

RICHTER

Richter Advisory Group Inc.
181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
www.richter.ca

IMPOPHARMA INC.

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

July 31, 2018

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

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

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

JULY 31, 2018

I. INTRODUCTION

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

II. PURPOSE OF REPORT

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

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

III. QUALIFICATIONS

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

IV. BACKGROUND

Company Overview

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

Historical Financial Results

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

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

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

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

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

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

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

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

18. Since January 2018, the Company has attempted to raise additional capital but, to date, has been unsuccessful at securing any commitments or funds.

Secured Creditor

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

Unsecured Creditors

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

Employees

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

V. OBJECTIVES OF THE NOI PROCEEDINGS

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

VI. PROPOSED SALE AND INVESTMENT SOLICITATION PROCESS

Previous Capital Raising Efforts

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

Sales and Investment Solicitation Process

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

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

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

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

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

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

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

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

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

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

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

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

VIII. PROPOSED ADMINISTRATIVE CHARGE

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

IX. PROPOSED DIRECTOR AND OFFICER CHARGE

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

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

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

X. PROPOSED KEY EMPLOYEE RETENTION PAYMENTS

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

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

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

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

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

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

XII. CONCLUSION AND RECOMMENDATION

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

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

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

Per:



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



Duncan Lau, CA, CIRP
Vice President

Appendix “A”



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

District of ONTARIO
Division No. 09 - Toronto
Court No. 31-458512
Estate No. 31-458512

Industrie Canada

Bureau du surintendant
des faillites Canada

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

IMPOPHARMA INC.

Insolvent Person

RICHTER ADVISORY GROUP INC / RICHTER GROUPE CONSEI

Licensed Insolvency Trustee

Date of the Notice of Intention: July 25, 2018

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

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

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

MELISSA MILLAR

Official Receiver

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

Canada

Appendix “B”

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

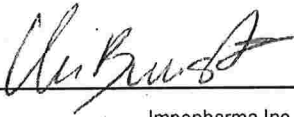
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

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

Take notice that:

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

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



Impopharma Inc.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

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

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

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

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

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

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

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

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

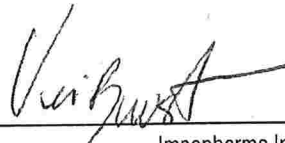
11/20

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

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

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

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



Impopharma Inc.
Insolvent Person

Appendix “C”

TRANSACTION OPPORTUNITY

Developer of pharmaceutical products and complex formulations

Background

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

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

Company Overview

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

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

Investment Highlights

Market Opportunity

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

Highly Differentiated

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

Experienced Management Team

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

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



TRANSACTION OPPORTUNITY
Developer of pharmaceutical products and complex formulations

Sale and investment solicitation process

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

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

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

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

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



Appendix “D”

Impopharma Inc. (the "Company")
Projected Statement of Cash Flow under a Notice of Intention to file a proposal ("NOI") filing
For the period from July 21 to September 28, 2018
(In Canadian Dollars)

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

Notes:

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

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

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

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

Lawyers for the Richter Advisory Group Inc.,
Proposal Trustee