Court File No.: CV-24-00721374-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERICIAL LIST)

BETWEEN:

BANK OF MONTREAL

Applicant

- and -

HOHS DRUGS LIMITED and HUAN DANG

Respondents

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

PRE-FILING REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED IN ITS CAPACITY AS PROPOSED RECEIVER

June 3, 2024

GrantThornton

Grant Thornton Limited
200 King Street West, 11th Floor
Toronto, Ontario, M5H 3T4

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I. INTRODUCTION

1. Grant Thornton Limited ("**GTL**") understands that on June 11, 2024 (the "**Date of Appointment**") Bank of Montreal (the "**Bank**") intends to make an application (the "**Application**") to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") for an order (the "**Receivership Order**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice* Act, R.S.O. 1990, c. C-43, as amended (the "**CJA**"), *inter alia*, appointing GTL as receiver and manager (in such capacities, the "**Receiver**"), without security, of all of the issued and outstanding shares (the "**Shares**") in the capital of

HOHS Drugs Limited (the “**Company**”) and all of the assets, undertakings and properties of the Company acquired for, or used in relation to a business carried on by the Debtor (together with the Shares, the “**Property**”). The Court proceedings to be commenced by the Bank pursuant to the BIA and the CJA will be referred to herein as the “**Receivership Proceedings**”.

2. The draft Receivership Order being sought in the Application, amongst other things:

a) authorizes the Receiver to countersign and deliver the Regency APA (as defined below) and Manning SPA (as defined below), and subject to the Regency APA and Manning SPA being approved by the Court, perform the obligations of the Receiver under the Regency APA and/or the Manning SPA;

b) provides that the Company shall remain in possession of the Property and shall continue to operate the Company’s business in the ordinary course pending the completion of the transactions provided for in the Regency APA and Manning SPA (each as defined below);

c) empowers GTL, in its capacity as Receiver (if appointed), to borrow by way of revolving credit or otherwise, up to the amount of $250,000 (or such greater amount as this Court may by further Order authorize);

d) grants charges over the Property (as defined in the Receivership Order): (i) in favour of the Receiver and its counsel to secure their fees and disbursements in respect of these proceedings (the “**Receiver’s Charge**”), and (ii) as security for the payment of monies borrowed, together with interest and charges thereon, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by the Receivership Order, including interim expenditures (the “**Receiver’s Borrowings Charge**”); and

e) sealing the Confidential Appendices to this Pre-Filing Report (as defined below) until the earlier of (a) the completion of the transactions provided for in the Manning SPA and the Regency APA (each as defined below), and (b) further order of this Court.

II. PURPOSE OF THE REPORT

3. The purpose of this pre-filing report (the "**Pre-Filing Report**") by GTL as the proposed receiver (in such capacity, the "**Proposed Receiver**") is to, among other things:

   a) provide background information relating to the Company and its financial position;

   b) provide an overview of GTL's involvement with the Company;

   c) describe and discuss the sale and marketing activities conducted by MC2 Business Advisors Inc. ("**MC2**") to realize on the Shares and the assets of the Company;

   d) discuss the salient terms of the Regency APA (defined below) and the Manning SPA (defined below);

   e) summarize the results of the liquidation analysis of the Company's assets and business performed by the Proposed Receiver based on the Company's financial position as at May 17, 2024 (the "**Liquidation Analysis**");

   f) provide recommendations with respect to the following:

      i. an approval and vesting order (the "**Regency AVO**"), among other things, approving the asset purchase agreement dated April 17, 2024 (the "**Regency APA**") between the Receiver, and 1000801194 Ontario Inc. (the "**Regency Purchaser**"), pursuant to which the Regency Purchaser will acquire all of the Company's right, title and interest in and to the Purchased Assets (as defined in the Regency APA), and authorizing and directing the Receiver to take such steps as necessary to implement and complete the transactions contemplated thereby (the "**Regency Transaction**"); and

      ii. an approval and vesting order (the "**Manning AVO**"), among other things:

         1. approving the share purchase agreement dated April 4, 2024 (the "**Manning SPA**") between the Receiver and Frank Murgic Pharmacist Professional Corporation, or its assignee or nominee

(the "**Manning Purchaser**") pursuant to which the Manning Purchaser will purchase all of the Shares and authorizing and directing the Receiver to take such steps as necessary to implement and complete the transactions contemplated thereby (the "**Manning Transaction**");

2. adding a corporation to be incorporated ("**ResidualCo**") as a debtor to the Receivership Proceedings in order to effectuate the Manning Transaction;
3. transferring and vesting all of the Company's right, title and interest in and to the Excluded Assets (as defined in the Manning SPA), Excluded Contracts (as defined in the Manning SPA) and Excluded Liabilities (as defined in the Manning SPA) in and to ResidualCo;
4. vesting in the Manning Purchaser, all of the right, title and interest of the Respondent, Huan Dang, in and to the Shares; and
5. discharging all Encumbrances against the Company and the Retained Assets, other than Permitted Encumbrances (as defined in the Manning SPA).

III. DISCLAIMER AND TERMS OF REFERENCE

4. In preparing this Pre-Filing Report, GTL has relied upon unaudited, draft and/or other financial statements and other information provided by the Company and its advisors, stakeholders and other third-party sources (collectively, the "**Information**"). Except as described in this Pre-Filing Report, GTL has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards, and accordingly GTL expresses no opinion or form of assurance in respect of the Information.

5. This Pre-Filing Report has been prepared for the use of this Court to provide general information relating to the proposed Receivership Proceedings for the purpose of

assisting the Court in making a determination as to whether to approve the relief sought as outlined in the Application. This Pre-Filing Report should not be relied on for any other purpose. GTL will not assume responsibility or liability for losses incurred as a result of the circulation, publication, reproduction or use of this Pre-Filing Report contrary to the provisions of this paragraph.

6. All references to dollars are in Canadian currency unless otherwise noted.

7. Copies of Court orders and other documents pertaining to the Receivership Proceedings will be available on the Receiver's website at: www.grantthornton.ca/HOHSDrugs (the "**Case Website**").

8. Unless otherwise provided, all other capitalized terms not defined in this Pre-Filing Report are as defined in the Receivership Order, Regency AVO and Manning AVO (as applicable).

IV. BACKGROUND INFORMATION

Corporate Matters

9. The Company is a corporation that was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) on January 7, 1954 under the name Karn Drugs Limited. It changed its name to RTK Drugs Limited on February 3, 2011 and subsequently to HOHS Drugs Limited on August 31, 2016.

10. The Company operates two pharmacies: one from leased premises located at 260 Spadina Avenue, Ground Floor, Toronto, Ontario (the "**Manning Business**"), and the other from leased premises located at 2737 Keele Street, Suite 1-8, Toronto, Ontario (the "**Regency Business**").

11. Given the date of the Company's incorporation, it appears that the Company is a Pre-1954 Charter (the "**Pre-54 Charter**") corporation, as contemplated by Section 142 of the *Drug and Pharmacies Regulations Act* (Ontario). Under the *Drug and Pharmacies Regulations Act* (Ontario), no corporation shall own or operate a pharmacy unless a majority of the shares of the corporation are owned by and registered in the name of a pharmacist or in the name of health profession corporations each of which holds a valid certificate of authorization issued by the Ontario College of Pharmacists ("**OCP**").

However, pursuant to Section 142(4) of the *Drug and Pharmacies Regulations Act* (Ontario), the above requirement does not apply to a corporation operating a pharmacy on May 14, 1954. Generally speaking, pharmacies operating under the Pre-54 Charter tend to yield greater sale values relative to comparable pharmacies operating without a Pre-54 Charter because of the greater flexibility in the ownership structure resulting from the Pre-54 Charter.

12. Huan Dang ("**Mr. Dang**") is the sole shareholder of the Company. Chi Thi Hoang (Mr. Dang's mother, who is a pharmacist) is the sole director of the Company, as required by Section 142(1) of *Drug and Pharmacies Regulations Act* (Ontario) which provides that no corporation shall own or operate a pharmacy unless the majority of the directors of the corporation are pharmacists.

13. The Company also was involved in a wholesale business of personal protective equipment during the Covid-19 pandemic. However, this business declined as the demand for these products lessened after mandatory public safety measures were lifted.

14. The Company had previously operated another pharmacy, being located at 901 King Street West, Toronto, Ontario. Due to profitability and working capital issues, in June 2021, this pharmacy was sold (by way of an asset sale) to a new company in which Mr. Dang advised he holds a 49% interest. Mr. Dang also advised that he personally guaranteed the lease at this location.

15. Regency Drugs Limited is a corporation that was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) on August, 29, 2006. The Company holds title to 100 common shares of Regency Drugs Limited which constitute all of the shares of Regency Drugs Limited. Chi Thi Hoang is the sole director of Regency Drugs Limited. Mr. Dang has advised GTL that Regency Drugs Limited has no assets and does not carry on business.

<u>Acquisition of the Shares by Mr. Dang</u>

16. In 2018, Mr. Dang purchased the Shares pursuant to a share purchase agreement made between Jennifer Mortensen ("**Mortensen**"), David Barrett, the Company, and Regency Drugs Limited (the "**2018 SPA**"). The Receiver understands that, in

connection with the purchase of the Shares pursuant to the 2018 SPA, Mr. Dang provided the following promissory notes:

a) a promissory note in favour of Mortensen dated December 21, 2018 in the amount of $896,863.46 (the "**Mortensen Note**"); and

b) a promissory note in favour of David Barrett Medicine Professional Corporation ("**Barrett MPC**") dated December 21, 2018 in the principal amount of $316,742.65 (the "**Barrett MPC Note**" and together with the Mortensen Note, the "**Promissory Notes**").

17. The Company guaranteed payment of the Promissory Notes under a guarantee dated December 31, 2018 (the "**2018 HOHS Guarantee**"). As security for the 2018 HOHS Guarantee, the Company granted a general security agreement dated December 21, 2018 to Mortensen and Barrett MPC.

18. Based on information provided by Mr. Dang, the Proposed Receiver understands that the full amount of the Mortensen Note remains unpaid. The Proposed Receiver also understands that the amount owing under the Barrett MPC Note was reduced by agreement to $228,687. Based on information provided by Mr. Dang, the Proposed Receiver further understands that Mr. Dang claims an additional $139,981 of reductions to the amount owing on the Barrett MPC Note which are disputed by Barrett MPC.

BMO Credit Agreement and the Security

19. The Bank is the Company's primary secured creditor. As at May 23, 2024, the Bank is owed approximately $5,363,687.18 (which includes principal and interest) pursuant to a credit agreement between the Company and the Bank dated December 14, 2018, as amended and restated on May 9, 2019 (the "**BMO Credit Agreement**"). Pursuant to the BMO Credit Agreement, the Bank provided various demand loans and a corporate MasterCard to the Company.

20. The Bank holds various registered security over all of the assets, undertakings and properties of the Company. The Bank was also granted a personal guarantee by Mr. Dang (the "**Dang Guarantee**"). As security for Mr. Dang's obligations under the Dang Guarantee, Mr. Dang provided to the Bank a Hypothecation of Negotiable Collateral for All Loans dated May 23, 2019 (the "**Share Pledge Agreement**"). Security held by the

Bank to secure the obligations under the BMO Credit Agreement and the personal guarantee by Mr. Dang is referred to herein as the "**Security**".

21. The Receiver has not, as of the date of this Pre-Filing Report, instructed its counsel to review the validity and enforceability of the Security.

<u>Operational Matters</u>

22. With respect to the Manning Business, the landlord of the premises located at 260 Spadina Avenue, Toronto, Ontario, is Lodestone Investments Limited (the "**Manning Landlord**"). The lease ("**Manning Lease**") between the Manning Landlord and 1807344 Ontario Ltd., covering the term from October 1, 2009 to December 31, 2019, was assigned to 2670120 Ontario Inc. (a company owned by Mr. Dang) on May 14, 2019. The Company advised that the Manning Lease was renewed in December 2019 for 10 years.

23. With respect to the Regency Business, the landlord of the premises located at 2737 Keele Street, Suite 1-8, Toronto, Ontario, is Keele Medical Properties Ltd. (the "**Regency Landlord**"). The term of this lease (the "**Regency Lease**") covered the period January 1, 2017 to January 1, 2022 and contained two options to extend for 5 years each. The Company did not exercise its option to extend the Regency Lease. The Regency Lease currently operates on a month-to-month basis.

24. The Company employs 19 full time and part time employees who service both the Regency Business and the Manning Business. All business with the public at the Manning Business is conducted in Cantonese. Accordingly, it is essential that all Company personnel at this location are completely fluent in this language, which is a less common language than Mandarin.

25. The majority of the revenue (and thus accounts receivable) of the Company is driven by the Ontario Drug Benefit Plan ("**ODB**") business with the remaining revenue arising from other insurance providers and non-insured retail sales.

26. GTL understands that the Company has a significant dependency on referrals of patients from medical practitioners for its revenues. The sale of prescriptions is zero-rated. This means that the Company is able to claim input tax credits ("**ITCs**") despite no harmonized sales tax ("**HST**") being collected on sales.

27. On the supplier side of the business, McKesson Canada ("**McKesson**") is the principal provider of inventory to the Company. GTL understands unsold inventory may be subject to a repurchase program at a discount.

28. There is no perpetual inventory system, but the Company advised that they try and maintain drug inventory of $220,000 - $250,000 at the Manning Business and $50,000 - $60,000 at the Regency Business (of which 20% - 25% are generic drugs) and $5,000 - $10,000 of over-the-counter product at the Manning Business and $0 at the Regency Business. Narcotics and controlled substances are less than $10,000 at the Manning Business and $2,000 - $3,000 at the Regency Business. Most inventory may be less than 30 days old and, therefore, may be subject to the unpaid supplier provisions in a formal insolvency proceeding. Moreover, narcotics and controlled substances require special treatment and can only be sold by a qualified person as defined in the *Controlled Drugs and Substances Act*.

~~29.~~ The Company uses an industry recognized prescription system called Fillware (an Rx Management System) pursuant to a license agreement. Nothing has come to the Proposed Receiver's attention which would suggest information being produced from this system is materially mis-stated. The following is a summary of the prescriptions filled over the past three years for both locations:

The Manning Business:

	2021	2022	% Change	2023	% Change
Jan	$ 296,403	$ 268,429	-9.44%	$ 305,553	13.83%
Feb	264,490	260,363	-1.56%	306,821	17.84%
Mar	346,158	314,782	-9.06%	320,771	1.90%
Apr	262,158	275,061	4.92%	322,919	17.40%
May	311,955	317,381	1.74%	318,184	0.25%
Jun	309,567	302,272	-2.36%	323,565	7.04%
Jul	283,369	279,514	-1.36%	332,153	18.83%
Aug	313,049	321,794	2.79%	334,077	3.82%
Sep	299,498	332,728	11.10%	313,562	-5.76%
Oct	268,864	363,177	35.08%	347,206	-4.40%
Nov	312,926	328,072	4.84%	341,757	4.17%
Dec	284,882	294,695	3.44%	317,124	7.61%
	$ 3,553,319	$ 3,658,268	2.95%	$ 3,883,691	6.16%

The Regency Business:

	2021	2022	% Change	2023	% Change
Jan	$ 92,648	$ 70,661	-23.73%	$ 58,490	-17.22%
Feb	87,578	55,087	-37.10%	61,495	11.63%
Mar	90,414	76,793	-15.07%	69,834	-9.06%
Apr	88,736	69,950	-21.17%	56,939	-18.60%
May	71,055	71,195	0.20%	66,204	-7.01%
Jun	85,913	60,483	-29.60%	67,626	11.81%
Jul	76,533	64,840	-15.28%	59,952	-7.54%
Aug	85,235	61,201	-28.20%	50,797	-17.00%
Sep	67,421	67,351	-0.10%	51,685	-23.26%
Oct	80,122	65,215	-18.61%	62,713	-3.84%
Nov	75,052	58,359	-22.24%	63,000	7.95%
Dec	74,146	48,904	-34.04%	58,993	20.63%
	$ 974,852	$ 770,039	-21.01%	$ 727,729	-5.49%

Financial Matters

30. The Company provided unaudited financial statements and internally generated financial data for the years ended December 31, 2020 to December 31, 2022, a summary of which is as follows:

	2020	2021	% Change	2022	% Change
Revenue	4,192,454	3,659,031	-14.58%	4,034,375	10.26%
Gross Profit	1,432,246	1,204,213	-18.94%	1,271,227	5.56%
Total Expenses	845,079	508,321	-66.25%	576,368	13.39%
Net Income	587,167	695,892	15.62%	694,859	-0.15%

31. Based on the Information provided by Mr. Dang to the Proposed Receiver on March 18, 2024 (except for the amount owed to Bank of Montreal, which as previously mentioned, is the amount outstanding as at May 23, 2024), the following lists the material secured and unsecured indebtedness of the Company:

- Accrued Vacation - $9,000.00 (estimated, priority)
- Bank of Montreal – $5,363,687.18 (estimated, secured)
- Jennifer Mortensen - $896,863.46 (estimated, secured, but assigned to Barrett on December 28, 2023)
- Barrett MPC - $316,742.65 (estimated, secured)

- McKesson – approximately $275,000.00 (estimated, secured)
- BRMC Pharmacy Ltd - $115,000.00 (estimated, unsecured, to a related company) for loans made to the Company
- MNP LLP - $52,894.27 (estimated, unsecured) for unpaid invoices for accounting services
- 100325516 Ontario Limited - $12,656.00 (estimated, unsecured), a contract pharmacy manager
- A CEBA loan in the amount of $60,000 (estimated, unsecured)

32. A review of the PPSA search results current as of May 26, 2024 in respect of the Company, indicated PPSA registrations in favour of the Bank, Mortensen (assigned to Barrett on December 28, 2023), Barrett MPC and McKesson as follows:

    a) a financing statement in favour of the Bank (Reg. No.: 20181221 0946 1862 9421) in inventory, equipment, accounts, other and MV included. A financing change statement was subsequently filed to amend the registration to include the assets of the Manning Business;

    b) a financing statement in favour of Mortensen and Barrett MPC (Reg. No.: 20190107 1324 1590 7052) in consumer goods, inventory, equipment, accounts and other. A financing change statement was subsequently filed to assign the registration made in favour of Mortensen to David Barrett; and

    c) financing statements in favour of McKesson Canada Corporation:

        i) (Reg. No.: 20210707 1703 1462 4203) in inventory, equipment, accounts and other; and

        ii) (Reg. No.: 20210707 1703 1462 4204) in inventory.

