests Moelis to render services not set forth in this agreement, such services will be subject to a separate mutually agreed upon engagement. The Restructuring Fee shall be offset, to the extent applicable, by the Transaction Fee Credit, the DIP Credit, and the Monthly Fee Credit. The maximum allowed amount of these credits against the Restructuring Fee shall be $3.5 million, and in no event shall the Restructuring Fee, after giving effect to applicable credits, be less than zero.

Notwithstanding anything to the contrary contained in this letter agreement, the aggregate amount of Transaction Fee(s), Restructuring Fee (after applicable credits) and DIP Credit payable under this letter agreement shall not exceed $6.5 million.

No fee payable to any other financial advisor by the Company or any other person in connection with a Transaction shall reduce or otherwise affect any fee payable to Moelis hereunder. In the event of a Financing (other than a DIP Financing, which shall be credited as set forth above) consummated outside a Bankruptcy Case, pursuant to which Moelis acts as the exclusive placement agent and capital markets advisor is entered into in conjunction with a Transaction involving a change of control of the Company and the Canadian business, then Moelis shall credit 50% of the Financing Fee with respect to such Financing against the Transaction Fee with respect to such Transaction.

In the event the Company determines to pursue a Transaction other than one that would result in a change of control of the Company or involving the Canadian business of the Company, such as any acquisition or other extraordinary corporate transaction, the Company may engage Moelis to act as financial advisor in connection therewith, provided that the parties mutually agree to an amendment to this letter or a separate engagement letter to provide such additional advisory services in connection therewith upon such terms and conditions and with such fees as are customary for similar engagements. Moelis acknowledges that should the Company pursue raising funds through a public equity transaction, the Company may engage one or more investment banks in addition to Moelis.

3. In addition to any fees payable to Moelis hereunder (and regardless of whether a Transaction is proposed or occurs), the Company shall promptly reimburse Moelis for reasonable travel and other out-of-pocket expenses incurred by Moelis in performing its services hereunder, including the reasonable fees and expenses of legal counsel; provided, however, in no event shall such out-of-pocket expenses be in excess of $125,000 in the aggregate without the Company's prior written consent, such consent not to be unreasonably withheld. For the avoidance of doubt, the foregoing limitation shall in no way affect the Company's obligations pursuant to Schedule A of this letter agreement.

4. If a Bankruptcy Case is commenced, subject to the requirements of applicable Restructuring Law, rules, guidelines and any orders of the applicable courts:

   a. In the event of a Bankruptcy Case under the Bankruptcy Code, whether voluntarily or involuntarily, the Company will use its reasonable best efforts to seek a final order of the Bankruptcy Court authorizing our employment as the Company's exclusive financial adviser under this agreement pursuant to, and subject to the standards of review set forth in, section 328(a) of the Bankruptcy Code (and not subject to the standards of review set forth in section 330 of the Bankruptcy Code), nunc pro tunc to the date of the filing of the Bankruptcy Case. The retention application and any order authorizing Moelis' retention must be acceptable to Moelis. Prior to commencing a Bankruptcy Case, the Company will

pay all fees then earned and payable and will reimburse Moelis for all expenses that Moelis incurred prior to commencement in accordance with this agreement.

b. In the event of a Bankruptcy Case under the Bankruptcy Code, Moelis will have no obligation to provide services unless the Bankruptcy Court approves Moelis' retention in a final non-appealable order acceptable to Moelis under section 328(a) of the Bankruptcy Code within 60 days following the filing of a voluntary chapter 11 case or the entry of an order for relief in any involuntary chapter 11 case. If neither the Company nor Moelis obtain such an order within such 60-day period, or such order is later reversed, vacated, stayed or set aside for any reason, Moelis may terminate this agreement, and the Company shall reimburse Moelis for all fees owing and expenses incurred prior to the date of termination, subject to the requirements of the Bankruptcy Rules, and Moelis shall be entitled to a contingent claim with respect to any fees that become payable under Section 2.

c. In the event of a Bankruptcy Case under the Bankruptcy Code, Moelis' post-petition compensation, expense reimbursements and payment received pursuant to the provisions of Schedule A shall be entitled to priority as expenses of administration under sections 503(b)(1)(A) and 507(a)(2) of the Bankruptcy Code, and shall be entitled to the benefits of any "carve-outs" for professional fees and expenses in effect pursuant to one or more financing orders entered by the Bankruptcy Court. Following entry of an order authorizing our retention, the Company will assist Moelis in preparing, filing and serving fee statements, interim fee applications, and a final fee application. The Company will support Moelis' fee applications that are consistent with this agreement in papers filed with the Bankruptcy Court and during any Bankruptcy Court hearing. The Company will pay promptly our fees and expenses approved by the Bankruptcy Court and in accordance with the Bankruptcy Code, applicable rules and any orders of the Bankruptcy Court.

d. The Company will use its reasonable efforts to ensure that, to the fullest extent permitted by law, any confirmed plan of reorganization or liquidation in the Bankruptcy Case contains typical and customary releases (both from the Company and from third parties) and exculpation provisions releasing, waiving, and forever discharging Moelis, its divisions, affiliates, any person controlling Moelis or its affiliates, and their respective current and former directors, officers, partners, managers, members, agents, representatives and employees from any claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action, and liabilities related to the Company or the engagement described in this agreement.

e. This agreement shall be binding on the Company and all claims made by Moelis pursuant to the terms of this agreement are not claims that may be compromised pursuant to any plan of compromise or arrangement under the CCAA, ABCA or CBCA or proposal under the BIA and, subject to applicable Restructuring Law, no Plan shall be approved that does not provide for the payment of all amounts due to Moelis pursuant to the terms of this agreement. In the event of a Bankruptcy Case in Canada, the Company will use its commercially reasonable efforts to ensure, as a term of the Bankruptcy Court order, that the payment of all applicable fees, reimbursement of expenses and indemnification or contribution obligations contemplated by this agreement (whether incurred before or after the date of any order approving this agreement) shall be secured by an administration charge.

These terms may be waived, in whole or in part, only by Moelis.