<u>Tax Liabilities</u>

33. As of the date of this Pre-Filing Report, the Company's tax filings with the Canada Revenue Agency ("**CRA**") were in arrears. The last corporate tax return filed by the Company was for the fiscal year ended December 31, 2021. The Proposed Receiver notes that, as at December 31, 2021, there appear to be cumulative tax losses of $604,659. The Proposed Receiver is unaware as to the carry-forward expiration dates of those losses.

34. As of the date of this Pre-Filing Report, the Company' monthly HST returns had not been filed since March 2023. There are approximately 12 months of outstanding monthly HST returns.

35. As payroll of the Company is funded to and processed by a third-party company, the Proposed Receiver understands that there should be no amounts are owing related to deductions at source.

36. Given the foregoing, the Proposed Receiver recently worked with the Company and its external accountant to arrange to bring the Company's books and records up to date such that the corporate tax returns for the fiscal years 2022 and 2023, as well as the corporate tax return up to the date immediately prior to the closing of the Manning Transaction, can be completed and filed with Canada Revenue Agency ("**CRA**"). As at the date of this Pre-Filing Report, this process is continuing and is expected to completed prior to the closing of the Manning Transaction.

37. The outstanding HST returns are also in the process of currently being completed. The Company's sales and purchases of pharmaceutical product are zero-based, and accordingly, the Proposed Receiver estimates the Company should be in a refund position vis-à-vis HST in respect to the ITCs it may claim for its overhead expenses.

V. OVERVIEW OF GTL'S INVOLVEMENT WITH THE COMPANY

38. GTL understands that due to various defaults by the Company under the BMO Credit Agreement and following unsuccessful informal efforts by Mr. Dang to solicit viable offers for the sale of the Company, the Bank lost confidence in the financial viability of the Company and in Mr. Dang's ability to consummate a transaction in respect of the Company's business.

39. GTL understands that, on February 6, 2023, the Bank issued demands to the Company and Mr. Dang. The Bank also issued notices to the Company and Mr. Dang pursuant to section 244 of the BIA of the Bank's intention to enforce the Security.

40. On March 8, 2023, GTL was engaged as financial advisor to the Bank with a mandate of advising the Bank with respect to: (i) the financial and other information provided by the Company and its advisors; (ii) developing and implementing, with the assistance of the Company and Mr. Dang, a sale process for the business assets of the Company;

and (iii) monitoring the operations of the Company during any period of forbearance which may be granted by the Bank.

41. The Company was cooperative and provided information to GTL; however, GTL notes that the books and records of the Company were not current. Mr. Dang admitted to this situation but explained that various issues, including, among other things, the COVID-19 pandemic and lingering effects thereof on the Company's business, the competitive landscape of similar pharmacies located near the Company's two pharmacies, concerns regarding referrals from doctors as a continuous source of revenue (due to the loss of one doctor who was a sub-tenant), increased costs of operations, and landlord matters relating to both pharmacy locations, strained liquidity and profitability whereby maintenance of record-keeping was a secondary priority. Liquidity challenges also had an effect on the management of, and staffing of, the two pharmacies.

42. Through the review of various information provided by the Company and discussions with Mr. Dang, it became apparent that a restructuring of the two pharmacies could only be completed through a proper sale process followed thereafter with a court-supervised process to effect the sale(s), as Mr. Dang's ability to raise future funds for the Company's liquidity were non-existent. Although in the recent past, Mr. Dang and his family provided liquidity, Mr. Dang expressed that they no longer had the wherewithal or were desirous of providing further funds to the Company and Mr. Dang's informal efforts to sell the Company did not produce any acceptable or viable offers. For the reasons set out further below, it was determined that conducting a fulsome sale process outside of an insolvency proceeding would increase the chances for the receipt of higher dollar offers for the creditors of the Company, particularly the Bank.

43. Until mid April 2024, GTL's mandate was to communicate with Mr. Dang and to monitor on a weekly basis the cash flow of the Company. During most of this period, actual net cash receipts (cash receipts less cash disbursements) have been positive but not at a level to satisfy the indebtedness of all of the secured and unsecured creditors of the Company.

VI. SALE PROCESS CONDUCTED BY MC2

44. Shortly after GTL was engaged by the Bank as financial advisor, Mr. Dang advised GTL of his efforts to sell the Manning Business and the Regency Business, where

essentially, Mr. Dang relied on his own network to locate brokers who are familiar with the pharmacy industry in order to locate potential purchasers. The process was not structured or formal and did not result in any acceptable or viable offers.

45. GTL and the Bank discussed alternatives in terms of the best way to conduct a structured sale process while balancing the urgency of the situation due to liquidity concerns with a sale process that widely canvasses the market to generate the best possible price given the circumstances. Those discussions culminated in the selection of MC2 as the most appropriate party to conduct the sale process in respect of the Company. GTL understands that MC2 had been engaged previously by the Bank to review the operations of the Company and thus had knowledge of same. It was determined that GTL would continue in its role and only monitor the weekly cash receipts and disbursements of the Company.

46. MC2 is a boutique advisory firm which provides a full range of mergers and acquisitions ("**M&A**"), corporate finance and other advisory services with a focus on mid-size enterprises. MC2 was founded in 2016 by a consortium of professional advisors each with over 20 years of experience in M&A/corporate finance and management consulting with national and international firms.

47. Moreover, MC2 is a recognized leader in the pharmacy sector providing a range of services to numerous pharmacy clients and other industry participants including:

a) long-standing engagements with multiple Canadian Schedule A banks as an external pharmacy industry expert providing support to its banking teams via quality of earnings investigations and providing pharmacy industry knowledge content for internal training and education initiatives;

b) advising on over 30 pharmacy acquisitions, divestitures and capital sourcing transactions in the past 5 years, comprising over 100 pharmacy locations; and

c) maintaining a broad contact network of pharmacy operators and investors in the industry.

48. Prior to co-founding MC2, Michele Middlemore, CPA, CA, CBV, served as Vice President, Acquisitions, at Katz Group Canada Limited (Rexall/PharmaPlus/Drug Trading). During her tenure there, she completed over 25 acquisition transactions.

49. The Proposed Receiver understands that, based on MC2's experience and previous discussions with the Company, MC2 determined that a targeted and focused marketing process was the recommended course of action in this case. This was mainly due to the fact that, given unique attributes of the Company's business, the universe of potential purchasers was relatively narrow as compared to an average Ontario pharmacy opportunity. In particular:

a) the clientele of the Manning Business (the main operating asset in terms of size of the Company's overall business) is predominantly Cantonese speaking. MC2 considered it an imperative that the process be kept confidential from the current staff of this pharmacy in order to minimize employee flight risk. MC2 believed that the loss of existing staff would have material negative impact on the financial performance of this pharmacy and, therefore, on value;

b) the financial records of the Company are not up to date, increasing the risk of obtaining debt financing for the transaction; and

c) the Company is a Pre-54 Charter corporation which has significant strategic value for a very select type of purchaser. With respect to this point, MC2 was able to confirm that the Company was incorporated on January 7, 1954. MC2 obtained this information from the Ontario Corporation Database.

50. MC2's sale and marketing process (the "**Sale Process**") strategy was to use their contact network of pharmacy operators and industry intermediaries to identify and contact prospective purchasers and target those with the following attributes: (i) multi-unit pharmacy operators which are known to be acquisitive in the Great Toronto Area market; (ii) potential purchasers which would have equity and liquidity available; (iii) pharmacy operators and/or investors with connections to Chinatown and the Asian community (excepting those with existing operations in close proximity to the location of the Manning Business); and (iv) investors actively seeking a Pre-54 Charter corporation, including pharmacy operators and companies in other segments of the health care sector.

51. Beginning on April 28, 2023, MC2 was engaged to conduct the Sale Process and commenced discussions with the Company.

52. MC2 obtained relevant operational and financial information relating to the Company and created a virtual data room ("**VDR**") for potential purchasers to access upon executing a non-disclosure agreement ("**NDA**").

53. The VDR was divided into two sections, the first being system generated reports which included the following:

a) monthly plan summary reports from January 2019 to October 2023;

b) doctor reports from 2022 to 2023;

c) transfer-out reports from 2022 to 2023;

d) McKesson Purchases Trend reports from 2022 and 2023;

e) POS reports from 2021 to 2023; and

f) drug usage reports from 2021 to 2023.

54. The second section of the VDR contained general information and included the following:

a) lease documents;

b) staff listing including average hours worked and pay rates;

c) bank statements from January to July 2023; and

d) a copy of the supply agreement with McKesson.

55. The opportunity was not advertised in any industry magazines and newspapers due to concerns of disrupting the Company's business and, in particular, the potential risk of Cantonese speaking employees exiting the Company's business.

56. MC2 assembled financial and operational information for both pharmacy locations and conducted a series of interviews with the Company's management in order to obtain an understanding of the Company's business, its current state, and future prospects. Short form marketing documents for each pharmacy location were prepared for distribution to potential purchasers.

57. During the period April to July 2023, MC2 contacted a total of 19 potential purchasers (including 2 that were introduced to them by Mr. Dang) and 6 industry intermediaries with a significant base of clients/contacts in the pharmacy sector. Of those contacted, 10 potential purchasers signed an NDA, received additional information, and engaged in further discussions with MC2 and the Company.

58. Preliminary offers/expressions of interest from 4 interested parties, for various combinations of assets, were obtained and reviewed.

59. A summary of the results of the Sale Process (the "**Sale Process Results**") is attached hereto as **Confidential Appendix "1"**. The Sale Process Results sets out the identity of the various parties: (a) contacted by MC2; (b) that executed a NDA; and (c) that submitted written offers for the acquisition of various combination of assets. MC2 and the parties participating in the Sale Process agreed to a confidentiality provision in the NDA requiring the identity of the parties participating in the Sale Process to be kept confidential.

60. After discussing the offers/expressions of interest with GTL and the Bank, MC2 proceeded with further due diligence with two interested parties – one for the acquisition of the assets of the Regency Business and the other for the Shares (i.e. effectively, for the remaining assets after taking into account the sale of the Regency Business). This period of due diligence occurred during the period August to November 2023.

61. During foregoing process, MC2 came to understand that the following factors, among others, were tempering interest from interested parties:

a) the lack of up-to-date financial records was a critical issue to many parties creating uncertainty as to current financial performance and difficulty in the ability to secure debt financing for a transaction. MC2 used its knowledge of pharmacy industry benchmarks, system generated reports and other available information (such as staffing schedules) to create pro forma profit & loss statements that potential purchasers could use to model financial performance;

b) given the poor state of the books and records, the possibility of undisclosed/contingent liabilities was a heightened concern, and thus an acquisition of the Shares (to obtain the benefits of a Pre-54 Charter) was fraught with risk. The ability to assure buyers of a possible solution to vest unwanted assets and liabilities out of the Company through a reverse vesting structure approved through a court-supervised process was a key factor in negotiating an offer for the Shares, and therefore, realizing value for the Pre-54 Charter. Notwithstanding, this issue served to considerably reduce the level of interest;

c) the location of the Manning Business and the predominantly Cantonese speaking clientele limited the pool of interested parties and tempered interest due to the associated operational risk. MC2 took steps to ensure retention of staff as this was of primary importance to purchasers and the success of ownership transition;

d) the retirement of the physician at the location of the Manning Business created uncertainty as to the length of time that the on-site physician would continue to operate the practice in combination with the difficulty in sourcing a replacement practitioner in the Chinatown area, and was a key factor cited by interested parties to not submit an letter of intent or offer; and

e) the size of the Regency Business was relatively small and the Regency Business was marginally profitable. It was, therefore, not an attractive asset for the majority of interested parties and was considered a detraction from value for most of those interested in the Company's business. The ability to sell the Regency Business separately was key to attaining maximum value for both the Regency Business and the Shares.

62. On or about November 24, 2023, two non-binding letters of intent, one for the sale of the assets of the Regency Business and the other for the sale of the Shares, were received from Offeror #1 and Offeror #3, respectively, as noted at the bottom of Confidential Appendix 1. Thereafter, on-site visitations and meetings with the Company's employees were facilitated by the relevant purchasers and their representatives.

63. Following receipt of the non-binding letters of intent, the Proposed Receiver, directly and through its counsel, worked with the relevant parties to negotiate and settle the terms of a definitive asset purchase agreement for the Regency Business and a definitive share purchase agreement for the Shares, each of which are described further below.

VII. PROPOSED TRANSACTION FOR THE REGENCY BUSINESS

64. The offer made by the Regency Purchaser was identified as the best and highest offer to result from the Sale Process in respect of the Regency Business. Further discussions and negotiations involving the Bank, the Proposed Receiver, and the Regency Purchaser, resulted in the acceptance of the offer made by the Regency Purchaser and the Regency APA. A redacted copy of the Regency APA is attached hereto as **Appendix "1"**. An unredacted copy of the Regency APA is attached as **Confidential Appendix "2"**.

The Regency APA[1]

65. The salient terms and conditions of the Regency APA are as follows:

a) *Purchaser:* 1000801194 Ontario Inc.

b) *Purchased Assets:* All of the Company's and the Proposed Receiver's right, title and interest in and to all assets, properties and rights of the Regency Business other than certain Excluded Assets (as defined in the Regency APA) (the "**Regency Purchased Assets**"), including the following:

- Merchantable Inventory;
- Patient Records;
- fixed assets, including machinery, equipment, fixtures, furniture, computer hardware, computer software and accessories;
- leasehold improvements;
- intellectual property;
- Purchased Contracts;
- Books and Records relating to the Purchased Assets; and
- all goodwill and other intangible assets associated with the Regency Business and the Regency Purchased Assets.

[1] Capitalized terms used in this section but not defined have the meanings ascribed to them in the Regency APA.

c) *Deposit:* The Regency Purchaser has paid a deposit which will be credited against the Purchase Price at Closing.

d) *Purchase Price:* The Proposed Receiver recommends that the Purchase Price be sealed. The purchase price payable by the Regency Purchaser is comprised of a fixed amount plus the value of the Merchantable Inventory. The purchase price less the Deposit shall be paid by the Regency Purchaser at the Closing Time.

e) *Merchantable Inventory:* On the day prior to Closing, a physical count and valuation of the Merchantable Inventory will be completed. Merchantable Inventory shall be valued in accordance with the terms of the Regency APA.

f) *Assumed Liabilities:* The Regency Purchaser shall assume the Liabilities set out in Schedule "B" to the Regency APA, which include, among other things, liabilities in respect of Transferred Employees, and Taxes arising and accruing from and after the Closing from use of the Regency Purchased Assets.

g) *Excluded Assets:* The assets excluded from the Regency Transaction include:

- cash on hand or in any bank account, accounts receivable, prepaid expenses, interest in insurance policies or long term investments of the Regency Business; and

- any payment of, or entitlement to, any rebate, refund or credit of Tax from a Governmental Authority in respect of any Tax reporting period closing prior to the Closing Time.

h) *Transferred Employees:* The Regency Purchaser will make written offers of employment to any employees that it wishes to employ on terms no less favourable than their current employment within five (5) Business Days before the Closing Date, which offers shall be conditional upon Closing and effective as of the Closing Time.

i) *As Is, Where Is:* The Regency APA is consistent with standard insolvency transactions - i.e. the Regency Purchased Assets are being acquired on an "as is, where is" basis with minimal representations, warranties and conditions.

j) *Material Conditions:* The obligation of the Parties to complete the transaction is conditional upon (a) the Receivership Order being granted by the Court and being a final order; and (b) the Regency AVO being granted by the Court and being a final order. The obligation of the Regency Purchaser to complete the transaction is conditional upon, among other things: (a) the Regency Purchaser having arranged financing on terms satisfactory to the Regency Purchaser in an amount sufficient to close the transaction; (b) the Regency Purchaser having entered into a new lease with the Regency Landlord; and (c) any approvals to be provided by the OCP and/or the ODB having been obtained.

k) *Closing Date:* Within ten (10) Business Days, or such shorter period as the Regency Purchaser may determine by notice in writing to the Proposed Receiver, of the satisfaction or waiver of all closing conditions, including the issuance of the proposed Receivership Order, the Regency AVO, and the approvals to be provided by the OCP and/or the ODB having been obtained.

66. The transaction contemplated by the Regency APA remains subject to, among other things, the satisfaction of certain regulatory conditions. Specifically, the sale of any pharmacy in Ontario is conditional on obtaining approval from the OCP and the Ministry of Health. The Proposed Receiver understands that the Regency Purchaser submitted an Application for Certificate of Accreditation as a Community Pharmacy on or about April 15, 2024. The Proposed Receiver also understands that the OCP approval process is expected to be completed approximately 45 days following submission.

Recommendation regarding the Regency APA and the Regency AVO

67. The Proposed Receiver recommends that the Court approve the transaction contemplated by the Regency APA for the following reasons:

a) the Proposed Receiver is of the view that the Sale Process was conducted in a commercially reasonable manner and that the market was extensively canvassed because:

(i) the Sale Process carried out by MC2 canvassed a substantial number of parties on an orderly basis over a significant period of time;

(ii) the duration of the Sale Process was sufficient to allow interested parties an opportunity to perform due diligence and submit offers;

(iii) the Proposed Receiver is not aware of any unfairness in conducting the Sale Process; and

(iv) the Proposed Receiver does not believe that further time spent marketing the Regency Business will result in a superior transaction.

b) the terms and conditions of the Regency APA are commercially reasonable in all respects, the purchase price under the Regency APA provides fair market value for the Regency Purchased Assets, and the Regency APA is the best outcome in the circumstances;

c) the Regency Transaction is expected to preserve employment for certain of the Company's employees currently engaged with the Regency Business, on terms substantially similar to those currently in place;

d) completion of the sale of the Regency Business will reduce receivership costs and professional fees; and

e) the Bank, the Company's primary secured creditor, supports the Regency APA and the transaction contemplated thereby.

Request for Sealing Order – Regency APA

68. The Proposed Receiver is of the view that the unredacted copy of the Regency APA should be filed with the Court on a confidential basis and sealed until completion of the transaction contemplated by the Regency APA. Public disclosure of commercially sensitive information contained in the Regency APA may negatively impact any future sale process for the Regency Business should the transaction contemplated by the Regency APA not close.

69. The unredacted version of the Regency APA will be provided to allow the Court to determine if it should approve the Regency APA. The Proposed Receiver is of the view that this approach is fair and reasonable in the circumstances and will achieve the desired benefit without unduly impairing the openness of the Court's process.

70. The Proposed Receiver does not believe that any party will be prejudiced if the information is sealed at this time. Accordingly, the Receiver believes that the proposed sealing order in respect of the Regency APA is appropriate.

VIII. PROPOSED TRANSACTION FOR THE SHARES

71. On April 4, 2024, the Manning Purchaser made an irrevocable offer to enter into the Manning SPA pursuant to which the Manning Purchaser has agreed to purchase all of

the Shares. As discussed below, the transaction contemplated by the Manning SPA is to be completed by way of a reverse vesting order approved by the Court (i.e. the Manning AVO). A redacted copy of the Manning SPA is attached hereto as **Appendix "2"**. An unredacted copy of the Manning SPA is attached as **Confidential Appendix "3"**.

The Manning SPA[2]

72. The salient terms and conditions of the SPA are as follows:

a) *Purchaser:* Frank Murgic Pharmacist Professional Corporation, or its assignee or nominee (i.e. the Manning Purchaser).

b) *Purchased Shares*: At the Closing Time, the Proposed Receiver will sell and transfer the Shares to the Manning Purchaser free and clear of all Encumbrances. Mr. Dang owns all of the common shares in the capital of the Company, which constitute all of the issued and outstanding Shares.

c) *Purchase Price*: The Proposed Receiver recommends that the Purchase Price be sealed. The Purchase Price is comprised of a cash payment plus the value of Merchantable Inventory at Closing. The value of the Merchantable Inventory at Closing shall be determined in accordance with the terms of the Manning SPA. The Purchase Price (subject to any adjustments described below) is to be paid to, and held by, the Receiver for the benefit of ResidualCo.

d) *Adjustments to Purchase Price*: The Purchase Price is subject to the following:

(i) a dollar-for-dollar reduction for any accrued and unpaid vacation pay owing to Retained Employees as at the Closing; and

(ii) if the annual revenue attributable to prescriptions issued by the physician located on the premises is less than the current annual revenue attributable to such physician, a reduction in accordance with a specific formula set out in the Manning SPA but subject to a certain maximum reduction amount to the Purchase Price.

[2] Capitalized terms used in this section that are not otherwise defined herein shall have the meaning ascribed thereto in the SPA.

e) *Deposit*: The Manning Purchaser has paid to the Receiver a deposit to be held in trust by the Receiver pending completion of the Manning Transaction.

f) *Retained Assets*: The Retained Assets include all assets owned by the Company on the Effective Date of the Manning SPA and any assets acquired up to and including Closing, except for inventory sold in the ordinary course of business during the period from the Effective Date to Closing. The Retained Assets will not include the Excluded Assets or the Excluded Contracts which shall, prior to the sale of the Shares, be transferred to ResidualCo.

g) *Retained Liabilities*: The Retained Liabilities include all Liabilities of the Company under any Assumed Contracts and all Liabilities in respect of Retained Employees, in each case arising out of events or circumstances that occur after the Closing.

h) *Employees*: The employment of employees not retained by the Manning Purchaser (the "**Terminated Employees**") shall be terminated prior to Closing and all Liabilities owing to any such Terminated Employees shall be Excluded Liabilities.

i) *Excluded Assets*: The Excluded Assets (set out in Schedule "A" of the Manning SPA) include, among other things:

- All of the issued and outstanding shares of Regency Drugs Limited;
- All income tax refunds, HST refunds and all other tax refunds and amounts that may be due to the Company from the Canada Revenue Agency or any provincial tax authorities relating to the period prior to the Closing Date; and
- The assets of the Regency Business;[3] and
- The Excluded Contracts.

j) *Excluded Contracts*: The Excluded Contracts (set out in Schedule "B" of the Manning SPA) include, among other things:

- Any contracts specifically related to the operation of the Regency Business, including, among other things: (a) contracts with McKesson for the supply of product to the Regency Business or to enable the Regency Business to operate under a retail banner program operated by McKesson or any of its divisions or affiliates; (b) contracts with Third Party Payors, including,

[3] The assets of the Regency Business will be transferred to the Regency Purchaser, rather than ResidualCo.

without limitation, ODB; and (c) employment contracts with Employees in connection with the Regency Business;

- Contracts with McKesson for the supply of product or to enable the Manning Business to operate under a retail banner program operated by McKesson or any of its divisions or affiliates; and

- Employment contracts of the Terminated Employees.

k) *Excluded Liabilities*: The Excluded Liabilities (detailed in Schedule "C" of the Manning SPA) include, among other things:

- All Liabilities that are not Retained Liabilities;

- All Liabilities relating to the Excluded Contracts and Excluded Assets;

- Liabilities for Terminated Employees whose employment with the Company is terminated on or before Closing;

- All Liabilities to, guarantees of, or other financial obligations pertaining to any Affiliate of the Company (including Regency Drugs Limited);

- All Taxes arising with respect to the Company's operations up to the Closing Date and collateral transactions contemplated in the Manning SPA other than the sale of the Shares to the Manning Purchaser;

- Liabilities relating to any change of control provision that may arise in connection with the Manning Transaction and to which the Company may be bound as at the Closing Time; and

- Liabilities arising from the transfer of the Excluded Assets and Excluded Liabilties to ResidualCo, including Liabilities and Taxes resulting from any debt forgiveness.

l) *Transfer to ResidualCo*: Prior to the sale of the Shares, the Excluded Assets, Excluded Contracts and Excluded Liabilities will be channeled to and assumed by ResidualCo. All Claims attaching to the Excluded Liabilities shall continue to exist as against ResidualCo, the Purchase Price and the Excluded Assets, with the same priority as they had with respect to the Shares and the Retained Assets prior to the Closing Time.

m) *Representations and Warranties*: Consistent with the terms of a standard insolvency transaction - i.e., on an "as is, where is" basis, with limited representations and warranties.

n) *Claim Reserve*: A certain sum specified in the Manning SPA (the "**Claim Reserve**") shall be paid to and held by the Receiver for a period of one year from the Closing Date to secure reimbursement of any costs or damages paid by the Manning Purchaser in circumstances where McKesson and/or ODB seek recourse directly against the Company for any Excluded Liabilities by withholding or setting off funds otherwise due to the Company, or by enforcement action.

o) *Closing Date*: The first Business Day following the date upon which the Receivership Order and the Manning AVO become final orders, or such other earlier or later date as may be agreed by the parties in writing.

p) *Material Conditions*: The obligation of the Parties to complete the transaction is conditional upon: (a) the Receivership Order being granted by the Court and being a final order; and (b) the Manning AVO being granted by the Court and being a final order. The obligation of the Manning Purchaser to complete the transaction is conditional upon, among other things: (a) the Manning Lease having been assigned on terms satisfactory to the Manning Purchaser; and (b) the Receiver having closed a transaction of purchase and sale for the Regency Business; (c) written confirmation from the OCP that the Company is a corporation that is recognized as a corporation qualified to operate a pharmacy without complying with Subsection 142(2) of the *Drug and Pharmacies Regulation Act* (Ontario); and (d) the OCP having approved the accreditation of the Regency Business as a pharmacy.

Liquidation Analysis

73. The Liquidation Analysis below was prepared based on the balance sheet of the Company based on information available as at May 17, 2024. Subject to the underlying assumptions detailed therein, the Liquidation Analysis provides that, in the event of a liquidation, the Bank, would incur a substantial shortfall on its secured debt, and accordingly there would be no recoveries for the Company's unsecured creditors.

HOHS Drugs Limited Liquidation Analysis Prepared as at May 29, 2024								
	Note	Assumed Book Value		Low			High	
Estimated Book Value								
Accounts Receivable - Manning	1	325,000	$	292,500	90%	$	325,000	100%
Accounts Receivable - Regency	1	60,000		54,000	90%		60,000	100%
Inventory - Manning	2	260,000		130,000	50%		195,000	75%
Inventory - Regency	2	63,000		31,500	50%		47,250	75%
Fixed Assets	3	12,998		-	0%		-	0%
Pre-54 Charter	4			-			Not disclosed	
			$	**508,000**		**$**	**627,250**	
Estimated Priority Claims								
Deductions at Source	5		$	-		$	-	
Harmonized Sales Tax	6			20,000			10,000	
WEPPA	7			9,000			9,000	
			$	29,000		$	19,000	
Estimated Net Realizations Before Costs of Realization			$	479,000		$	608,250	
Bank of Montreal Indebtedness	8			5,363,687			5,363,687	
Estimated Total Shortfall Before Costs of Realization				**($4,884,687)**			**($4,755,437)**	

Notes:

1 Accounts Receivable book value is estimated and is based on the average of the monthly Rx data through the year 2023 for both Manning and Regency. Externally prepared balance sheet as at December 31, 2021 indicated a balance of $592,970. Collectability assumed to be positive as most of the AR is owing from ODB.

2 Inventory book value is estimated based on discussions with the Company as there is no inventory system. Externally prepared balance sheet as at December 31, 2021 indicated a balance of $370,869. Liquidation value assumes purchaser concerns over inventory quality.

3 Externally prepared balance sheet as at December 31, 2021 indicated a balance of $12,998.

4 Value of Pre-54 Charter assumed nil on the low and purchase price not disclosed on the high.

5 No amount is assumed to be owing as the Company uses Ceridian to process payroll.

6 The Company has not filed HST returns since March 2023. Amounts are only estimates in discussions with the Company.

7 WEPPA is based on the maximum priority of $2,000 per employee as payrol is paid monthly.

8 Represents balance as at May 23, 0224.

Recommendation regarding the Manning Transaction and the Manning AVO

74. The Proposed Receiver recommends that the Court approve the Manning Transaction for the following reasons:

a) The Sale Process leading to the Manning Transaction was commercially reasonable, including with respect to the timelines leading up to the Manning Transaction, breadth of the marketing process, and the information made available to interested parties. In short, the Sale Process was consistent with the terms of a traditional sale process that would be carried out by the Receiver in the context of a receivership proceeding;

b) MC2 made extensive efforts to market the Company's assets and the Shares since July 2023, including contacting a comprehensive list of potential buyers, and making sufficient efforts to obtain the best price. The list of potential purchasers solicited was prepared by a subject matter expert (i.e. MC2). The Proposed Receiver is comfortable that the market was broadly and sufficiently canvassed;

c) The duration of the Sale Process was sufficient to allow interested parties to perform diligence and submit offers. None of the parties contacted expressed any concern or made any requests to extend the Sale Process;

d) The purchase price under the Manning SPA materially exceeds the liquidation value of Company's business and assets based on the Liquidation Analysis, and is fair and reasonable in the circumstances;

e) The Proposed Receiver is of the view that carrying out another sale process during the Receivership Proceedings - for which there is very limited funding - may cause disruption to the Company's business and impair the going-concern value of the Company without reason as the Proposed Receiver does not believe there is any prospect that another sale process would generate recoveries greater than the indebtedness owed to the Bank;

f) The structure of the SPA Transaction preserves the Company's tax attributes, including tax losses which the Proposed Receiver understands are not immaterial;

g) Absent the Manning Transaction, the Company will, in all likelihood, need to immediately cease operations and commence a liquidation process to the detriment of all stakeholders. The Manning Transaction is the *only* viable option to avoid the devastating consequences to the Company's stakeholders if a liquidation results;

h) The Manning Transaction is in the best interests of the Company and its stakeholders as it will ensure that the Manning Business continues as a going concern which will result in continuing benefits for a broad stakeholder group, including employees (as a result of continuing employment for the vast majority of the Company's existing employees), customers, suppliers, and the community that the Manning Business serves generally;

i) The Proposed Receiver was consulted in relation to, and throughout the Sale Process, and is supportive of it; and

j) The Bank, which is the Company's principal economic stakeholder, has consented to the Manning Transaction.

75. The Proposed Receiver believes it is necessary and appropriate for the Manning Transaction structure to be implemented by way of a reverse vesting order structure. In the Proposed Receiver's view, the Company's attributes and the circumstances of this case appropriately address the questions raised by Canadian courts when considering the granting of a reverse vesting order, which are addressed below.

(a) Why is the reverse vesting order necessary in this case?

76. The reverse vesting order is necessary in this case because it: (i) allows for the monetization of the Pre-54 Charter (which cannot be transferred or conveyed under a traditional asset sale and vesting order structure) because the Manning Purchaser is able to acquire it (i.e. the Pre-54 Charter) within the existing corporate structure, while also facilitating the retention of material contracts (e.g. with critical suppliers and employees) and the vesting out of certain Excluded Assets and Excluded Liabilities which will be transferred to ResidualCo in a siloed and structured manner; (ii) preserves the Company's historical tax attributes; and (iii) is critical to the viability of the Manning Transaction and necessary to avoid the devastating consequences resulting from the Company's bankruptcy.

77. The reverse vesting order is the *only* viable alternative to a wind-down and liquidation of the Company's business and assets. The Manning Purchaser is not prepared to acquire the Shares under any alternative structure to the reverse vesting order structure. As indicated by the Liquidation Analysis, a liquidation of the Company assets and business will result in a materially worse outcome for all stakeholders in comparison to the Manning Transaction.

(b) Does the reverse vesting order structure produce an economic result at least as favourable as any other viable alternative?

78. In the Proposed Receiver's view, the Manning Transaction, implemented through a reverse vesting order structure, produces an economic result at least as favourable as

any other alternative. The Manning Transaction, implemented through a reverse vesting order structure, generates more value for the Company's stakeholders as compared to other viable alternatives by allowing for the conveyance and transfer of the Pre-54 Charter and the Company's tax attributes absent unwanted assets and liabilities, permits the continuation of the Company as a going concern, the preservation of the Company's tax attributes and existing economic relationships (including the retained employee and other contracts which will not need to be assigned or renegotiated). The benefits of the reverse vesting order structure contribute to significantly improve the offer from the Manning Purchaser, thereby maximizing creditor recoveries. It results in substantial recoveries for the Bank, the primary secured lender and most significant creditor of the Company.