5. Subject to Section 6 of this engagement letter, the term of Moelis' engagement hereunder in connection with a potential Restructuring, Transaction, or Financing (to the extent applicable) shall commence on the date hereof and continue for a period of 12 months, unless extended by mutual written consent or earlier terminated by either party upon 10 days' prior written notice; provided, however, that no such termination shall affect (i) the indemnification and contribution obligations of the Company; (ii) the confidentiality obligations of the Company or Moelis, (iii) except as provided in Section 5, the right of Moelis to receive any fees (other than Monthly Fees) payable under Section

2 hereof (including the right of Moelis to receive, for the applicable period after any expiration or termination of this letter agreement, the Restructuring Fee, Transaction Fee, the Break-Up Fee and the Financing Fee (to the extent applicable)) or fees that have accrued prior to such termination or (iv) the right of Moelis to receive reimbursement for its out-of-pocket expenses as described above.

6. Notwithstanding anything to the contrary set forth herein, in the event of a termination of this letter agreement by Moelis without Cause or by the Company for Cause, Moelis shall not be entitled to any fees payable under Section 2 hereof following such termination (including the right of Moelis to receive, for the applicable period after any expiration or termination of this letter agreement, the Transaction Fee; the Break-Up Fee and the Financing Fee (to the extent applicable)).

For purposes of this letter agreement (i) "Cause" with respect to Moelis shall mean any action or failure to act by Moelis that constitutes bad faith, willful misconduct or gross negligence in connection with this agreement and (ii) "Cause", with respect to the Company, shall mean the Company's bad faith, gross negligence, and willful misconduct in connection with this agreement. Notwithstanding the foregoing, if Moelis obtains a judicial determination that it did not act with bad faith, willful misconduct or gross negligence in the performance of its services hereunder, Moelis will remain entitled to its Transaction Fee hereunder.

7. In consideration for the services provided in this agreement and in the Original Agreement, the Company shall indemnify Moelis and related persons in accordance with the indemnification letter attached hereto as Schedule A, the provisions of which are incorporated herein by reference in their entirety.

8. The Company shall provide to Moelis all financial and other information concerning the Company reasonably requested by it for the purpose of its assignment hereunder, including providing Moelis with reasonable access to management and other representatives of the Company. The Company agrees and represents, to the best of its knowledge, that information concerning the Company prepared by the Company and furnished to Moelis pursuant to this letter agreement shall be accurate and complete in all material respects at the time provided, and that if the Company becomes aware that such information becomes inaccurate, incomplete or misleading in any material respect during the term of Moelis' engagement hereunder, the Company shall promptly notify Moelis. In performing its services hereunder, Moelis shall be entitled to rely upon and assume, without assuming any responsibility for independent verification, the accuracy and completeness of all information that is publicly available and all information that has been furnished to it by or on behalf of the Company, any other participant in a transaction contemplated hereunder or otherwise reviewed by Moelis, and Moelis shall not assume any responsibility or have any liability therefor. Moelis shall have no obligation to conduct any appraisal of any assets or liabilities. Moelis does not provide accounting, tax, legal or regulatory advice. The Company agrees that it will be responsible for ensuring that any transaction contemplated hereunder complies with applicable law.

Any financial advice rendered by Moelis or its representatives pursuant to this letter agreement is intended solely for the benefit and use of the Company and the Board of Directors of the Company, acting solely in its capacity as such, in considering and evaluating a Transaction or any of the other matters contemplated by this agreement, is not on behalf of, and shall not confer rights or remedies upon, any person other than the Company and the Board of Directors of the Company (or such committee), and may not be used or relied upon for any other purpose. Except as required by the Bankruptcy Code, rules or orders of the applicable Bankruptcy Court, and any other applicable law (provided that prior notice thereof is provided to Moelis), no such financial advice or the terms of this letter agreement may be disclosed publicly in any manner without Moelis' prior written consent and all such advice and the terms of this letter agreement will be treated by the Company and Moelis, respectively, as confidential. The Company has not taken, and except in connection with a Bankruptcy Case, will not take, any action, directly or indirectly, so as to cause any Financing that involves the sale or offering of securities (a "Capital Transaction") to fail to be entitled to exemption under Section 4(a)(2) of the Securities Act of 1933 (the "Securities Act"). The Company will promptly from time to time take such action as Moelis may reasonably request to qualify the Capital Transaction as a private placement under the securities laws of such jurisdictions as Moelis may reasonably request.

Except in connection with a registration exemption pursuant to applicable Restructuring Law at the closing of a Capital Transaction, (i) the Company shall be deemed to make all the representations and warranties to Moelis that the Company has made to purchasers of the Capital Transaction ("Purchasers"), (ii) the Company shall deliver to Moelis an opinion of Company counsel to the effect that the Capital Transaction was exempt from registration under the Securities Act and which shall also include all opinions delivered to the Purchasers; (iii) the Company shall deliver to Moelis from each Purchaser for Moelis' express benefit a big boy representation in the form of *Schedule C*, and the Company hereby makes the representation, warranty and covenant with respect to bad actor disqualifications set forth in *Schedule C-1*, and (iv) the Company will also deliver to Moelis copies of such agreements, opinions, certificates and other documents delivered at the closing as Moelis may reasonably request. The Company will be responsible for all information provided by or on its behalf to Purchasers in a Capital Transaction.

9. All amounts herein are stated in U.S. dollars and all payments under this letter agreement, including under Schedule A hereof, shall be paid in immediately available funds in U.S. dollars, and without withholding or deduction of any tax, assessment or other governmental charge (collectively, "Tax") unless required by law; and if the Company shall be required to deduct or withhold any Tax, or if any Tax is required to be paid by Moelis solely on account of the services performed hereunder, the Company shall pay to Moelis such additional amounts as shall be required so that the net amount received by Moelis from the Company after such deduction, withholding or payment shall equal the amounts otherwise due to Moelis under this letter.

The Company hereby consents to the service of any and all process which may be served in any suit, action, or proceeding arising out of or relating to this letter agreement by means of personal delivery or courier service, addressed to it at the following address: (i) with respect to the Company, 400 Alexander Park Drive, Princeton, NJ 08540, and to the attention of the legal department of the Company, and (b) with respect to Moelis, at the address on the first page of this agreement, and the Company and Moelis each hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have under New York law or any law of any State of the United States or of any other jurisdiction or otherwise to service of process in such manner.