79. The Manning Transaction, combined with the reverse vesting order, provides fair value taking into account the market value of the assets and other unique factors of the Manning Business, and the Proposed Receiver recommends it from an economic point of view. Based on the Proposed Receiver's analysis of Company's assets and business, and experience in similar mandates, the Proposed Receiver does not expect any alternative transaction structure to provide an economic result for the Company's creditors that is at least as or more favourable as the Manning Transaction.

80. The Manning Transaction is the *only* viable economic result available to the stakeholders other than liquidation and bankruptcy. Without the Manning Transaction and the reverse vesting order, the Company will cease to operate as a going concern. Based on the Liquidation Analysis, a sale or disposition of the Company's business and assets in a bankruptcy would result in lower recoveries and a materially worse outcome relative to the Manning Transaction for the Company's stakeholders, including the employees, creditors, suppliers and the community that the Manning Business serves.

81. Attempting a new sale process for the Company's assets and business in the Receivership Proceedings would only result in increased costs, delay and uncertainty. Such sale process would also be redundant insofar that it would canvass a limited market that has previously been thoroughly canvassed by MC2 during the Sale Process and resulted in a single acceptable offer for the Manning Business.

(c) Is any stakeholder worse off under the reverse vesting order structure than they would have been under any other viable alternative?

82. In the Proposed Receiver's view, there is no stakeholder prejudiced by the reverse vesting order structure relative to their treatment and outcome under any other viable alternative. As previously noted, the Sale Process yielded no other viable alternatives to the Manning Transaction. The proceeds of the Manning Transaction are not sufficient to repay the debt owing to the Bank in full; however, the Bank supports the Manning Transaction and its implementation through the reverse vesting order structure. No other subordinate creditors would receive a return under any other viable alternative.

83. In addition to the Bank, certain other of the Company's stakeholders benefit from the reverse vesting order structure. The reverse vesting order structure is beneficial to, among other stakeholders, the Company's current employees. Without it and the preservation of the Manning Business, the employment of all of the Company's employees would be terminated.

84. The Manning Transaction contemplates that Excluded Liabilities will be transferred to ResidualCo. Such Excluded Liabilities include, among other things, Liabilities owed by the Company to ODB under the ODB Contract, and to McKesson under the McKesson Contract, for the period prior to the Closing Date. McKesson, ODB and other creditors do not have an economic interest in the Company's business because the value of the Company is not high enough to generate value for these creditors. The Bank, the senior secured creditor, is materially under-secured and no subordinate creditors would receive any returns or distribution under any alternative. As residual claimants to the value of the Company's assets, these creditors are clearly "out of the money". If the Manning Transaction does not proceed, the Company is expected to cease to continue as a going concern. Accordingly, the Proposed Receiver is of the view that no unfairness arises from the reverse vesting order and that all stakeholders are being treated as fairly and reasonably as circumstances permit.

(d) Does the consideration being paid for the Shares and the Manning Business reflect the importance and value of the assets being preserved under the reverse vesting order structure?

85. The Company's business and assets have been extensively marketed. The only acceptable bid to emerge at the conclusion of the Sale Process is the one made by the Manning Purchaser. The consideration under the Manning SPA is the result of extensive discussions and negotiations between sophisticated parties and their counsel. The Proposed Receiver is of the view that the consideration being paid for Shares is fair and reasonable in the circumstances. It is greater than the Company's assets would be worth in a bankruptcy, and it reflects the importance and value to the Manning Purchaser of the assets and characteristics being preserved under the reverse vesting order structure, including the Pre-54 Charter and the Company's tax attributes.

86. The Proposed Receiver is of the view that, based on the foregoing, a reverse vesting order, as a means of implementing the Manning Transaction is appropriate in the circumstances.

87. For the reasons stated herein, the Proposed Receiver supports the approval of the Manning SPA and the relief sought in the Manning AVO.

Request for a Sealing Order – Manning SPA

88. The Proposed Receiver is of the view that the unredacted copy of the Manning SPA should be filed with the Court on a confidential basis and sealed until the completion of the transaction contemplated by the Manning SPA. Public disclosure of such information may negatively impact any future sale process for the Manning Business should the Manning Transaction not close.

89. An unredacted version of the Manning SPA has been provided to allow the Court to determine if it should approve the Manning Transaction and grant the Manning AVO. The Proposed Receiver is of the view that this approach is fair and reasonable in the circumstances and will achieve the desired benefit without unduly impairing the openness of the Court's process.

90. The Receiver does not believe that any party will be prejudiced if the information is sealed at this time. Accordingly, the Receiver believes that the proposed sealing order is appropriate.

IX. RECEIVERSHIP PROCEEDINGS

91. Following its appointment as Receiver and prior to completing its administration of these Receivership Proceedings, the Receiver intends to perform the following activities, among others:

- issue the statutory Notice and Statement of the Receiver for the Company pursuant to subsection 245(1) and 246(1) of the BIA;
- work with the Manning Purchaser to complete the Manning Transaction and with the Regency Purchaser to the complete the Regency Transaction;
- quantify McKesson's PMSI security interest; and
- administer the employee claims process under the *Wage Earner Protection Program Act* for the Terminated Employees.

X. CONCLUSION AND RECOMMENDATION

92. Based on the foregoing and as outlined in this Pre-Filing Report, the Proposed Receiver respectfully requests that this Court make an order granting the relief set out in the Bank's Notice of Application, dated May 31, 2024.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 3rd day of June, 2024.

GRANT THORNTON LIMITED,
In its capacity as Proposed Receiver of HOHS Drugs Limited and not in its personal or corporate capacity

Name: Bruce S. Bando, CPA, CA, CIRP, LIT
Title: Vice-President

“Appendix 1”

DocuSign Envelope ID: 786B4C8C-250A-4A8E-89F4-8356CF068C92

ASSET PURCHASE AGREEMENT

This Agreement is made as of the 17th day of April, 2024 (the "**Effective Date**")

BY AND BETWEEN:

GRANT THORNTON LIMITED, solely in its capacity as the Court-appointed receiver of all of the issued and outstanding shares in the capital of HOHS Drug Limited and all of the assets, undertakings and properties of HOHS Drugs Limited and not in its personal or corporate capacities (hereinafter referred to as the "**Vendor**")

– and –

1000801194 ONTARIO INC.
(hereinafter referred to as the "**Purchaser**")

RECITALS:

A. Bank of Montreal ("**BMO**") intends to commence proceedings (the "**Receivership Proceedings**") by application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), to seek an order (the "**Appointment Order**") pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"), appointing Grant Thornton Limited as receiver (in such capacity, the "**Receiver**") of all of the issued and outstanding shares, assets, undertakings and properties of HOHS Drugs Limited (the "**Company**"), including the Purchased Assets (as defined herein);

B. Subject to the granting of the Appointment Order and the Approval and Vesting Order (as defined herein), the Vendor has agreed to sell, transfer and assign to the Purchaser, and the Purchaser has agreed to purchase and assume from the Vendor, the Purchased Assets, subject to and in accordance with the terms and conditions contained in this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"**Acceptance Date**" has the meaning given to it on the signature page below.

"**Affiliate**" has the meaning given to the term "affiliate" in the *Business Corporations Act* (Ontario).

"**Agreement**" means this asset purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, and "**Article**" and "**Section**" mean and refer to the specified article, section and subsection of this Agreement.

"**Allocation Schedule**" has the meaning set out in Section 3.2.

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“**Applicable Law**” means, in respect of any Person, property, transaction or event, any: (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order; (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority; and (iii) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“**Appointment Order**” has the meaning set out in the recitals hereto.

“**Approval and Vesting Order**” means an order by the Court, in form and substance satisfactory to the Purchaser, acting reasonably, among other things, approving and authorizing this Agreement and the Transaction, and effective upon the delivery of the Receiver’s Certificate to the Purchaser, vesting in the Purchaser all of the right, title and interest in and to the Purchased Assets, free and clear of all Encumbrances other than Permitted Encumbrances, which order shall be in form and substance acceptable to the Receiver.

“**Assignment and Assumption Agreement**” means an assignment and assumption agreement evidencing the assignment to the Purchaser of the Company’s interest in, to and under the Purchased Contracts and the assumption by the Purchaser of all of the Assumed Liabilities, in form and substance satisfactory to the Parties, acting reasonably.

“**Assumed Liabilities**” means: (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule “**B**”, as the same may be modified by the Purchaser in accordance with the terms hereof; (b) all Liabilities which relate to the Business under any Purchased Contracts; in each case, solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing; and (c) all Liabilities which relate to Transferred Employees, as set out in Section 5.3.

“**Authorization**” means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person’s property or business and affairs or from any Person in connection with any easements, contractual rights or other matters.

“**BIA**” has the meaning set out in the recitals hereto.

“**BMO**” has the meaning set out in the recitals hereto.

“**Books and Records**” means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise) relating to the Business, including Tax and accounting books and records used or intended for use by, or in the possession of the Company or any of its Affiliates including information, documents and records relating to the Purchased Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

“**Business**” means the pharmacy business conducted by the Company from the Leased Premises.

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"**Business Day**" means a day on which banks are open for business in Toronto, Ontario, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

"**Cash Purchase Price**" has the meaning set out in Section 3.3(b).

"**Claims**" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

"**Closing**" means the closing and consummation of the Transaction.

"**Closing Date**" means the date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Vendor, after the date upon which the conditions set forth in Article 7 have been satisfied or waived, other than any conditions set forth in Article 7 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing).

"**Closing Time**" means 12:01 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

"**Company**" has the meaning set out in the recitals hereto.

"**Contracts**" means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

"**Court**" has the meaning set out in the recitals hereto.

"**Cure Costs**" means, in respect of the Purchased Contracts, all amounts, costs, fees and expenses: (i) required to be paid to remedy all of the Company's monetary defaults in relation to the Purchased Contracts, other than those arising by reason only of the Company's bankruptcy, insolvency or failure to perform a non-monetary obligation; or (ii) necessary to secure a counterparty's or any other necessary Person's consent to the assignment of the Purchased Contracts; and which, for greater certainty, may be an amount agreed to by the Purchaser and the counterparty to a Purchased Contract.

"**Deposit**" has the meaning set out in Section 3.3(a).

"**Effective Date**" has the meaning set out in the recitals hereto.

"**Employee**" means any individual who is employed by the Company immediately prior to the Closing Date, and works at the Leased Premises.

"**Encumbrance**" means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

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"**ETA**" means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

"**Excluded Assets**" means cash and cash equivalents on hand of the Company as at the Closing Date, if any, accounts receivable, prepaid expenses, interests in insurance policies or long term investments of the Business, Contracts that are not Purchased Contracts, and the properties, rights, assets and undertakings of the Company listed as "Excluded Assets" on Schedule "**C**", as the same may be modified by the Purchaser in accordance with the terms hereof.

"**Final**" with respect to any order of the Court, means that leave to appeal or reconsideration shall not have been sought in respect of such order and that such order shall not have been stayed, appealed, varied (except with the consent of the Vendor and Purchaser) or vacated, and all time periods within which leave to appeal and reconsideration could at law be sought shall have expired and all time periods within which such order could at law be appealed shall have expired.

"**General Conveyance**" means a general conveyance evidencing the conveyance to the Purchaser of the Company's and the Vendor's interest, if any, in and to the Purchased Assets, in form and substance satisfactory to the Parties, acting reasonably.

"**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

"**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act*.

"***Income Tax Act***" means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

"**Intellectual Property**" means all rights, interests and benefits of the Company, through ownership, licensing or otherwise, in: (i) any trademarks, trade names, business names, brand names, services marks, copyrights, trade secrets, industrial designs, inventions, patents, formulas, processes, know how, technology, manufacturing, engineering and other technical drawings and manuals, blue prints, research and development reports, technical information, technical assistance, engineering data, design and engineering specifications, telephone numbers, domain names, domain name registrations, website names and worldwide web addresses, social media accounts and social media handles and other communication addresses, and related goodwill; and (ii) any applications or registrations of the foregoing, issued patents, continuations in part, divisional applications or analogous rights therefor; in each case whether registered or not, and solely as such property relates to the Business.

"**Landlord**" means Keele Medical Properties Ltd.

"**Lease**" means the lease for the Leased Premises, dated January, 2017, between the Landlord and the Company, as tenant, as amended, extended, renewed or otherwise modified.

"**Leased Premises**" means the premises located at 2737 Keele Street, Suite 1-8, Toronto, Ontario.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or

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otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"**Manning Pharmacy Business**" means the pharmacy business conducted by the Company from the leased premises located on the ground floor of 260 Spadina Avenue, Toronto, Ontario.

"**Merchantable Inventory**" means all inventories of the Business that are in good and saleable condition, excluding: (i) damaged, expired, obsolete, worn, defective or unsaleable goods; (ii) goods for which the packaging is broken; (iii) shop worn merchandise; (iv) front of store (retail) merchandise (including over the counter medicines and products) with an expiry date less than six (6) months after the Closing Date; (v) Rx (prescription) merchandise with an expiry date less than three (3) months after the Closing Date or that is liquid and contained in an open vial or bottle; and (vi) seasonal merchandise purchased more than 45 days prior to the Closing Date.

"**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"**Patient Records**" means all prescription files, patient record files, and sales records of the Business including all digital back-up tapes and/or disks and the customer list showing each customer's name, address, telephone number, patient history and third-party drug information.

"**Permitted Encumbrances**" means the Encumbrances expressly listed as permitted Encumbrances in the Approval and Vesting Order.

"**Purchased Contracts**" means the Contracts listed in Schedule "**A**", as the same may be modified by the Purchaser in accordance with the terms hereof (and including as such Purchased Contracts may be amended, restated, supplemented or otherwise modified from time to time).

"**Outside Date**" means 11:59 pm (Toronto time) on June 30, 2024 or such later date and time as the Vendor and the Purchaser may agree to in writing.

"**Parties**" means the Vendor and the Purchaser, collectively, and "**Party**" means either one of them.

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"**Purchased Assets**" has the meaning set out in Section 2.1.

"**Purchase Price**" has the meaning set out in Section 3.1.

"**Purchaser**" has the meaning set out in the preamble hereto.

"**Receiver**" has the meaning set out in the recitals hereto.

"**Receiver's Certificate**" has the meaning given to it in Section 6.2(d).

"**Receivership Proceedings**" has the meaning set out in the recitals hereto.

"**Taxes**" means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes,

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property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

"**Transaction**" means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Assets.

"**Transfer Taxes**" means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, land transfer taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including GST/HST.

"**Transferred Employees**" means those Employees who accept an offer of employment from the Purchaser (or one of its Affiliates), made pursuant to Section 5.3.

"**Vendor**" has the meaning set out in the preamble hereto.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor or the Purchaser, or any Affiliates thereof.

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1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to $, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

SCHEDULES

Schedule A	-	Purchased Contracts
Schedule B	-	Assumed Liabilities
Schedule C	-	Excluded Assets
Schedule D	-	Allocation Schedule

The Parties acknowledge that as of the Effective Date, the Schedules are not complete and may be revised on or before the dates set out in such Schedules. The Parties shall cooperate with each other and shall use commercially reasonable efforts to complete the Schedules within ten (10) Business Days of the Effective Date.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale of Purchased Assets

At the Closing Time, subject to the terms and conditions of this Agreement, the Vendor shall sell, assign, transfer and convey to the Purchaser, and the Purchaser shall purchase and assume from the Vendor, all of the Company's and the Vendor's right, title and interest, if any, in, to and under all of the tangible and intangible assets, properties and rights of the Business (other than the Excluded Assets), which are owned by the Vendor and relate to or are used or held for use in connection with, the Business being conducted at the Leased Premises, free and clear of all Encumbrances, including the following (collectively, the "**Purchased Assets**"):

(a) Merchantable Inventory;

(b) Patient Records;

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(c) fixed assets, including machinery, equipment, fixtures, furniture, computer hardware, computer software and accessories;

(d) leasehold improvements;

(e) Intellectual Property

(f) the Purchased Contracts;

(g) Books and Records relating to the Purchased Assets; and

(h) all goodwill and other intangible assets associated with the Business and the Purchased Assets.

For certainty and notwithstanding anything to the contrary contained herein, the Purchased Assets shall not include the Excluded Assets and any assets or property primarily used, or required for use, in connection with the Manning Pharmacy Business.

2.2 Transfer of Purchased Assets and Assumption of Liabilities

Provided that Closing occurs and subject to the terms and conditions of this Agreement, possession, risk, legal and beneficial ownership of the Purchased Assets shall transfer to the Purchaser on the Closing Date, and the Purchaser agrees to assume, discharge, perform and fulfill all of the Assumed Liabilities from and after the Closing Date.

2.3 Assignment of Purchased Contracts

(a) Each of the Parties shall use reasonable commercial efforts to obtain, as may be required by the terms of the Purchased Contracts, all consents and approvals required to assign the Purchased Contracts to the Purchaser.

(b) To the extent that any Cure Costs are payable with respect to any Purchased Contract, the Purchaser shall be responsible for and shall pay all such Cure Costs, which Cure Costs shall be in addition to the Purchase Price.

(c) The Company shall be entitled to disclaim or seek to disclaim any Contract that is not a Purchased Contract.