10. Following the public announcement of any transaction contemplated by this agreement, Moelis may, at its own expense, place announcements or advertisements in financial newspapers, journals and marketing materials describing its services hereunder, provided, that Moelis shall obtain the Company's prior approval as of the form and substance of all such announcements and advertisements and no such announcement or advertisement shall disclose the consideration or other material terms of any such transaction to the extent not publicly disclosed by the Company. If requested by Moelis, the Company shall include a mutually acceptable reference to Moelis in any press release or other public announcement of the Company in respect of any transaction contemplated by this agreement.

11. This letter agreement (including Schedules A and B), and any dispute or claim that may arise in connection with this agreement, (a) shall be governed by and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof, and no proceeding related directly or indirectly to this letter agreement shall be commenced, prosecuted, or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, sitting in New York county, (b) incorporates the entire understanding of the parties with respect to the subject matter hereof and supersedes all previous agreements should they exist with respect thereto, (c) may not be amended or modified except in a writing executed by the Company and Moelis and (d) shall be binding upon and inure to the benefit of the Company, Moelis, the other Indemnified Parties (as defined in Schedule A) and their respective successors and assigns. This letter agreement may not be assigned by Moelis or the Company except with the written consent of the non-assigning party, provided that the Company may assign this Agreement in connection with the closing of a Transaction involving the sale of all or substantially all of the Company in a change of control transaction. The Company (on the Company's behalf and, to the extent permitted by applicable law, on behalf of the Company's affiliates, security holders and creditors) and Moelis agree to waive, to the fullest extent permitted

by law, any objection it may now or hereafter have to the laying of venue of any such proceeding brought in any New York court specified in this Section 11 and any claim that any such proceeding brought in any such court has been brought in an inconvenient forum and to waive all rights to trial by jury in any action, proceeding or counterclaim brought by or on behalf of either party with respect to any matter whatsoever relating to or arising out of any actual or potential Transaction or the engagement of or performance by Moelis hereunder.

The Company acknowledges that Moelis, in connection with its engagement hereunder, is acting as an independent contractor with duties owing solely to the Company and the Board of Directors of the Company, that nothing in this letter agreement is intended to confer upon any other person any rights or remedies hereunder or by reason hereof and that Moelis is not assuming any duties or obligations other than those expressly set forth herein. Nothing in this letter agreement or the nature of Moelis' services in connection with this engagement or otherwise shall be deemed to create a fiduciary duty or fiduciary or agency relationship between Moelis or any of its affiliates and the Company or any of its affiliates, security holders, employees or creditors. The Company agrees that it shall not make, and hereby waives, any claim based on the assertion of such a fiduciary or agency relationship.

Moelis is an independent investment bank which is engaged in a range of investment banking activities. Certain affiliates of Moelis are engaged in asset management and other activities for their own account and otherwise. Moelis and its affiliates may have interests that differ from the Company's interests. Moelis and its affiliates have no duty to disclose to the Company, or use for the Company's benefit, any information acquired in the course of providing services to any other party, engaging in any transaction or carrying on any other businesses. Moelis' employees, officers, partners and affiliates may at any time own the Company's securities or those of any other entity involved in any transaction contemplated by this agreement. Moelis recognizes its obligations under applicable securities laws in connection with the purchase and sale of such securities and shall comply with such laws. The Company hereby agrees to the acknowledgements and disclosures set forth in *Schedule D*.

This letter agreement has been duly authorized and executed by the Company and Moelis and constitutes the legal, binding obligation of each party, enforceable in accordance with its terms. The invalidity or unenforceability of any provision of this letter agreement shall not affect the validity or enforceability of any other provision of this letter agreement, which shall remain in full force and effect.

Moelis shall not, during the term of this letter agreement, be engaged to advise any potential buyer or strategic partner with respect to a Transaction (including through a Bankruptcy Case) involving the Company. During the term of this letter agreement, Moelis shall, to the extent permissible by Moelis' professional and contractual obligations of confidentiality to its clients, advise the Company of any material relationships that, in Moelis' judgment, could reasonably be expected to present a potential conflict of interest.

[Signature Page Follows]

This letter agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to us a copy of this letter agreement.

Very best regards,

MOELIS & COMPANY LLC

By: _____
Ashish K. Contractor
Managing Director

Accepted and agreed to as of
the date set forth above:

ARALEZ PHARMACEUTICALS INC.
ARALEZ PHARMACEUTICALS US INC.

By: _____
Andrew I. Koven
President and Chief Business Officer

SCHEDULE A

INDEMNIFICATION

In the event that Moelis & Company LLC or our affiliates or any of our or our affiliates' respective current or former directors, officers, partners, managers, agents, representatives or employees (including any person controlling us or any of our affiliates) (collectively, "Indemnified Persons") becomes involved in any capacity in any actual or threatened action, claim, suit, investigation or proceeding (an "Action") arising out of, related to or in connection with this agreement or the Original Agreement or any matter referred to herein, the Company will reimburse such Indemnified Person for the reasonable and documented out-of-pocket costs and expenses (including counsel fees) of investigating, preparing for and responding to such Action or enforcing this agreement, as they are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its affiliates, or their respective owners, directors, officers, employees, security holders or creditors for, any losses, claims, damages or liabilities (collectively, "Losses") (A) related to or arising out of oral or written statements or omissions made or information provided by the Company or its agents or (B) otherwise arising out of, related to or in connection with this agreement or our performance thereof, except that this clause (B) shall not apply to Losses that are finally judicially determined to have resulted from the bad faith, willful misconduct or gross negligence of an Indemnified Person. In the event the Company pays an Indemnified Person for Losses hereunder and to the extent such Losses are subsequently finally judicially determined to have resulted from the bad faith, willful misconduct or gross negligence of an Indemnified Person, such Indemnified Person will promptly refund to the Company amount advanced by the Company in connection with such matter.