(d) It shall be the sole obligation of the Purchaser, at the Purchaser's sole cost and expense, to provide any and all financial assurances, deposits or security, including without limitation any Cure Costs that may be required by Governmental Authorities or any third parties to permit the transfer of the Purchased Assets, including the Purchased Contracts, to the Purchaser.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Assets shall be $[redacted] plus the value of the Merchantable Inventory at the Closing Date (the "**Purchase Price**"). The Purchase Price shall be satisfied in accordance with Section 3.3.

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3.2 Allocation of Purchase Price

The Purchaser and the Vendor agree that the Purchase Price shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as shown in the allocation schedule attached hereto as Schedule "**D**" (the "**Allocation Schedule**").

3.3 Satisfaction of Purchase Price

The Purchaser shall pay the Purchase Price in accordance with the following:

(a) Deposit. The Parties acknowledge that the Purchaser has paid a deposit in the amount of $[redacted] (the "**Deposit**"), which Deposit is being held by the Receiver in trust, and shall be credited against the Purchase Price at Closing;

(b) Balance of Purchase Price. An amount equal to the Purchase Price (taking into account the value of the Merchantable Inventory calculated in accordance with Section 3.4(b)) less the Deposit (the "**Cash Purchase Price**") shall be paid by the Purchaser to the Receiver at the Closing Time, by wire transfer of immediately available funds; and

3.4 Merchantable Inventory

(a) The value of the Merchantable Inventory on hand at Closing shall be an amount equal to the Company's actual invoiced cost, less: (i) [redacted]% from the invoice cost for generic prescription medications; and (ii) [redacted]% from the invoice cost for all brand-name prescription medications. For certainty, there shall be no discount for over-the-counter medications and non-medical items.

(b) On the day prior to Closing, a physical count and valuation of the Merchantable Inventory will be completed using the services of one or more qualified independent professionals acceptable to the Vendor and the Purchaser, acting reasonably. Both the Vendor and the Purchaser are entitled to be present and monitor the physical count and valuation of the Merchantable Inventory. Merchantable Inventory shall be valued at cost, less any discounts and allowances). For clarity, all inventory of generic prescription medications shall be discounted by [redacted]% off the invoice price, and all brand name prescription medications shall be discounted by [redacted]% off the invoice price. All Over-The-Counter medications and non-medical items shall be valued at invoice cost price. The cost of inventory taking shall be split between the Purchaser and the Vendor.

3.5 Transfer Taxes

The Parties agree that:

(a) The Purchase Price does not include Transfer Taxes and the Purchaser shall be liable for and shall pay any and all Transfer Taxes pertaining to the Purchaser's acquisition of the Purchased Assets.

(b) Where the Vendor is required under Applicable Law to collect or pay Transfer Taxes, the Purchaser will pay the amount of such Transfer Taxes to the Vendor at Closing.

(c) Except where the Vendor is required under Applicable Law to collect or pay such Transfer Taxes, the Purchaser shall pay such Transfer Taxes directly to the appropriate Governmental Authority or other entity within the required time period and shall file all necessary documentation with respect to such Transfer Taxes when due. The Vendor will do and cause to be done such things as are reasonably requested to enable the Purchaser to comply with such obligation in a timely manner. If the Vendor is required under Applicable

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Law to pay any such Transfer Taxes which are not paid by the Purchaser at Closing, the Purchaser shall promptly reimburse the Vendor the full amount of such Transfer Taxes upon delivery to the Purchaser of copies of receipts showing payment of such Transfer Taxes.

(d) The Purchaser shall indemnify the Vendor for, from and against all Claims and demands for payment of any Transfer Taxes (including any interest or penalties imposed by a Governmental Authority), and any Liability or costs incurred as a result of any failure by the Purchaser to pay or remit such Transfer Taxes; and

(e) Notwithstanding the foregoing, if available, the Purchaser and the Vendor shall jointly execute an election under section 167 of the Excise Tax Act in connection with the transfer of the Purchased Assets contemplated herein, and the Purchaser shall file such election with its applicable Tax return for the reporting period in which the sale of the Purchased Assets takes place. Notwithstanding the foregoing, any GST/HST incurred in connection with the purchase and sale of the Purchased Assets contemplated by this Agreement, including where an election pursuant to subsection 167(1) of the Excise Tax Act is not or cannot be validly made in respect of the Purchased Assets, shall be borne by Purchaser.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Vendor

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledge that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Authorization. Subject to the granting of the Appointment Order and the Approval and Vesting Order, the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments.

(b) No Other Purchase Agreement. The Vendor has not entered into any other agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment for the purchase or other acquisition from the Vendor of the Purchased Assets.

(c) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Vendor and constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms subject only to the granting of the Appointment Order and the Approval and Vesting Order.

(d) Residency. The Company is not a non-resident of Canada for purposes of the *Income Tax Act*.

4.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that, the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing their obligations hereunder:

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(a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Ontario Business Corporations Act*, is duly organized, validly subsisting and is in good standing under such laws and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments..

(c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

(f) Residency. The Purchaser is not a non-resident of Canada for purposes of the *Income Tax Act*.

(g) Approvals and Consents. Except as otherwise provided herein, no authorization, consent or approval of or filing with or notice to any Governmental Authority or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser or the purchase of any of the Purchased Assets hereunder.

(h) HST Registrant. The Purchaser is, or will be on the Closing Date, an HST registrant.

(i) Investment Canada Act: The Purchaser is not a non-Canadian person as defined in the *Investment Canada Act*.

4.3 As is, Where is

The representations and warranties of the Vendor shall merge on Closing and shall thereafter be of no further force and effect. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Assets shall be sold and delivered to the Purchaser, and the Assumed Liabilities shall be assumed by the Purchaser, on an "*as is, where is*" basis, subject only to the representations and warranties contained herein, and without any recourse to the Vendor or any its directors, officers, shareholders, employees, representatives, agents or advisors. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, Encumbrances, description, fitness for any present or intended purpose, merchantability, condition, quantity or quality, assignability or in respect of any other matter or thing whatsoever. Without limiting the generality of the foregoing, any and all conditions, warranties and representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) do not apply to the sale of the Purchased Assets and have been waived by the Purchaser. The

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Purchaser acknowledges that it has entered into this Agreement on the basis that the Receiver does not guarantee title to the Purchased Assets. The Purchaser further acknowledges, agrees and confirms that it has conducted its own investigations, due diligence and analysis in satisfying itself as to all matters relating to the Company and its assets, liabilities and Business, including the Purchased Assets. Any documentation, materials or information provided by the Vendor (or MC2 Business Advisors Inc. in its capacity as consultant to BMO) to the Purchaser regarding the Purchased Assets, or any part thereof, was provided solely for the convenience of the Purchaser and is not warranted or represented to be complete or accurate and does not form part of this Agreement.

Without limiting the generality of the foregoing, except as may be expressly set out in this Agreement, no representations or warranties have been given by any Party with respect to the Liability any Party has with respect to Taxes in connection with entering into this Agreement, the issuance of the Approval and Vesting Order, the consummation of the Transaction or for any other reason. For greater certainty, the Vendor shall have no Liability for any Taxes payable, collectible or required to be remitted before, on or after Closing in connection with: (a) the Receiver entering into this Agreement; (b) the issuance of the Approval and Vesting Order; or (c) the consummation of the Transactions.

The Purchaser shall, and shall be deemed to, rely entirely on its own inspections and investigations concerning the Purchased Assets. The description of the Purchased Assets contained herein is for purposes of identification only and the Vendor is not liable for any error or omission in such description. No representation, warranty or condition has or will be given by the Vendor concerning the completeness or accuracy of those descriptions. Notwithstanding anything contained herein to the contrary, the Purchaser further hereby covenants and agrees to release the Vendor of and from all Claims and Liabilities which the Purchaser may have against the Vendor in respect to any matter relating to the Purchased Assets. The provisions of this Section 4.3 shall not merge on Closing but shall remain in effect thereafter without limitation.

ARTICLE 5
COVENANTS

5.1 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

5.2 Motion for Approval and Vesting Order

Subject to: (i) the waiver or fulfillment of the conditions in Section 7.2 (a) and (b); (ii) the receipt by the Vendor of an offer for the Manning Pharmacy Business which is satisfactory to BMO, in its sole and absolute discretion; and (iii) the availability of the Court; as soon as practicable, BMO shall serve and file with the Court an application for the issuance of the Appointment Order and the Approval and Vesting Order. Notice of the application shall be served on the Company and all Persons having a registered Encumbrance against the Purchased Assets, or any part thereof, and such other Persons as the Purchaser may reasonably request. Prior to the service of the application, Purchaser's counsel shall be provided with the service list for the application. If the Purchaser shall not have communicated its acceptance of, or provided comments in respect of, the proposed service list within two (2) Business Days of receipt of such list by the Purchaser's Counsel, the Purchaser shall be deemed to have approved such list. BMO shall use commercially reasonable efforts to seek the issuance and entry of the Appointment Order and the Approval and Vesting Order and the Purchaser shall cooperate with BMO in its efforts to obtain the issuance and entry of the Appointment Order and the Approval and Vesting Order.

5.3 Employee Matters

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(a) The Vendor will provide to the Purchaser such information with respect to the Employees as may be reasonably required for the Purchaser to comply with its obligations under this Section 5.3, including, without limitation, a list of all Employees currently employed by the Company and their length of employment, position and pay rate.

(b) The Purchaser shall, or shall cause an Affiliate to, make written offers of employment to any Employees that the Purchaser wishes to employ on terms no less favourable than their current employment, no later than five (5) Business Days before the Closing Date, which offers shall be conditional upon Closing and effective as of the Closing Time. The Purchaser or its Affiliate, as the case may be, shall recognize the prior service of the Transferred Employees with the Company, their Affiliates, or their predecessors for all purposes, including statutory notice of termination, common law notice of termination, and Purchaser's employee benefits plans, as applicable.

(c) If Closing occurs, without limiting the obligations of the Purchaser in respect of Transferred Employees on and after the Closing Time, the Purchaser or its applicable Affiliate shall be responsible for the following Liabilities solely in connection with the Transferred Employees, which shall constitute Assumed Liabilities:

(i) all Liabilities for salary, wages, bonuses, commissions, vacation pay, benefits and other compensation related to the employment of Transferred Employees for any period of time after the Closing Time;

(ii) all termination costs, including termination costs relating to service of Transferred Employees prior to the Closing Time (including any required notice of termination, termination or severance pay), resulting from or relating to the termination of Transferred Employees after the Closing Time;

(iii) all Liabilities for Claims for injury, disability, death or workers' compensation arising from or related to the employment of Transferred Employees after the Closing Time; and

(iv) all employment-related Claims, penalties and assessments in respect of Transferred Employees arising from or related to matters that occur after the Closing Time, including without limitation Claims, penalties and assessments in respect of occupational health and safety.

5.4 Confidentiality of Patient and Customer Records

Purchaser shall keep confidential and secure all Patient Records and customer records provided to the Purchaser as part of the Purchaser's due diligence for the Transaction. In the event that the Transaction is not completed, for any reason, the Patient Records and customer records shall be returned immediately to the Vendor and with any copies, electronic or otherwise, destroyed, with proof thereof provided to the Vendor.

ARTICLE 6
CLOSING ARRANGEMENTS

6.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

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6.2 Vendor's Closing Deliverables

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

(a) a true copy of the Appointment Order, as issued and entered by the Court;

(b) a true copy of the Approval and Vesting Order, as issued and entered by the Court;

(c) a certificate dated as of the Closing Date confirming that the Vendor has not been served with any notice of appeal with respect to the Appointment Order, Approval and Vesting Order, or any notice of any application, motion or proceeding seeking to set aside or vary the Appointment Order, Approval and Vesting Order or to enjoin, restrict or prohibit the Transaction;

(d) an executed certificate of the Receiver substantially in the form attached to the Approval and Vesting Order (the "**Receiver's Certificate**");

(e) all Tax elections contemplated by Section 3.5, duly executed by the Vendor;

(f) the General Conveyance, duly executed by the Vendor;

(g) the Assignment and Assumption Agreement, duly executed by the Vendor;

(h) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(i) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

6.3 Purchaser's Closing Deliverables

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor the following:

(a) the Cash Purchase Price;

(b) payment of all Transfer Taxes payable on Closing to the Vendor (or evidence of payment by the Purchaser thereof to the relevant Governmental Authorities) in accordance with Section 3.5;

(c) all Tax elections contemplated by Section 3.5, duly executed by the Purchaser;

(d) the Assignment and Assumption Agreement, duly executed by the Purchaser;

(e) the release contemplated by Section 4.3, in form and substance satisfactory to the Parties, acting reasonably;

(f) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time,

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and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(g) such other agreements, documents and instruments as may be reasonably required by the Vendor to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 7
CONDITIONS OF CLOSING

7.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

(a) Appointment Order. The Appointment Order shall have been granted by the Court and shall be Final.

(b) Approval and Vesting Order. The Approval and Vesting Order shall have been granted by the Court and shall be Final.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 7.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement at which point the Deposit shall be returned to the Purchaser in full without deduction or setoff.

7.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date or such earlier date as indicated below:

(a) Financing. Within 14 days of the Effective Date, the Purchaser shall have arranged financing on terms satisfactory to the Purchaser and in an amount sufficient to close the Transaction. This condition shall be deemed to have been satisfied or waived by the Purchaser at 5:00 pm Toronto time on the date that is 14 days after the Effective Date, unless the Purchaser has notified the Vendor otherwise in writing on or prior to such date and time.

(b) Lease: Within 14 days of the Effective Date, the Purchaser shall have entered into a new lease with the landlord of the Premises on terms satisfactory to the Purchaser in its sole discretion. This condition shall be deemed to have been satisfied or waived by the Purchaser at 5:00 pm Toronto time on the date that is 14 days after the Effective Date, unless the Purchaser has notified the Vendor otherwise in writing on or prior to such date and time.

(c) Vendor's Deliverables. The Vendor shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 6.2.

(d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 4.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

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(e) No Breach of Covenants. The Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Vendor on or before the Closing Date.

(f) Regulatory Approvals. Any approvals for the Transaction required to be provided by the Ontario College of Pharmacists and/or the Ontario Drug Benefit Program shall be have been obtained.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 7.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 7.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement at which point the Deposit shall be returned to the Purchaser in full without deduction or setoff.

7.3 Conditions Precedent in favour of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing all the documents and payments contemplated in Section 6.3.

(b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 4.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

(d) No Legal Action. No action or proceeding shall be pending or threatened by any Person to enjoin, restrict or prohibit the completion of the Transaction or the right of the Purchaser to own the Purchased Assets after the Closing Time.

(e) No Redemption or Loss of Control. The Vendor shall not have lost its ability to convey the Purchased Assets or any part thereof.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 7.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 7.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

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ARTICLE 8
TERMINATION

8.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

(a) as provided for in Sections 7.1, 7.2 and 7.3;

(b) by the mutual written agreement of the Vendor and the Purchaser;

(c) by either Party upon written notice to the other Party if: (i) the Appointment Order and/or the Approval and Vesting Order have not been obtained and/or are not Final by the Outside Date; or (ii) the Court declines at any time to grant the Appointment Order and /or Approval and Vesting Order, or either of them; in each case for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement; or

(d) by the Vendor, if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty and such violation or breach has not been waived by the Vendor or cured within five (5) Business Days after written notice thereof from the Vendor to the Purchaser.

8.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder. Notwithstanding the foregoing, if the Transaction is not completed by the Outside Date solely as a result of the Vendor's failure to perform any of its obligations under this Agreement, then the Deposit shall be repaid to the Purchaser in full, without deduction or setoff. If the Purchaser fails to comply with its obligations under this Agreement, the Vendor may, on notice to the Purchaser, treat this Agreement as having been terminated by the Purchaser. In that event, the Deposit and any other payments made by the Purchaser will be forfeited to the Vendor on account of its liquidated damages, the Vendor shall be entitled to pursue all of its rights and remedies against the Purchaser, and the Purchased Assets may be resold by the Vendor.

ARTICLE 9
GENERAL

9.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be required by any Applicable Law, the Purchaser shall retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Receiver (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Company) shall have the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

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9.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

(a) in the case of the Purchaser, as follows:

1000801194 Ontario Inc.
60 Edgar Avenue
Richmond Hill, ON L4C 6K4

Attention: Ashraf Faltaous
Email: ashfaltaous@gmail.com

with a copy to:

MKLAW
The Deloitte Building
400 Applewood Crescent, Suite 100
Vaughan, ON L4K 0C3

Attention: Marianne Keriakos
Email: mkeriakos@pharmacistlawyers.ca

(b) in the case of the Vendor, as follows:

Grant Thornton Limited
200 King Street West, 11th Fl.
Toronto, ON M5H 3T4

Attention: Bruce Bando, CPA, CA, CIRP, LIT
Email: bruce.bando@ca.gt.com

with a copy to:

Chaitons LLP
5000 Yonge St., 10th Fl.
Toronto, ON M2N 7E9

Attention: Gary Feldman
Email: gary@chaitons.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by

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notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

9.3 Public Announcements

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the Receivership Proceedings, other than any information which the Purchaser advises the Vendor in writing as being confidential. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required by Applicable Laws, neither Party shall make any public statement concerning the Transaction. If any public statement or press release is required, the Parties shall, prior to making such statement or issuing such release, consult in good faith to agree upon the content of such statement or release, which shall be satisfactory to both Parties, acting reasonably.

9.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

9.5 Survival

The representations and warranties of the Parties contained in this Agreement shall merge on Closing, provided that the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

9.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

9.7 Entire Agreement

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

9.8 Personal Information

The Purchaser acknowledges that it is aware, and it will advise its representatives, that privacy legislation, including the *Personal Information Protection and Electronic Documents Act* (Canada), applies to certain information that may be disclosed to the Purchaser and its representatives pursuant to this Agreement and/or the Transaction. The Purchaser agrees to comply, and cause its representatives to comply, with such privacy legislation in connection with any such information disclosed to them.

9.9 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

9.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Ontario therefrom.

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9.11 Assignment

This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, without the prior written consent of the Vendor, provided that: (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder.

9.12 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

9.13 Vendor's Capacity

In addition to all of the protections granted to the Receiver under the BIA or any Order of the Court, the Purchaser acknowledges and agrees that the Vendor is entering into this Agreement solely in its capacity as court-appointed receiver pursuant to the Appointment Order and not in its personal capacity and in no circumstances shall have any personal or corporate liability under or as a result of this Agreement or the Transaction contemplated herein whatsoever.

9.14 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

9.15 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

9.16 Deposit

The Purchaser acknowledges and agrees that in the event that the Purchaser purports to withdraw the offer comprised herein prior to the Acceptance Date, the Deposit shall be paid by the Receiver to BMO and the Purchaser shall have no further right or claim to the Deposit.

[*Signature Page Follows*]

The undersigned hereby irrevocably offers to purchase the Purchased Assets on the terms and conditions set forth in this Agreement, and submits to the Receiver the Deposit. This offer is open for acceptance by the Vendor until the earlier of the following (the "**Acceptance Date**"): (i) 2:00 p.m. EST on the first Business Day following the granting of the Appointment Order and the Approval and Vesting Order by the Court; (ii) the date upon which the Court refuses to grant the Appointment Order and/or the Approval and Vesting Order; and (iii) the Outside Date.

1000801194 ONTARIO INC.

DocuSigned by:

By: ______________________

7F5426D1A2414A8...

Name: Ashraf Faltaous
Title: President

I have the authority to bind the corporation

GRANT THORNTON LIMITED, solely in its capacity as the Court-appointed receiver of all of the issued and outstanding shares in the capital of HOHS DRUG LIMITED and all of the assets, undertakings and properties of HOHS DRUGS LIMITED and not it its personal or corporate capacities

By: ______________________

Name: Bruce Bando
Title: Vice-President

I have authority to bind the Corporation.

SCHEDULE "A"
PURCHASED CONTRACTS

NONE.

SCHEDULE "B"
ASSUMED LIABILITIES

The following is an exhaustive list of Assumed Liabilities:

1. All Liabilities and Claims arising or accruing from the use or storage of the Purchased Assets from and after the Closing, including any and all costs related to the Purchased Assets from and after Closing.

2. Taxes arising or accruing from and after the Closing from the use of the Purchased Assets, including, without limitation, GST/HST to be collected and remitted to Canada Revenue Agency when due.

3. Liabilities described in Section 5.3(c) in respect of the Transferred Employees.

[Note: Balance of schedule to be completed two (2) Business Days prior to the Closing Date.]

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SCHEDULE "C"
EXCLUDED ASSETS

The following is an exhaustive list of Excluded Assets:

1. Cash on hand or in any bank account; accounts receivable; prepaid expenses; interest in insurance policies or long term investments.

2. Any payment of, or entitlement to, any rebate, refund or credit of Tax from a Governmental Authority in respect of any Tax reporting period closing prior to the Closing Time.

[Note: Balance of schedule to be completed two (2) Business Days prior to the Closing Date.]

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SCHEDULE "D"
PURCHASE PRICE ALLOCATION

[Note: Balance of schedule to be completed two (2) Business Days prior to the Closing Date.]

“Appendix 2”

SHARE PURCHASE AGREEMENT

This Agreement is made as of the ___ day of April, 2024 (the "**Effective Date**")

BY AND BETWEEN:

GRANT THORNTON LIMITED, solely in its capacity as the Court-appointed receiver of all of the issued and outstanding shares in the capital of HOHS Drugs Limited and all of the assets, undertakings and properties of HOHS Drugs Limited and not it its personal or corporate capacities (hereinafter referred to as the "**Vendor**")

– and –

FRANK MURGIC PHARMACIST PROFESSIONAL CORPORATION, or its assignee or nominee (hereinafter referred to as the "**Purchaser**")

RECITALS:

A. Bank of Montreal ("**BMO**") intends to commence proceedings (the "**Receivership Proceedings**") by application to the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), to seek an order (the "**Appointment Order**") pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**"), appointing Grant Thornton Limited as receiver (in such capacity, the "**Receiver**") of: (i) all of the assets, undertakings and properties of HOHS Drugs Limited (the "**Company**"), including the Regency Pharmacy Assets (as defined herein); and (ii) all of the issued and outstanding shares in the capital of the Company.

B. Subject to the granting of the Appointment Order and the Approval and Reverse Vesting Order (as defined herein), the Vendor has agreed to sell and transfer to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Shares, subject to and in accordance with the terms and conditions contained in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"**Acceptance Date**" has the meaning given to it on the signature page below.

"**Affiliate**" has the meaning given to the term "affiliate" in the *Business Corporations Act* (Ontario)

"**Agreement**" means this share purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Vendor, and "**Article**" and "**Section**" mean and refer to the specified article, section and subsection of this Agreement.

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"**Applicable Law**" means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, in each case, having the force of law, that applies in whole or in part to such Person, property, transaction or event.

"**Appointment Order**" has the meaning set out in the recitals to this Agreement.

"**Approval and Reverse Vesting Order**" means an order by the Court, substantially in the form attached hereto as Schedule "**E**", among other things, approving this Agreement and authorizing the Transaction and vesting in the Purchaser (or as it may direct) all the right, title and interest of the Shareholder and the Vendor, if any, in and to the Shares.

"**Assumed Contracts**" means all Contracts that are not Excluded Contracts.

"**BMO**" has the meaning set out in the recitals to this Agreement.

"**BIA**" has the meaning set out in the recitals to this Agreement.

"**Books and Records**" means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, used or intended for use by, and in the possession of the Company, in connection with the ownership of the Company, or operation of the Business, including the Assumed Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Business.

"**Business**" means the pharmacy business conducted by the Company from the Leased Premises under the name "Toronto Manning Drug Mart" under OCP accreditation number 307468.

"**Business Day**" means a day on which banks are open for business in Toronto, Ontario but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

"**Cash Purchase Price**" has the meaning set out in Section 3.4(b).

"**Claims**" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, chose in or cause of action, suit, default, assessment, litigation, third party action, arbitral proceeding or proceeding by or before any Person.

"**Closing**" means the closing and consummation of the Transaction.

"**Closing Date**" means the first Business Day following the date upon which the Appointment Order and the Approval and Reverse Vesting Order become Final, or such other earlier or later date as may be agreed by the Parties in writing.

"**Closing Time**" means 10:00 a.m. (EST) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

"**Collateral Transactions**" means all transactions undertaken referred to or contemplated in this Agreement, other than the Transaction, including, without limitation, transactions involving the transfer and vesting of the Regency Assets to and in the Regency Purchaser, the Pre-Closing Reorganization and the channeling to and assumption by ResidualCo of all Excluded Liabilities

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and Excluded Assets (other than the Regency Assets) pursuant to the Approval and Reverse Vesting Order.

“**Contracts**” means the written contracts, agreements, leases, understandings and arrangements that are related to the Business to which the Company is a party or by which the Company is bound or in which the Company has any rights, including any Contracts in respect of Employees.

“**Company**” means HOHS Drugs Limited. For greater certainty, any reference to the Company in this Agreement shall be to the Company as it existed and was prior to the Closing Date and not the Company as it exists after the Closing Date.

“**Court**” has the meaning set out in the recitals hereto.

“**Deposit**” has the meaning set out in Section 3.3.

“**Discharged**” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property.

“**DPRA**” means the *Drug and Pharmacies Regulation Act* (Ontario).

“**Dr. Chan**” means Dr. Alex Chan, the principal of A T Chan Medicine Professional Corp.

“**Effective Date**” has the meaning set out in the recitals hereto.

“**Employee**” means an individual who is employed by the Company, whether on a full-time or a part-time basis, whether active or inactive as of the Closing Date, and includes an employee on short term or long term disability leave, but, for greater certainty, excludes any Terminated Employees.

“**Encumbrances**” means any security interest, lien, Claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party of any nature or kind whatsoever, including, any charges granted by the Court in connection with the Receivership Proceedings, and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Estimated Merchantable Inventory Value**” has the meaning set out in Section 3.5.

“**Excluded Assets**” means those assets listed on Schedule “**A**”.

“**Excluded Contracts**” means the Contracts listed in Schedule “**B**”.

“**Excluded Liabilities**” has the meaning set out in Section 2.2(b).

“**Final**” with respect to any order of the Court, means that leave to appeal or reconsideration shall not have been sought in respect of such order and that such order shall not have been stayed, appealed, varied (except with the consent of the Vendor and Purchaser) or vacated, and all time periods within which leave to appeal and reconsideration could at law be sought shall have expired and all time periods within which such order could at law be appealed shall have expired.

“**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court

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(including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

"**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada) and the *Retail Sales Tax Act* (Ontario).

"**Interim Period**" means the period from the Effective Date to the Closing Time.

"**Landlord**" means Lodestone Investments Limited.

"**Lease**" means the lease for the Leased Premises dated October 1, 2009 between the Landlord and 2670120 Ontario Inc., as tenant, as amended, extended, renewed or otherwise modified.

"**Leased Premises**" means the ground floor of the premises located at 260 Spadina Avenue, Toronto, Ontario.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"**McKesson**" means McKesson Canada Corporation.

"**McKesson Contract**" means the McKesson Canada Retail Enterprise Agreement dated February 1, 2023 between the Company and McKesson.

"**Medical Sublease**" means the lease entered into between 2670120 Ontario Inc., as landlord, and Subtenant, as tenant, regarding the Medical Premises.

"**Medical Premises**" means the portion of the Leased Premises which the Subtenant operates a medical practice.

"**Merchantable Inventory**" means all inventories of the Business that are in good and saleable condition, excluding: (i) damaged, expired, obsolete, worn, defective or unsaleable goods; (ii) goods for which the packaging is broken; (iii) shop worn merchandise; (iv) front of store (retail) merchandise (including over the counter medicines and products) with an expiry date less than six (6) months after the Closing Date; (v) Rx (prescription) merchandise with an expiry date less than three (3) months after the Closing Date or that is liquid and contained in an open vial or bottle; and (vi) seasonal merchandise purchased more than 45 days prior to the Closing Date.

"**OCP**" means the Ontario College of Pharmacists.

"**ODB**" means the Ontario Drug Benefit Program.

"**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"**Outside Date**" means June 30, 2024 or such later date as the Parties may agree to in writing.

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"**Party**" means a party to this Agreement and any reference to a Party includes its successors and permitted assigns and "**Parties**" means more than one of them.

"**Patient Records**" means all prescription files, patient record files, and sales records of the Business including all digital back-up tapes and/or disks and the customer list showing each customer's name, address, telephone number, patient history and third-party drug information.

"**Permits and Licenses**" means the permits, licenses, authorizations, approvals or other evidence of authority related to the Business, including those permits, licenses, authorizations or other evidence of authority issued by the Ontario College of Pharmacists and the Ontario Drug Benefit Program to the Company.

"**Permitted Encumbrances**" means those Encumbrances set forth in Schedule "**D**".

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"**Pre-Closing Reorganization**" means the transactions, acts or events described in Exhibit "**A**" which are to occur immediately prior to the Closing Time.

"**Purchase Price**" has the meaning set out in Section 3.1.

"**Receiver**" has the meaning set out in the recitals hereto.

"**Receiver's Certificate**" has the meaning given to it in Section 7.3(d).

"**Receivership Proceedings**" has the meaning set out in the recitals.

"**Regency Asset Purchase Agreement**" means the asset purchase agreement dated on or about the date hereof between the Vendor and the Regency Purchaser, pursuant to which the Vendor will sell, transfer and assign the Regency Pharmacy Assets to the Regency Purchaser.

"**Regency Pharmacy Assets**" means the assets of the Company used exclusively in the Regency Pharmacy Business.

"**Regency Pharmacy Business**" means the pharmacy business conducted by the Company from the leased premises located at 2737 Keele Street, Suite 1-8, Toronto, Ontario.

"**Regency Pharmacy Lease**" means the lease entered into by the Company to lease the Regency Premises.

"**Regency Premises**" means the premises, identified as 2737 Keele Street, Suite 1-8, Toronto, Ontario, from which the Regency Pharmacy Business operates.

"**Regency Purchaser**" means the purchaser of the Regency Pharmacy Assets under the purchase agreement between such purchaser and the Vendor, dated on or about the date hereof.

"**ResidualCo**" means a corporation to be incorporated to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

"**ResidualCo Shares**" means all of the issued and outstanding shares of ResidualCo.

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"**Retained Assets**" has the meaning set out in Section 4.1.

"**Retained Employee**" means any Employee that is not a Terminated Employee.

"**Retained Liabilities**" means all Liabilities of the Company under any Assumed Contracts and all Liabilities in respect of Retained Employees, in each case arising out of events or circumstances that occur after the Closing.

"**Revenue Report**" has the meaning set out in Section 3.7(b).

"**Sales Tax Legislation**" means the *Excise Tax Act*, R.S.C. 1985, c. E-15.

"**Shareholder**" means Huan Dang, the owner of the Shares.

"**Shares**" means 10,103 common shares in the capital of the Company, which shares constitute all of the issued and outstanding shares of the Company.

"**Subtenant**" means A T Chan Medicine Professional Corp.

"**Tax Act**" means the *Income Tax Act*, R.S.C., 2985, c. 1 (5^{th} Supp.).

"**Taxes**" means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

"**Terminated Employee**" means those individuals currently employed by the Company in the Business whose employment will be terminated prior to Closing pursuant to Section 8.2(f), as determined by the Purchaser by written notice to the Vendor, as soon as possible, but in any event not later than five (5) Business Days prior to the Closing Date.

"**Third Party Payor**" means an entity to which the Company submits prescriptions for adjudication for payment and from which the Company receives payment for dispensed prescriptions.

"**To The Best of the Receiver's Knowledge**" means the understanding or knowledge of the Receiver or any representative of the Receiver, based solely on the Books and Record or information provided in writing by management of the Company, and for greater certainty does not imply, suggest or require any independent investigation, inquiry or diligence so provided to the Receiver and the parties acknowledge and agree that the Receiver shall be entitled to rely on such information provided by management.

"**Transaction**" means the transactions contemplated by this Agreement which provide for, among other things: (a) the transfer by the Company to ResidualCo of the Excluded Liabilities and the Excluded Assets (if any); and (b) the acquisition from the Vendor by the Purchaser (or its nominee) of the Shares and the Retained Assets in accordance with the terms of this Agreement.

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"**WEPPA**" means the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 Actions on Non-Business Days

If any payment is required to be made or another action (including the giving of notice) is required to be taken pursuant to this Agreement on a day which is not a Business Day, then such payment or action shall be considered to have been made or taken in compliance with this Agreement if made or taken on the next succeeding Business Day.

1.4 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.5 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor, the Company or the Purchaser, or any Affiliates thereof.

1.6 Currency

All references in this Agreement to dollars, monetary amounts, or to $, are expressed in Canadian currency unless otherwise specifically indicated.

1.7 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.8 Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A - Pre-Closing Reorganization

SCHEDULES

Schedule A - Excluded Assets

Schedule B - Excluded Contracts

Schedule C - Excluded Liabilities

Schedule D - Permitted Encumbrances

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Schedule E - Approval and Reverse Vesting Order

The Parties acknowledge that as of the Effective Date, the Schedules are not complete and shall be finalized on or before the dates set out in such Schedules. The Parties shall cooperate with each other and shall use commercially reasonable efforts to complete the Schedules prior to the dates set out in such Schedules.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2
PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Shares

Subject to the terms and conditions of this Agreement, effective at the Closing Time, the Vendor shall sell and transfer the Shares to the Purchaser, and the Purchaser shall purchase the Shares from the Vendor, free and clear of all Encumbrances (other than Permitted Encumbrances), with the result that the Purchaser shall become the sole shareholder of the Company at and from the Closing Time.

2.2 Retained Liabilities of the Company

(a) Subject to the terms and conditions of this Agreement, the Purchaser agrees that it will assume, discharge, perform, pay, and fulfill and indemnify and save harmless the Vendor from and against all Retained Liabilities.