If such indemnification or limitation on liability are for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by us, on the other hand, with respect to this agreement or, if such allocation is judicially determined to be unavailable, in such proportion as is appropriate to reflect the relative benefits and relative fault of the Company on the one hand and of us on the other hand, and any other equitable considerations; provided, however, that, to the extent permitted by applicable law, in no event shall the Indemnified Persons be responsible for amounts that exceed the fees actually received by us or contemplated to be paid by to us from the Company in connection with this agreement. Relative benefits to the Company, on the one hand, and us, on the other hand, with respect to this agreement shall be deemed to be in the same proportion as (i) the total value paid or proposed to be paid or received or proposed to be received by the Company or its security holders, as the case may be, pursuant to the Transaction(s), Restructuring and Financing (to the extent applicable), whether or not consummated, bears to (ii) the fees actually received by us or contemplated to be paid to us in connection with this agreement.

The Company shall not be liable for any Settlement (as defined below) of any Action effected without its written consent, but if settled with such consent or if there is a final judgment against an Indemnified Party, the Company agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The Company will not, without our prior written consent (not to be unreasonably withheld), settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate (a "Settlement") any Action in respect of which indemnification is or may be sought hereunder (whether or not an Indemnified Person is a party thereto) unless such Settlement includes a release of each Indemnified Person from any Losses arising out of such Action. The Company will not permit any such Settlement to include a statement as to, or an admission of, fault or culpability by or on behalf of an Indemnified Person without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent (not to be unreasonably withheld), agree to the Settlement of any Action.

Prior to effecting any proposed sale, exchange, dividend or other distribution or liquidation of all or substantially all of its assets or any significant recapitalization or reclassification of its outstanding securities that does not explicitly or by operation of law provide for the assumption of the obligations of the Company set forth herein, the Company will notify us in writing of its arrangements for the Company's obligations set

forth herein to be assumed by another creditworthy party (for example through insurance, surety bonds or the creation of an escrow) upon terms and conditions reasonably satisfactory to the Company and us.

SCHEDULE B

TRANSACTION FEE SCHEDULE

The Transaction Fee for each Transaction (including a sale of the Canadian business) shall be equal to 2.00% of the Transaction Value (as defined below), subject to the credits set forth in this agreement.

For the purpose of calculating a Transaction Fee, "Transaction Value" shall equal the aggregate value of (A) the total value of all proceeds and other consideration actually paid or received, directly or indirectly, to the Company and/or its shareholders (including holders of options, warrants, convertible or other equity securities) in connection or in conjunction with a Transaction, including, without limitation: (i) cash; (ii) the face amount of any notes, (iii) the fair market value of any securities and other property; (iv) payments made in installment; (v) amounts paid under agreements not to compete or similar agreements; (vi) amounts paid under contractual arrangements with the Company executed in connection with the Transaction (including lease arrangements, management fees, put or call agreements); and (vii) contingent payments (whether or not related to future earnings or operations); plus (B) the aggregate principal amount of all indebtedness for borrowed money and other liabilities (including, without limitation, capitalized leases and preferred stock obligations) outstanding immediately prior to consummation of a Transaction or otherwise, directly or indirectly, assumed, refinanced, defeased, extinguished or consolidated (including any premiums paid or defeasance costs) in connection with such Transaction. For the avoidance of doubt, the right to receive a contingent, installment or future payment shall not be included in the calculation of Transaction Value until such future payment is actually paid to the Company and/or its shareholders upon or after the consummation of a Transaction. For purposes of computing any fees payable to Moelis hereunder, (x) shares issuable upon exercise of options, warrants or other rights of conversion shall be deemed outstanding and (y) non-cash consideration shall be valued as follows: (A) publicly traded securities shall be valued at the average of their closing prices (as reported in The Wall Street Journal) for five trading days ending five trading days prior to the closing of the Transaction and (B) any other non-cash consideration shall be valued at the fair market value thereof as determined in good faith by the Company and Moelis on the day prior to the consummation of the Transaction; provided that if such parties are unable to agree on a fair market value for such non-cash consideration, then the parties shall submit such issue to a panel of three arbitrators located in New York, New York (with one arbitrator being chosen by each party and the third being chosen jointly by the parties) for determination, which determination shall be binding upon each of the Company and Moelis.

Transaction Value also shall include, without duplication, (i) the aggregate amount of any extraordinary dividends, repurchases or other distributions declared by the Company (other than normal recurring dividends, repurchases or distributions) in connection or in conjunction with such Transaction, and (ii) in the case of a sale of assets, the net value of any working capital (other than cash) not acquired in such Transaction.

In connection with a sale, transfer or other disposition of 50% or more of the outstanding common stock of the Company, Transaction Value will be calculated as if 100% of the outstanding common stock on a fully diluted basis had been acquired at the same per share amount paid in such Transaction.

To the extent a Transaction Fee is payable hereunder, the aggregate amount of Transaction Fee(s) shall be subject to a minimum of US$2,500,000 (the "Aggregate Transaction Fee Minimum") such that at the termination of this agreement if Transaction Fee(s) are payable hereunder and the aggregate thereof is less than Aggregate Transaction Fee Minimum, such difference shall be payable to Moelis; provided, that the Aggregate Transaction Fee Minimum shall not be applicable if the only Transaction consummated is a sale or license of the Zontivity product.

SCHEDULE C

BIG BOY REPRESENTATION

The undersigned Purchaser represents and warrants that (i) the Purchaser is a sophisticated institutional accredited investor with extensive expertise and experience in financial and business matters and in evaluating private companies and purchasing and selling their securities; (ii) the Purchaser has conducted and relied upon its own due diligence investigation of the Company and its own in-depth analysis of the merits and risks of the Capital Transaction in making its investment decision and has not relied upon any information provided by Moelis or any investigation of the Company conducted by Moelis; and (iii) the Purchaser agrees that Moelis shall have no liability to the Purchaser in connection with its purchase of the Capital Transaction.

SCHEDULE C-1

BAD ACTOR REPRESENTATION AND COVENANT

The Company represents and warrants to Moelis that, as of the date of this engagement letter, neither the Company nor any of its respective managing members, general partners, directors and executive officers, any other officers participating in the Capital Transaction, any 20% beneficial owners of the Company, calculated on the basis of total voting power, promoters connected to the Company, nor any persons compensated for soliciting investors, including their directors, general partners and managing members (each a "Covered Person"), have been convicted of or are otherwise subject to any of the disqualifying events listed in Rule 506(d) of Regulation D under the Securities Act and as of the closing date of any Capital Transaction, neither the Company nor any Covered Person will have been convicted of or otherwise subject to any of the disqualifying events listed in Rule 506(d) of Regulation D under the Securities Act. Furthermore, the Company agrees to notify Moelis immediately if at any time it becomes aware that it or any of its Covered Persons have been convicted of or are otherwise subject to any of the disqualifying events listed in Rule 506(d) of Regulation D under the Securities Act.

SCHEDULE D

FINRA Suitability. Pursuant to FINRA Rule 2111, the Company acknowledges that (i) the Company is capable of evaluating investment risks independently, both in general and with regard to transactions and investment strategies involving a security or securities and will exercise independent judgment in evaluating recommendations (if any) of Moelis and its associated persons, and (ii) the Company is an Institutional Account as defined in FINRA Rule 4512(c).

USA Patriot Act. Moelis is required to obtain, verify, and record information that identifies the Company in a manner that satisfies the requirements of and in accordance with the USA Patriot Act.

Business Continuity. Moelis maintains a business continuity plan that is reviewed annually and is updated as necessary. Our disclosure statement is available on our website at www.moelis.com and a copy can be requested by contacting us at compliance@moelis.com.

TAB 3

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	FRIDAY, THE 10TH
	)	
JUSTICE DUNPHY	)	DAY OF AUGUST, 2018

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Applicants

INITIAL ORDER

THIS APPLICATION, made by Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc. (together the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Andrew Koven sworn August 9, 2018 and the Exhibits thereto (the **"Koven Affidavit"**), the pre-filing report of Richter Advisory Group Inc. ("**Richter**"), in its capacity as proposed monitor (the "**Monitor**") to the Applicants, dated August 10, 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 to the Applicants, counsel to the proposed Monitor and counsel to the DIP Lender (as that term is defined herein) and pre-filing secured lender ("**Deerfield**"), and on reading the consent of Richter to act as the Monitor,

SERVICE

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

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Koven

Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that, subject to the terms of the Definitive Documents, the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicants following the date of this Order,

provided that, to the extent such expenses were incurred prior to the date of this Order, the Applicants shall only be entitled to pay such amounts if they are permitted under the Definitive Documents, determined by the Applicants, in consultation with the Monitor and the DIP Lender, to be necessary to the continued operation of the Business or preservation of the Property and such payments are approved in advance by the Monitor or by further Order of the Court.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale

of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such terms as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $500,000 in any one transaction or $2,000,000 in the aggregate;

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business.

12. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable

for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including September 7, 2018, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (a) empower

the Applicants to carry on any business which the Applicants is not lawfully entitled to carry on, (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest, or (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the

Property, which charge shall not exceed an aggregate amount of $1 million, as security for the indemnity provided in paragraph 20 of this Order. The D&O Charge shall have the priority set out in paragraphs 48 and 50 herein.

22. **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 Applicants' directors and officers 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 20 of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that Richter is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicants' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

(d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than as contemplated by the Definitive Documents or as otherwise agreed to by the DIP Lender;

(e) advise the Applicants in its development of the Plan and any amendments to the Plan;

(f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(i) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of 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 Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements incurred in respect of services rendered to the Applicants, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicants are hereby authorized and directed to pay to the Monitor, counsel to the Monitor, and counsel to the Applicants, retainers in the amounts of $100,000, $100,000 and $250,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

APPROVAL OF ENGAGEMENT OF A&M

31. **THIS COURT ORDERS** that the agreement dated as of July 9, 2018 (the "**A&M Engagement Letter**") pursuant to which the Applicants have engaged the services of Alvarez & Marsal Canada Inc. and Alvarez & Marsal Healthcare Industry Group, LLC to act as the financial advisor (in such capacity, the "**Financial Advisor**") to the Applicants, is hereby approved *nunc pro tunc*, including, without limitation, the payment of fees and expenses contemplated thereby, and the Applicants are authorized to continue the

engagement of the Financial Advisor on the terms set out in the A&M Engagement Letter.

32. **THIS COURT ORDERS** that the Financial Advisor shall be entitled to the benefit of the Administration Charge (as defined below) in respect of any obligations of the Applicants under the A&M Engagement Letter, whether for payment of compensation, fees, expenses, indemnities or otherwise.

33. **THIS COURT ORDERS** that all claims of the Financial Advisor pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan, or proposal under the *Bankruptcy and Insolvency Act* (the "**BIA**") or any other restructuring, and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the Engagement Letter.

34. **THIS COURT ORDERS** that the Financial Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Applicants as Financial Advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the Engagement Letter.

APPROVAL OF ENGAGEMENT OF MOELIS

35. **THIS COURT ORDERS** that the agreement dated as of July 18, 2018 (the "**Moelis Engagement Letter**") pursuant to which the Applicants have engaged the services of Moelis & Company LLC ("**Moelis**") to act as the investment banker (in such capacity, the "**Investment Banker**") to the Applicants, is hereby approved *nunc pro tunc*, including, without limitation, the payment of fees and expenses contemplated thereby,

and the Applicants are authorized to continue the engagement of the Investment Banker on the terms set out in the Moelis Engagement Letter.

36. **THIS COURT ORDERS** that the Investment Banker shall be entitled to the benefit of a charge in respect of any obligation of the Applicants to pay a Transaction, Restructuring and/or Refinancing Fee (as those terms are defined in the Moelis Engagement Letter) (the "**Transactional Fee Charge**"). The Transactional Fee Charge shall have the priority set out in paragraphs 48 and 50 hereof.

37. **THIS COURT ORDERS** that all claims of the Investment Banker pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan, or proposal under the *BIA* or any other restructuring, and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the Investment Banker Engagement Letter.

38. **THIS COURT ORDERS** that the Investment Banker, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Applicants as Financial Advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the Engagement Letter.

ADMINISTRATION CHARGE

39. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the Financial Advisor, the Investment Banker and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $1 million, as security for their professional fees and disbursements incurred at the standard rates and charges

of the Monitor, the Monitor's counsel, the Financial Advisor, and the Applicants' counsel, and for 50% of the Monthly Fee (as that term is defined in the Moelis Engagement Letter) of the Investment Banker, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 48 and 50 hereof.