(b) Pursuant to the Approval and Reverse Vesting Order, save and except for the Retained Liabilities, all debts, obligations, Liabilities, Encumbrances (other than Permitted Encumbrances), indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company, the Shares or the Retained Assets or relating to any Excluded Assets or Excluded Contracts as at the Closing Time, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule "**C**" (collectively, the "**Excluded Liabilities**") shall be excluded and will no longer be binding on the Company, the Shares or the Retained Assets following the Closing Time.

(c) Pursuant to the Approval and Reverse Vesting Order, prior to the sale of the Shares contemplated in Section 2.1, the Excluded Liabilities shall be channeled/transferred to and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Company, the Shares, the Retained Assets, and the Company's undertakings, Business and properties shall be Discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall, for the purposes of determining the nature and priority of Claims, stand in the place and stead of the Retained Assets and following the Closing Time, Claims shall attach to the Purchase Price and the Excluded Assets, if any, with the same priority as they had with respect to the Retained Assets and Shares immediately prior to the Closing Time and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

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(d) Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Vendor shall assume or have any Liability for any of the Excluded Assets or the Excluded Liabilities and all Excluded Liabilities shall be discharged from the Shares, the Retained Assets, and the Company and its assets, undertaking, business and properties as at and from and after the Closing Time, pursuant to the Approval and Reverse Vesting Order. For greater certainty, any and all Taxes arising in connection with the transfer of the Excluded Assets (if any) and the assignment of the Excluded Liabilities to ResidualCo shall be transferred to and vested in ResidualCo in accordance with the Pre-Closing Reorganization and the Approval and Vesting Order, and the Purchaser, the Company and the Vendor/Receiver shall have no obligation in connection with such Taxes.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The purchase price (the "**Purchase Price**") payable by the Purchaser for the Shares shall be the sum of: (i) $[redacted]; plus (ii) the value of the Merchantable Inventory at Closing calculated in accordance with Section 3.5. The Purchase Price shall be paid and satisfied in accordance with Section 3.4. The Cash Purchase Price shall be paid to, and held by, the Vendor for the benefit of ResidualCo, and any Claim against the Company shall continue to exist as against ResidualCo after Closing. The Purchase Price is subject to adjustment as contemplated by Sections 3.6, 3.7 and 3.8 of this Agreement.

3.2 Allocation of Purchase Price

The Purchase Price shall be allocated to the Shares. The Parties acknowledge that the Purchase Price has been arrived at by notionally assigning value in the following manner:

(a) as to the value of the Company having the ability to operate a pharmacy in Ontario without complying with the ownership restrictions set forth in the DPRA, $[redacted] and

(b) as to the value of the Business, $[redacted], plus the value of the Merchantable Inventory calculated in accordance with Section 3.5.

3.3 Deposit

Immediately following the execution and delivery of this Agreement by the Vendor and the Purchaser, the Purchaser shall pay to the Vendor a deposit in the amount of $[redacted] (the "**Deposit**") to be held in trust by the Vendor in a non-interest bearing account pending completion of the Transaction in accordance with this Agreement.

3.4 Satisfaction of Purchase Price

The Purchaser shall pay and satisfy the Purchase Price in accordance with the following:

(a) The amount of the Deposit shall be retained by the Vendor and credited against the Purchase Price at Closing; and

(b) At the Closing Time, the Purchaser shall pay to the Vendor the balance of the Purchase Price, plus the value of the Estimated Merchantable Inventory calculated in accordance with Section 3.5, by wire transfer of immediately available funds (the "**Cash Purchase Price**").

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3.5 Merchantable Inventory

(a) The value of the Merchantable Inventory shall be an amount equal to:

(i) for generic pharmaceuticals, the Company's invoice price less [redacted] percent ([redacted]%);

(ii) for brand-name pharmaceuticals, the Company's invoice price less [redacted] percent ([redacted]%); and

(iii) for all other inventory, the Company's actual invoiced cost, less any discounts and allowances.

(b) Not less than two (2) Business Days prior to the Closing Date the Vendor shall provide to the Purchaser the Vendor's estimated value for the Merchantable Inventory (the "**Estimated Merchantable Inventory Value**"). The Estimated Merchantable Inventory Value shall be used to calculate the Purchase Price for the Closing.

(c) As soon as practicable following Closing, a physical count and valuation of the Merchantable Inventory will be completed using the services of one or more qualified independent professionals acceptable to the Vendor and the Purchaser, acting reasonably. The Purchase Price shall be adjusted either upwards or downwards based on whether the actual Merchantable Inventory value as determined by the physical count is greater than or less than the Estimated Merchantable Inventory Value. Both the Vendor and the Purchaser are entitled to be present and monitor the physical count and valuation of the Merchantable Inventory. The amount of any adjustment to the Estimated Merchantable Inventory Value shall be paid by immediately available funds within two (2) Business Days after the actual Merchantable Inventory value has been determined. The cost of the qualified independent professional completing the physical count and valuation of the Merchantable Inventory shall be borne equally by the Vendor and the Purchaser.

3.6 Adjustment; Vacation Pay

The parties covenant and agree that the Purchase Price shall be reduced, on a dollar-for-dollar basis, for any accrued and unpaid vacation pay owing to Retained Employees, in accordance with the Company's policies or the *Employment Standard Act*, as at the Closing Time.

3.7 Revenue Adjustment

The Purchase Price will be subject to reduction in accordance with the following:

(a) The Parties agree that the annual revenue attributable to prescriptions issued by Dr. Chan is approximately $[redacted] ("**Base Revenue**").

(b) The Purchaser will institute a program to track medications dispensed under prescriptions issued by Dr. Chan for the first 12 months following the Closing Date. The Purchaser will provide to the Receiver, upon the Receiver's request, such further information and details requested by the Receiver regarding the methodology and mechanics of the Purchaser's program to track medications dispensed under prescriptions issued by Dr. Chan. Immediately following the first anniversary of the Closing Date, the Purchaser shall run a report (the "**Revenue Report**") identifying all medications dispensed and revenues realized therefrom for such year (the "**First Year Revenue**"), and:

(i) If the First Year Revenue is equal to or greater than the Base Revenue, there will be no adjustment to the Purchase Price.

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(ii) If the First Year Revenue is less than the Base Revenue, the Purchase Price shall be reduced by an amount (the "**Revenue Adjustment**") determined pursuant to the following formula:

Reduction = (Revenue Reduction) x (Margin Percentage) x (Multiple)

where:

Revenue Reduction = Base Revenue less First Year Revenue
Margin Percentage = [redacted]%
Multiple = [redacted]

Notwithstanding the foregoing, the maximum reduction to the Purchase Price shall be $[redacted].

(c) Within 30 days of the first anniversary of the Closing Date, the Purchaser shall provide its calculation of the Revenue Adjustment to the Vendor together with details as to the calculation thereof, and such information and supporting documents requested by the Vendor, including the Revenue Report and other evidence satisfactory to the Vendor, in its sole and absolute discretion, to enable the Vendor to confirm the Revenue Adjustment. The Vendor shall have a period of 10 Business Days (the "**Review Period**") following receipt of the Purchaser's calculation to review such calculation and may request, and the Purchaser shall provide, additional information as may be required to confirm the Revenue Adjustment. If the Vendor wishes to dispute the Purchaser's calculation, it must do so in writing within the Review Period. If the Vendor fails to dispute the Purchaser's calculation within the Review Period, the Vendor shall be deemed to have accepted the Purchaser's calculation, as submitted. If the Purchaser disputes the Revenue Adjustment, the Parties shall meet and attempt, in good faith, to reach agreement on the quantum of the Revenue Adjustment, failing which the matter shall be referred to an independent chartered accountant who shall receive written submissions on the amount of the Revenue Adjustment from each Party. The independent chartered accountant shall be allowed access to the data necessary to confirm the First Year Revenue in order to determine the Revenue Adjustment, which determination shall be binding upon the Parties. The Revenue Adjustment, if any, shall constitute an adjustment to the Purchase Price and shall be paid by the Vendor to the Purchaser within two Business Days of the Parties (or the independent chartered accountant, as the case may be) settling the Revenue Adjustment.

(d) Purchaser shall carry on business with Dr. Chan in the ordinary course of business, without interference to the practice of Dr. Chan, for the period beginning on Closing and ending on the first anniversary of Closing. The Purchaser acknowledges and agrees that no Revenue Adjustment shall be claimed for any period following the first anniversary of Closing.

(e) In the event that the Receiver intends to seek a discharge of the Receivership Proceeding at any time prior to the first anniversary of the Closing Date, the Receiver shall be entitled to assign its rights and obligations under this Section 3.7 to BMO, and the Purchaser hereby consents to such assignment, provided that BMO shall agree to be bound by the terms of this Section 3.7.

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3.8 Claim Reserve

The Parties acknowledge and agree that any and all Liabilities owing by the Company to ODB, and to McKesson under the McKesson Contract, for the period prior to the Closing Date, shall constitute Excluded Liabilities which shall be removed from the Company and transferred to, and vest in, ResidualCo in accordance with the terms of this Agreement and the Approval and Reverse Vesting Order. Notwithstanding the foregoing, the Parties recognize that McKesson and/or ODB may attempt to exert contractual provisions or other legal remedies permitting them to seek recourse directly against the Company for such Excluded Liabilities, by withholding or setting off funds otherwise due to the Company, or by enforcement action (an "**ODB/McKesson Claim**"). As a result the sum of $[redacted] (the "**Claim Reserve**") shall be paid to, and held by, the Receiver as a reserve for a period of one year from the Closing Date (the "**Reserve Period**") to secure the reimbursement of any costs or damages paid by the Purchaser in connection with an ODB/McKesson Claim. The Purchaser shall keep the Receiver apprised of any actual or potential ODB/McKesson Claims and, prior to asking the Receiver to make any settlement payment from the Claim Reserve, the Purchaser shall: (a) demonstrate that it has taken reasonable steps to defend such claim; and (b) allow the Vendor to take reasonable steps to defend such claim.

At the expiry of the Reserve Period, the Receiver shall remit to BMO, or as BMO may direct, the amount of the Claim Reserve then remaining, unless the Purchaser is, at such time, actively engaged in a dispute regarding an ODB/McKesson Claim, in which case the Receiver shall pay the remaining portion of the Claim Reserve less the amount required to fund the settlement of the outstanding ODB/McKesson Claim, as determined by the Purchaser, acting reasonably, and approved by the Receiver. Following the settlement or determination of such ODB/McKesson Claim, the Receiver shall provide a full accounting to BMO and the Purchaser setting out all amounts paid in connection with an ODB/McKesson Claim. The Claim Reserve shall constitute the Purchaser's sole recourse against the Vendor in connection with any ODB/McKesson Claim.

In the event that the Receiver intends to seek a discharge of the Receivership Proceeding at any time prior to the expiry of the Reserve Period, the Receiver shall be entitled to assign its rights and obligations under this Section 3.8 to BMO, and the Purchaser hereby consents to such assignment, provided that BMO shall agree to be bound by the terms of this Section 3.8.

3.9 Taxes

(a) Pursuant to the Approval and Reverse Vesting Order, at the Closing Time, all Taxes owed or owing or accrued due by the Company prior to the Closing Date shall be transferred to and vest in ResidualCo. Any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Closing Date, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo. Further, any and all tax refunds that may be owing and are due and payable to the Company, for a period relating to or prior to the Closing Date, shall be transferred to and vest in ResidualCo.

(b) The Vendor shall be responsible, at no cost to the Company or the Purchaser for:

  (i) Preparing and filing, To the Best of the Receiver's Knowledge, corporate tax returns for all fiscal periods of the Company arising up to the Closing Time, including in respect of the return required to be filed upon the change of control of the Company for the period ending immediately prior to the change of control (the "**Change of Control Return**"). In that regard, the Change of Control Return shall account for the Transactions contemplated herein to the extent constituting a transaction or deemed transaction of the Company, including the Collateral Transactions.

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(ii) Preparing and filing, To the Best of the Receiver's Knowledge, HST returns for all reporting periods ending prior to the Closing Date, as well as all remittances in connection therewith or ensuring that the obligation to pay remittances are assumed by ResidualCo and the Approval and Reverse Vesting Order provides a priority payment obligation upon ResidualCo for remittance, recognizing the trust impressed upon net HST receipts.

(iii) Preparing and filing, To the Best of the Receiver's Knowledge, returns required in respect of employee source deductions, remittances and T4 for periods ending prior to the Closing Date.

If the Closing Time is not at the end of an HST reporting period of the Company, providing to the Purchaser, To the Best of the Receiver's Knowledge, all information pertaining to sales completed by the Company prior to the Closing Time and after the end of the immediately preceding reporting period ("**Pre-Closing HST Period**"). The Purchaser shall determine the input tax credits of the Company ("**ITC**") and the HST collected by the Company for the Pre-Closing HST Period. To the extent that the ITC for the Pre-Closing HST Period exceeds the HST collected for the Pre-Closing HST Period, the excess shall be an adjustment of the Purchase Price in favour of the Vendor and, to the extent that the HST collected ITC for the Pre-Closing HST Period exceeds the ITC for the Pre-Closing HST Period, the excess shall be an adjustment of the Purchase Price in favour of the Purchaser. The Purchaser shall prepare and file the HST return and remit HST due for the reporting period contemplated in this paragraph.

(c) The Purchaser shall cause the Company to file an election under section 256(9) of the Tax Act to not have the provisions of Section 256(9) of the Tax Act apply to the Transaction.

ARTICLE 4
TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo and Regency Purchaser

On the Closing Date, the Company shall retain all of the assets owned by it on the Effective Date of this Agreement and any assets acquired by it up to and including Closing, including equipment and personal property, the Assumed Contracts, Permits and Licenses, Books and Records and undertakings , except for inventory sold in the ordinary course of Business in the Interim Period (the "**Retained Assets**"). The Retained Assets shall not include: (i) the Excluded Assets; or (ii) the Excluded Contracts, which shall, prior to the sale of the Shares, be transferred to ResidualCo in accordance with the Pre-Closing Reorganization and same shall be vested in ResidualCo pursuant to the Approval and Reverse Vesting Order as evidenced by a bill of sale and assignment of contracts, in form and substance satisfactory to the Purchaser and the Vendor (the "**Excluded Assets Bill of Sale**").

Notwithstanding anything to the contrary herein, the Parties acknowledge and agree that the Regency Pharmacy Assets shall not form part of the Retained Assets and shall constitute Excluded Assets, but shall be transferred to the Regency Purchaser in accordance with the terms of the Regency Asset Purchase Agreement and the approval and vesting order contemplated thereby.

4.2 Transfer of Excluded Liabilities to ResidualCo and the Regency Purchaser

In accordance with the Pre-Closing Reorganization and the Approval and Reverse Vesting Order, the Excluded Liabilities shall, prior to the sale of the Shares, be transferred to, vested in and assumed by ResidualCo, as evidenced by an assignment and assumption agreement in form and substance acceptable to the Purchaser and the Vendor (the "**Excluded Liabilities Assumption Agreement**"). Notwithstanding

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any other provision in this Agreement, none of the Purchaser, the Company or the Vendor shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Company and its assets, undertakings, Business and properties from and after the Closing Time, pursuant to the Approval and Reverse Vesting Order.

Notwithstanding anything to the contrary herein, the Parties acknowledge and agree that any and all Liabilities designated as "Assumed Liabilities" in the Regency Asset Purchase Agreement shall constitute Excluded Liabilities hereunder, but shall be transferred to the Regency Purchaser in accordance with the terms of the Regency Asset Purchase Agreement and the approval and vesting order contemplated thereby.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Vendor

Subject to the issuance of the Approval and Reverse Vesting Order, the Vendor hereby represents and warrants as follows, and acknowledges that, as of the Closing Time, the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Authorization. Subject to the granting of the Appointment Order and the Approval and Reverse Vesting Order, the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments.

(b) No Other Purchase Agreement. The Vendor has not entered into any other agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment for the purchase or other acquisition from the Vendor of the Shares or the Retained Assets.

(c) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Vendor and constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms subject only to the Approval and Reverse Vesting Order.

(d) HST Registration. The Company is a registrant for purposes of HST under HST # 881 477 988 RT0001 in respect of the Business and the Regency Pharmacy Business.

5.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor, and acknowledges that, as of the Closing Time, the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the Province of Ontario, is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments.

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(c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Reverse Vesting Order.

(e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

(f) Approvals and Consents. Except as otherwise provided herein, no authorization, consent or approval of or filing with or notice to any Governmental Authority or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser or the purchase of any of the Purchased Assets hereunder.

(g) HST Registrant. The Purchaser is, or will be on the Closing Date, an HST registrant.

(h) Investment Canada Act. The Purchaser is not a non-Canadian person as defined in the *Investment Canada Act*.

(i) Sufficiency of Funds. The Purchaser has sufficient cash on hand, or other sources of immediately available funds, to enable it to: (i) pay the Cash Purchase Price and all other amounts required to be paid by the Purchaser under this Agreement; and (ii) pay, perform, and discharge the Retained Liabilities when such amounts become due and owing.