40. **THIS COURT ORDERS** that the Applicants are authorized and directed to return to this Court to seek approval of an allocation of fees payable to the Financial Advisor and the Investment Banker based on the proceeds of any sales completed within these proceedings and the Chapter 11 proceedings of the related Aralez Entities, if necessary.

DIP FINANCING

41. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from Deerfield Private Design Fund III, L.P. and Deerfield Partners, L.P. (the "**DIP Lenders**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed USD$10 million unless permitted by further Order of this Court.

42. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the agreement between the Applicants and the DIP Lender dated as of August 10, 2018 (the "**DIP Agreement**"), filed.

43. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and

pursuant to the DIP Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

44. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 48 and 50 hereof.

45. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon five days' written notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

46. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *BIA*, with respect to any advances made under the Definitive Documents.

47. **THIS COURT ORDERS** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any Plan, or proposal under the *BIA* or any other restructuring, and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the DIP Lender pursuant to the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

48. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge, the D&O Charge and the Transactional Fee Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of $1 million);

Second – DIP Lender's Charge;

Third – D&O Charge (to the maximum amount of $1 million); and

Fourth – the Transactional Fee Charge.

49. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the DIP Lender's Charge, the D&O Charge and the Transactional Fee 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.

50. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank 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.

51. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Charges, or further Order of this Court.

52. **THIS COURT ORDERS** that the Charges, the DIP Agreement, and the Definitive Documents 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 made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors 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 the Applicants, 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 DIP Agreement or the Definitive

Documents shall create or be deemed to constitute a breach by the Applicants 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 Applicants entering into the DIP Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Applicants pursuant to this Order, the DIP Agreement or the Definitive Documents, 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.

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

SERVICE AND NOTICE

54. **THIS COURT ORDERS** that the Monitor shall (a) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (b) within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than $1000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

55. **THIS COURT ORDERS** that the E-Service Guide 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 with the following URL: http://insolvency.richter.ca/A/Aralez-Pharmaceuticals.

56. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants 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.

COMEBACK MOTION

57. **THIS COURT ORDERS** that the Applicants are authorized to serve their motion materials with respect to one or more motions at which the Applicants intend to seek, *inter alia*, approval of a cross-border protocol, an extension of the Stay Period and approval of a key employee retention plan (the "**Comeback Motion**") by forwarding a copy of this Order and any additional materials to be filed with respect to the Comeback Motion by electronic transmission, where available, or by courier to the parties likely to be affected by the relief to be sought at such parties' respective addresses as last shown on the records of the Applicants as soon as practicable.

GENERAL

58. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

59. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

60. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor 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 the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

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

62. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) 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.

63. **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.

_____

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

Court File No. _____

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INITIAL ORDER

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Ashley Taylor LSUC#: 39932E
Tel: (416) 869-5236
E-mail: ataylor@stikeman.com

Kathryn Esaw LSUC#: 58264F
Tel: (416) 869-6820
E-mail: kesaw@stikeman.com
Fax: (416) 947-0866

Lawyers for the Applicants

TAB 4

~~Revised: January 21, 2014~~

Court File No. ———

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ~~———~~MR.	)	~~WEEKDAY~~FRIDAY, THE #10TH
	)	
JUSTICE ~~———~~DUNPHY	)	DAY OF ~~MONTH~~AUGUST, ~~20YR~~2018

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 [APPLICANT'S NAME] (the "Applicant")~~ OF ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Applicants

INITIAL ORDER

THIS APPLICATION, made by ~~the Applicant~~Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc. (together the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~Andrew Koven sworn ~~[DATE]~~August 9, 2018 and the Exhibits thereto, (the "**Koven Affidavit**"), the pre-filing report of Richter Advisory Group Inc. ("**Richter**"), in its capacity as proposed monitor (the "**Monitor**") to the Applicants, dated August 10, 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 [NAMES], no one appearing for [NAME][1] although~~

~~[1] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

~~duly served as appears from the affidavit of service of [NAME] sworn [DATE]~~to the Applicants, counsel to the proposed Monitor and counsel to the DIP Lender (as that term is defined herein) and pre-filing secured lender ("**Deerfield**"), and on reading the consent of ~~[MONITOR'S NAME]~~Richter to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated[2] so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The ~~Applicant is~~Applicants are authorized and

---

[2] ~~If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.~~

empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively~~"~~, "**Assistants**~~"~~") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as ~~it deems~~they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. ~~[~~**THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to utilize the central cash management system[3] currently in place as described in the Koven Affidavit ~~of [NAME] sworn [DATE]~~ or replace it with another substantially similar central cash management system (the ~~"~~"**Cash Management System**~~"~~") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.~~]~~

6. **THIS COURT ORDERS** that ~~the Applicant~~, subject to the terms of the Definitive Documents, the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

---

[3] ~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.~~

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the ~~Applicant~~Applicants following the date of this Order,

provided that, to the extent such expenses were incurred prior to the date of this Order, the Applicants shall only be entitled to pay such amounts if they are permitted under the Definitive Documents, determined by the Applicants, in consultation with the Monitor and the DIP Lender, to be necessary to the continued operation of the Business or preservation of the Property and such payments are approved in advance by the Monitor or by further Order of the Court.

8. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, ~~(iii) Quebec Pension Plan,~~ and (~~iv~~iii) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the ~~Applicant~~Applicants in connection with the sale of goods and services by the ~~Applicant~~Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed ~~[or resiliated]~~[4] in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Applicants and the landlord from time to time ("**Rent**"), for the

[4] ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant is~~Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Applicants to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall, subject to such requirements as are imposed by the CCAA and such ~~covenants~~terms as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, ~~[~~and to dispose of redundant or non-material assets not exceeding $~~●~~500,000 in any one transaction or $~~●~~2,000,000 in the aggregate~~][5]~~;

(b) ~~[~~terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate~~]~~; and

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

---

~~[5] Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

all of the foregoing to permit the ~~Applicant~~Applicants to proceed with an orderly restructuring of the Business ~~(the "Restructuring")~~.

12. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall provide each of the relevant landlords with notice of the ~~Applicant's~~Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the ~~Applicant's~~Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the ~~Applicant~~Applicants, or by further Order of this Court upon application by the ~~Applicant~~Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the ~~Applicant disclaims [or resiliates]~~Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~[or resiliation]~~ of the lease shall be without prejudice to the ~~Applicant's~~Applicants' claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer ~~[or resiliation]~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~[or resiliation]~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~[or resiliation]~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the ~~Applicant~~Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including ~~[DATE MAX. 30 DAYS]~~September 7, 2018, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (~~i~~a) empower the ~~Applicant~~Applicants to carry on any business which the ~~Applicant~~Applicants is not lawfully entitled to carry on, (~~ii~~b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (~~iii~~c) prevent the filing of any registration to preserve or perfect a security interest, or (~~iv~~d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the

~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the

~~Applicant~~Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.[6]

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,[7] except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

---

[6] ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

[7] ~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

21. **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~Applicants shall be entitled to the benefit of and are hereby granted a charge (the ~~"Directors'~~**"D&O Charge**~~"~~") on the Property, which charge shall not exceed an aggregate amount of $●1 million, as security for the indemnity provided in paragraph ~~[20]~~ of this Order. The ~~Directors'~~D&O Charge shall have the priority set out in paragraphs ~~[38]~~48 and ~~[40]~~50 herein.

22. **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 ~~Directors'~~D&O Charge, and (b) the ~~Applicant's~~Applicants' directors and officers shall only be entitled to the benefit of the ~~Directors'~~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 ~~[20]~~ of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~Richter is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Applicants and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

---

[8] ~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the~~

(a) monitor the ~~Applicant's~~Applicants' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, in ~~its~~their dissemination, to the DIP Lender and its counsel ~~on a [TIME INTERVAL] basis~~ of financial and other information as agreed to between the ~~Applicant~~Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

(d) advise the ~~Applicant~~Applicants in ~~its~~their preparation of the ~~Applicant's~~Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than ~~[TIME INTERVAL],~~as contemplated by the Definitive Documents or as otherwise agreed to by the DIP Lender;

(e) advise the ~~Applicant~~Applicants in its development of the Plan and any amendments to the Plan;

(f) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess

---

~~Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(i) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of

the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant~~Applicants and the DIP Lender with information provided by the ~~Applicant~~Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of 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 Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Applicants shall be paid their reasonable fees and disbursements incurred in respect of services rendered to the Applicants, in each case at their standard rates and charges, by the ~~Applicant~~Applicants as part of the costs of these proceedings. The ~~Applicant is~~Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant~~Applicants on a ~~[TIME INTERVAL]~~weekly basis and, in addition, the ~~Applicant is~~Applicants are hereby authorized and directed to pay to the Monitor, counsel to the Monitor, and counsel to the ~~Applicant~~Applicants, retainers in the ~~amount[s] of $● [~~amounts of $100,000, $100,000 and $250,000, respectively~~]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

APPROVAL OF ENGAGEMENT OF A&M

31. **THIS COURT ORDERS** that the agreement dated as of July 9, 2018 (the "**A&M Engagement Letter**") pursuant to which the Applicants have engaged the services of Alvarez & Marsal Canada Inc. and Alvarez & Marsal Healthcare Industry Group, LLC to act as the financial advisor (in such capacity, the "**Financial Advisor**") to the Applicants, is hereby approved *nunc pro tunc*, including, without limitation, the payment of fees and expenses contemplated thereby, and the Applicants are authorized to continue the engagement of the Financial Advisor on the terms set out in the A&M Engagement Letter.

32. **THIS COURT ORDERS** that the Financial Advisor shall be entitled to the benefit of the Administration Charge (as defined below) in respect of any obligations of the Applicants under the A&M Engagement Letter, whether for payment of compensation, fees, expenses, indemnities or otherwise.

33. **THIS COURT ORDERS** that all claims of the Financial Advisor pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan, or proposal under the *Bankruptcy and Insolvency Act* (the "**BIA**") or any other restructuring, and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the Engagement Letter.

34. **THIS COURT ORDERS** that the Financial Advisor, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Applicants as Financial

Advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the Engagement Letter.

APPROVAL OF ENGAGEMENT OF MOELIS

35. **THIS COURT ORDERS** that the agreement dated as of July 18, 2018 (the "**Moelis Engagement Letter**") pursuant to which the Applicants have engaged the services of Moelis & Company LLC ("**Moelis**") to act as the investment banker (in such capacity, the "**Investment Banker**") to the Applicants, is hereby approved *nunc pro tunc*, including, without limitation, the payment of fees and expenses contemplated thereby, and the Applicants are authorized to continue the engagement of the Investment Banker on the terms set out in the Moelis Engagement Letter.

36. **THIS COURT ORDERS** that the Investment Banker shall be entitled to the benefit of a charge in respect of any obligation of the Applicants to pay a Transaction, Restructuring and/or Refinancing Fee (as those terms are defined in the Moelis Engagement Letter) (the "**Transactional Fee Charge**"). The Transactional Fee Charge shall have the priority set out in paragraphs 48 and 50 hereof.

37. **THIS COURT ORDERS** that all claims of the Investment Banker pursuant to the Engagement Letter are not claims that may be compromised pursuant to any Plan, or proposal under the *BIA* or any other restructuring, and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the Financial Advisor pursuant to the terms of the Investment Banker Engagement Letter.

38. **THIS COURT ORDERS** that the Investment Banker, its affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of either its engagement by the Applicants as Financial

Advisor or any matter referred to in the Engagement Letter except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Financial Advisor in performing its obligations under the Engagement Letter.

ADMINISTRATION CHARGE

39. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~the Financial Advisor, the Investment Banker and the ~~Applicant's~~Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the ~~"~~"**Administration Charge**~~"~~") on the Property, which charge shall not exceed an aggregate amount of $~~●~~1 million, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor ~~and such counsel~~, the Monitor's counsel, the Financial Advisor, and the Applicants' counsel, and for 50% of the Monthly Fee (as that term is defined in the Moelis Engagement Letter) of the Investment Banker, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~[38]~~48 and ~~[40]~~50 hereof.

40. **THIS COURT ORDERS** that the Applicants are authorized and directed to return to this Court to seek approval of an allocation of fees payable to the Financial Advisor and the Investment Banker based on the proceeds of any sales completed within these proceedings and the Chapter 11 proceedings of the related Aralez Entities, if necessary.

DIP FINANCING

41. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from ~~[DIP LENDER'S NAME] (the "DIP Lender"~~Deerfield Private Design Fund III, L.P. and Deerfield Partners, L.P. (the "**DIP Lenders**") in order to finance the ~~Applicant's~~Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided

that borrowings under such credit facility shall not exceed ~~$●~~USD$10 million unless permitted by further Order of this Court.

42. ~~33.~~ **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~agreement between the ~~Applicant~~Applicants and the DIP Lender dated as of ~~[DATE]~~August 10, 2018 (the ~~"Commitment Letter"~~"**DIP Agreement**"), filed.

43. ~~34.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the ~~"~~"**Definitive Documents**~~"~~"), as are contemplated by the ~~Commitment Letter~~DIP Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the ~~Applicant is~~Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~DIP Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

44. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the ~~"~~"**DIP Lender's Charge**~~"~~") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs ~~[38]~~48 and ~~[40]~~50 hereof.

45. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ●five days' written notice to the ~~Applicant~~Applicants and the Monitor, may exercise any and all of its rights and remedies against the ~~Applicant~~Applicants or the Property under or pursuant to the ~~Commitment Letter~~DIP Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the ~~Applicant~~Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the ~~Applicant~~Applicants against the obligations of the ~~Applicant~~Applicants to the DIP Lender under the ~~Commitment Letter~~DIP Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the ~~Applicant~~Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~Applicants; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~Applicants or the Property.

46. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the ~~Applicant~~Applicants under the CCAA, or any proposal filed by the ~~Applicant~~Applicants under the ~~*Bankruptcy and Insolvency Act* of Canada (the "BIA")~~*BIA*, with respect to any advances made under the Definitive Documents.

47. **THIS COURT ORDERS** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any Plan, or proposal under the *BIA* or any other restructuring, and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the DIP Lender pursuant to the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

48. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the~~ Administration Charge ~~and~~, the DIP Lender's Charge, the D&O Charge and the Transactional Fee Charge, as among them, shall be as follows[9]:

First – Administration Charge (to the maximum amount of $●1 million);

Second – DIP Lender's Charge; ~~and~~

Third – ~~Directors'~~ D&O Charge (to the maximum amount of $●~~)~~1 million); and

Fourth – the Transactional Fee Charge.

49. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the~~ Administration Charge ~~or~~, the DIP Lender's Charge, the D&O Charge and the Transactional Fee 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.

50. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~Charges shall constitute a charge on the Property and such Charges shall rank 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.

---

[9] ~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now~~

51. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~Charges, unless the ~~Applicant~~Applicants also ~~obtains~~obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the ~~Directors' Charge and the Administration Charge~~Charges, or further Order of this Court.

52. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter,~~Charges, the DIP Agreement, and the Definitive Documents ~~and the DIP Lender's Charge~~ 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**"~~) and/or the DIP Lender~~") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors 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 the ~~Applicant~~Applicants, 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 ~~Commitment Letter~~DIP Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the ~~Applicant~~Applicants of any Agreement to which it is a party;

~~permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the~~

(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 ~~Applicant~~Applicants entering into the ~~Commitment Letter~~DIP Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, the ~~Commitment Letter~~DIP Agreement or the Definitive Documents, 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.

53. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property leases.

SERVICE AND NOTICE

54. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (~~i~~a) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (~~ii~~b) within five days after the date of this Order, (~~A~~i) make this Order publicly available in the manner prescribed under the CCAA, (~~B~~ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Applicants of more than $1000, and (~~C~~iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

55. ~~45.~~ **THIS COURT ORDERS** that the E-Service ~~Protocol~~Guide of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this

---

~~rankings, above), where appropriate.~~

proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at ~~http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/~~)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 with the following URL : http://insolvency.richter.ca/A/Aralez-Pharmaceuticals.

56. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Applicants 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.

COMEBACK MOTION

57. **THIS COURT ORDERS** that the Applicants are authorized to serve their motion materials with respect to one or more motions at which the Applicants intend to seek, *inter alia*, approval of a cross-border protocol, an extension of the Stay Period and approval of a key employee retention plan (the "**Comeback Motion**") by forwarding a copy of this Order and any additional materials to be filed with respect to the Comeback Motion by electronic transmission, where available, or by courier to the

parties likely to be affected by the relief to be sought at such parties' respective addresses as last shown on the records of the Applicants as soon as practicable.

GENERAL

58. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

59. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Applicants, the Business or the Property.

60. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor 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 the ~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

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

62. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) 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.

63. ~~52.~~ **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.

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INITIAL ORDER

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Ashley Taylor LSUC#: 39932E
Tel: (416) 869-5236
E-mail: ataylor@stikeman.com

Kathryn Esaw LSUC#: 58264F
Tel: (416) 869-6820
E-mail: kesaw@stikeman.com
Fax: (416) 947-0866

Lawyers for the Applicants

Document comparison by Workshare Professional on Friday, August 10, 2018 12:55:04 AM

Input:	
Document 1 ID	file://C:\Users\esawk\Desktop\intitial-order-CCAA-EN.doc
Description	intitial-order-CCAA-EN
Document 2 ID	PowerDocs://SETOR1/6918267/7
Description	SETOR1-#6918267-v7-Aralez_-_Initial_Order
Rendering set	standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	299
Deletions	308
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	609

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 ARALEZ PHARMACEUTICALS INC. AND ARALEZ PHARMACEUTICALS CANADA INC.

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding Commenced at Toronto

APPLICATION RECORD

(RETURNABLE AUGUST 10, 2018)

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Ashley Taylor LSUC#: 39932E
Tel: (416) 869-5236
E-mail: ataylor@stikeman.com

Kathryn Esaw LSUC#: 58264F
Tel: (416) 869-5230
E-mail: kesaw@stikeman.com

Lawyers for the Applicants