(j) No Commissions. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the Transaction based on any arrangement or agreement.

5.3 As is, Where is

The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser pursuant to the Approval and Reverse Vesting Order on an "*as is, where is*" basis, subject only to the express representations and warranties contained herein, and without any recourse to the Vendor or any its directors, officers, shareholders, employees, representatives, agents or advisors. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, Encumbrances, description, fitness for any present or intended purpose, merchantability, condition or quality, value, cost quantity or in respect of any other matter or thing whatsoever, including with respect to the pre-1954 charter of the Company, the Shares and the Retained Assets. The Purchaser acknowledges that it has already or will satisfy itself with respect to all such matters. Any documentation, materials or information provided by the Vendor (or MC2 Business Advisors Inc. in its capacity as consultant to BMO) to the Purchaser regarding the Shares or the Retained Assets, or any part thereof, was provided solely for the convenience of the Purchaser and is not warranted or represented to be complete or accurate and does not form part of this Agreement.

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Without limiting the generality of the foregoing, except as may be expressly set out in this Agreement, no representations or warranties have been given by any Party with respect to the Liability any Party has with respect to Taxes in connection with entering into this Agreement, the issuance of the Approval and Reverse Vesting Order, the consummation of the Transaction or for any other reason. For greater certainty, the Vendor shall have no Liability for any Taxes payable, collectible or required to be remitted before, on or after Closing in connection with: (a) the Receiver entering into this Agreement (if authorized to do so pursuant to the Approval and Reverse Vesting Order); (b) the issuance of the Approval and Reverse Vesting Order; or (c) the consummation of the Transaction.

The Purchaser shall, and shall be deemed to, rely entirely on its own inspections and investigations concerning the Shares and the Retained Assets. The Purchaser further hereby covenants and agrees to release the Vendor of and from all Claims and Liabilities which the Purchaser may have against the Vendor in respect to any matter relating to the Shares and Retained Assets, except as explicitly contemplated herein. The provisions of this Section 5.3 shall not merge on Closing but shall remain in effect thereafter without limitation.

ARTICLE 6
COVENANTS

6.1 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

6.2 Motion for Approval and Reverse Vesting Order

Subject to the availability of the Court, as soon as practicable, BMO shall serve and file with the Court an application for the issuance of the Appointment Order and the Approval and Reverse Vesting Order. Notice of the application shall be served on the Company, the Shareholder, all Persons having a registered Encumbrance against the Retained Assets, or any part thereof, and such other Persons as the Purchaser may reasonably request. Prior to the service of the application, Purchaser’s counsel shall be provided with the service list for the application. If the Purchaser shall not have communicated its acceptance of, or provided comments in respect of, the proposed service list within two (2) Business Days of receipt of such list by the Purchaser’s Counsel, the Purchaser shall be deemed to have approved such list. BMO shall use commercially reasonable efforts to seek the issuance and entry of the Appointment Order and the Approval and Reverse Vesting Order and the Purchaser shall cooperate with BMO in its efforts to obtain the issuance and entry of the Appointment Order and the Approval and Reverse Vesting Order.

6.3 Confidentiality of Patient and Customer Records

Purchaser shall keep confidential and secure all Patient Records and customer records provided to the Purchaser as part of the Purchaser’s due diligence for the Transaction. In the event that the Transaction is not completed, for any reason, the Patient Records and customer records shall be returned immediately to the Vendor and with any copies, electronic or otherwise, destroyed, with proof thereof provided to the Vendor.

6.4 WEPPA Claims

Purchaser shall provide, and shall cause the Company to provide, reasonable assistance to the Receiver (or any successor in interest thereto, and to any licensed insolvency trustee appointed in respect of ResidualCo) in its duties in connection with WEPPA and the Receiver’s obligation to Terminated Employees who may be entitled to claim amounts pursuant to WEPPA including: (a) identifying Terminated Employees, if any;

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(b) determining the amounts owed to Terminated Employees; and (iii) providing Service Canada and applicants with the information necessary to establish eligibility for payment.

6.5 Post-Closing Transfers

If after Closing, the Purchaser or the Company receive or otherwise come to possess any Excluded Assets, or consideration in respect of any Excluded Assets, the Purchaser will promptly (i) give written notice to the Vendor; and (ii) transfer, assign, convey and deliver (or cause to be transferred, assigned, conveyed and delivered) such assets to the Vendor. Prior to any such transfer, the Purchaser or the Company, as applicable, will hold such Excluded Assets or consideration in trust for the benefit of the Vendor. The Purchaser will cooperate with the Vendor and use its commercially reasonably efforts to set up procedures and notifications as are reasonably necessary or advisable to effectuate the assignment, transfer, conveyance and delivery, or assumption, contemplated by this Section 5.5.

ARTICLE 7
CLOSING ARRANGEMENTS

7.1 Closing

(a) Closing shall take place electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

(b) In the event any issue is raised with respect to this Agreement which the Vendor determines impairs the ability of the Vendor to complete this Agreement or in the event that an action or proceeding shall be pending or threatened by any Person to enjoin, restrict or prohibit the completion of the Transaction or the right of the Purchaser to own the Shares after the Time of Closing, the Vendor may, but shall not be obliged to, extend the Closing Date up to, but not beyond, the Outside Date in order to provide the Vendor with additional time to remove the impediment to the completion of the Transaction.

7.2 Pre-Closing Reorganization

The Purchaser and the Vendor shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

7.3 Vendor Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

(a) a true copy of the Appointment Order, as issued and entered by the Court;

(b) a true copy of the Approval and Reverse Vesting Order, as issued and entered by the Court;

(c) a certificate dated as of the Closing Date confirming that the Vendor has not been served with any notice of appeal with respect to the Appointment Order, Approval and Reverse Vesting Order, or any notice of any application, motion or proceeding seeking to set aside or vary the Appointment Order, Approval and Reverse Vesting Order or to enjoin, restrict or prohibit the Transaction;

(d) an executed certificate of the Receiver substantially in the form attached to the Approval and Reverse Vesting Order (the "**Receiver's Certificate**");

(e) share certificate representing the Shares duly endorsed in blank for transfer, or accompanied by irrevocable stock transfer powers duly executed in blank, in either case, by the Vendor;

(f) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor has performed in all material respects the covenants to be performed by it prior to the Closing Time;

(g) proof reasonably satisfactory to the Purchaser that the Pre-Closing Reorganization has been completed; and

(h) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

7.4 Purchaser's Closing Deliveries

At or before the Closing Time, the Purchaser shall deliver or cause to be delivered to the Vendor, the following:

(a) the Cash Purchase Price;

(b) the release contemplated by Section 5.3;

(c) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser issued by the appropriate government official of its jurisdiction of formation;

(d) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(e) such other agreements, documents and instruments as may be reasonably required by the Vendor to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 8
CONDITIONS OF CLOSING

8.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed, which joint conditions are for the mutual benefit of the Parties and may not be waived by either Party:

(a) Orders. The Appointment Order and the Approval and Reverse Vesting Order shall have been granted by the Court and shall be Final.

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8.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

(a) Lease. The Lease shall have been assigned to the Company or the Purchaser, or as the Purchaser may otherwise direct, on terms satisfactory to the Purchaser, which will include amendment to extend the term or the right of the tenant to renew the term such that the current term and renewals shall extend for not less than ten (10) years from the Closing Date.

(b) Regency Pharmacy Assets. The Vendor shall have closed a transaction of purchase and sale for the Regency Pharmacy Assets, such that the Regency Pharmacy Assets have been sold and transferred to the Regency Purchaser.

(c) Vendor's Deliverables. The Vendor shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.3.

(d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 5.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(e) No Breach of Covenants. The Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Vendor on or before the Closing Date.

(f) Company Employees. The employment of the Terminated Employees, as requested by the Purchaser in its sole discretion, shall have been terminated and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, shall be Excluded Liabilities pursuant to the Approval and Reverse Vesting Order.

(g) ResidualCo. Pursuant to the Approval and Reverse Vesting Order: (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged; (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price; and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Retained Liabilities, if any) such that, from and after Closing, the Business and the Retained Assets shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.

(h) Regulatory Approvals. Any approvals for the Transaction required to be provided by the Ontario College of Pharmacists and/or the Ontario Drug Benefit Program shall be have been obtained, including those in regard to the transfer of the Regency Pharmacy Assets.

(i) Charter Status. The Purchaser shall have received written confirmation, in form and content reasonably satisfactory to the Purchaser, from the OCP that the Company is a corporation that is recognized by such body as a corporation qualified to operate a pharmacy without complying with Subsection 142(2) of the DPRA as contemplated in Subsection 142(4) of the DPRA.

(j) Regency Status. OCP shall have approved the accreditation of the Regency Business as a pharmacy.

(k) No Legal Action. No action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the completion of the Transaction or the right of the Purchaser to own the Shares after the Time of Closing.

(l) No redemption or Loss of Control. The Vendor shall not have lost its ability to convey the Shares or any part thereof.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 8.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 8.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement.

8.3 Conditions Precedent in favour of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

(a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing all the documents and payments contemplated in Section 7.4.

(b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 5.1(b) shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

(d) No Legal Action. No action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the completion of the Transaction or the right of the Purchaser to own the Shares after the Time of Closing.

(e) No redemption or Loss of Control. The Vendor shall not have lost its ability to convey the Shares or any part thereof.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 8.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 8.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

8.4 Receiver's Certificate

When the conditions to Closing set out in Sections 8.1, 8.2 and 8.3 have been satisfied and/or waived by the Receiver or the Purchaser, as applicable, the Purchaser or the Receiver or their respective counsel will deliver to the other party to this Agreement confirmation that such conditions of Closing, as applicable,

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have been satisfied and/or waived (the "**Conditions Certificates**"). Upon delivery of the Conditions Certificates, the Receiver shall: (i) issue forthwith its Receiver's Certificate to the Purchaser, at which time Closing will deemed to have occurred; and (ii) file as soon as practicable a copy of the Receiver's Certificate with the Court. In the case of: (i) and (ii) above, the Receiver will be relying exclusively on the basis of the Conditions Certificates without any obligation whatsoever to verify the satisfaction or waiver of the applicable conditions.

ARTICLE 9
TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

(a) As provided for in Sections 8.2 and 8.3.

(b) By the mutual written agreement of the Vendor and the Purchaser.

(c) By either Party upon written notice to the other Party if the Appointment Order and/or the Approval and Reverse Vesting Order have not been obtained and/or are not Final by the Outside Date for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement.

(d) By the Vendor, if there has been a material violation or breach by the Purchaser of any agreement, covenant, representation or warranty of the Purchaser in this Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 8.3, by the Outside Date and such violation or breach has not been waived by the Vendor or cured within five (5) Business Days after written notice thereof from the Vendor to the Purchaser.

9.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; provided, however, that the Deposit will be dealt with in the following manner:

(a) if the Transaction is not completed by the Outside Date solely as a result of the Purchaser's failure to perform its obligations hereunder, the Deposit shall be paid to BMO, without deduction or setoff, on account of its liquidated damages, and the Purchaser shall be released from any further claims, and the Shares may be resold by the Vendor;

(b) if the Transaction is terminated by the agreement of the Parties in accordance with Section 9.1(b), the Deposit shall be repaid to the Purchaser in full, without deduction or setoff or as otherwise agreed by the Parties, in writing; and

(c) if the Transaction is terminated otherwise than as a result of the foregoing, the Deposit shall be repaid to the Purchaser in full, without deduction or setoff.

ARTICLE 10
GENERAL

10.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for the Vendor (or any receiver or trustee in bankruptcy of the estate of ResidualCo) to comply with Applicable Law or in connection with the Receivership Proceedings, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Company) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

10.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

(a) in the case of the Purchaser, as follows:

Frank Murgic Pharmacist Professional Corporation
3095 Forest Glade Drive
Windsor, ON N8R 1W6

Attention: Frank Murgic
Email: fmurgic@sunshinedrugs.com

with a copy to:

Harrison Pensa LLP
130 Dufferin Avenue
London, ON N6A 5R2

Attention: Peter Spence
Email: pspence@harrisonpensa.com

(b) in the case of the Vendor, as follows:

Grant Thornton Limited
200 King Street West, 11th Fl.
Toronto, ON M5H 3T4

Attention: Bruce Bando, CPA, CA, CIRP, LIT
Email: bruce.bando@ca.gt.com

with a copy to:

Chaitons LLP
5000 Yonge St., 10th Fl.
Toronto, ON M2N 7E9

Attention: Gary Feldman

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Email: gary@chaitons.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (EST) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

10.3 Public Announcements

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the Receivership Proceedings, other than any information which the Purchaser advises the Vendor in writing as being confidential, and this Agreement may be posted on the Receiver's website maintained in connection with the Receivership Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required by Applicable Laws, neither Party shall make any public statement concerning the Transaction. If any public statement or press release is required, the Parties shall, prior to making such statement or issuing such release, consult in good faith to agree upon the content of such statement or release, which shall be satisfactory to both Parties, acting reasonably.

10.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

10.5 Survival

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect; provided that upon the discharge of the Vendor as receiver, the Vendor's obligations by reason of same shall be at an end and the Vendor shall have no continuing obligations by reason thereof.

10.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo.

10.7 Entire Agreement

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by all of the Parties.

10.8 Personal Information

The Purchaser acknowledges that it is aware, and it will advise its representatives, that privacy legislation, including the *Personal Information Protection and Electronic Documents Act* (Canada), applies to certain information that may be disclosed to the Purchaser and its representatives pursuant to this Agreement and/or the Transaction. The Purchaser agrees to comply, and cause its representatives to comply, with such privacy legislation in connection with any such information disclosed to them.

10.9 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

10.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.11 Assignment by Purchaser

This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Reverse Vesting Order, without the prior written consent of the Vendor, provided that: (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder.

10.12 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

10.13 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

10.14 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

10.15 Vendor's Capacity

In addition to all of the protections granted to the Receiver under the BIA or any Order of the Court, the Purchaser acknowledges and agrees that the Vendor is entering into this Agreement solely in its capacity as court-appointed Receiver pursuant to the Appointment Order and not in its personal capacity and in no

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circumstances shall have any personal or corporate liability under or as a result of this Agreement or the Transaction contemplated herein whatsoever.

10.16 Deposit

The Purchaser acknowledges and agrees that in the event that the Purchaser purports to withdraw the offer comprised herein prior to the Acceptance Date, the Deposit shall be paid by the Receiver to BMO and the Purchaser shall have no further right or claim to the Deposit.

[*Signature Page Follows*]

The undersigned hereby irrevocably offers to purchase the Shares on the terms and conditions set forth in this Agreement, and submits to the Receiver the Deposit. This offer is open for acceptance by the Vendor until the earlier of the following (the "**Acceptance Date**"): (i) 2:00 p.m. EST on the first Business Day following the granting of the Appointment Order and the Approval and Reverse Vesting Order by the Court; (ii) the date upon which the Court refuses to grant the Appointment Order and/or the Approval and Reverse Vesting Order; and (iii) the Outside Date.

FRANK MURGIC PHARMACIST PROFESSIONAL CORPORATION

DocuSigned by:

By: ______________________________

5EA8526FEF88425...

Name: Frank Murgic
Title: Authorized Signatory

I have authority to bind the Corporation.

The undersigned hereby accepts the foregoing offer on the ___ day of ______________________, 2024.

GRANT THORNTON LIMITED, solely in its capacity as the Court-appointed receiver of all of the issued and outstanding shares in the capital of HOHS Drugs Limited and all of the assets, undertakings and properties of HOHS Drugs Limited and not it its personal or corporate capacities

Per: ______________________________

Bruce Bando, CPA, CA, CIRP, LIT
Vice President
I have authority to bind the Vendor

EXHIBIT "A"
PRE-CLOSING REORGANIZATION

1. No later than two days prior to Closing, ResidualCo shall be incorporated by the Receiver, as a wholly owned subsidiary of the Company, with nominal consideration for common shares and shall be added to the Receivership Proceedings as a respondent, but the Receiver shall take no other steps or actions in respect thereof.

2. No later than one day prior to Closing, the Tax returns for the Company will be completed and filed for all periods ending prior to or on the Closing Date (including, without limitation, corporate tax, HST, payroll, etc.).

3. Two minutes prior to the Closing Time, the Regency Pharmacy Assets shall be transferred to and shall vest in the Regency Purchaser pursuant to the approval and vesting order obtained in connection with the Regency Asset Purchase Agreement.

4. One minute prior to the Closing Time, the Excluded Assets and Excluded Liabilities shall be transferred to and shall vest in ResidualCo pursuant to the Approval and Reverse Vesting Order. All Claims attaching to the Excluded Assets and Excluded Liabilities shall continue to exist against ResidualCo and the Excluded Assets, if any, shall be available to satisfy such Claims.

5. Effective at the Closing Time:

    a. the Shares will, pursuant to the Approval and Reverse Vesting Order, be transferred to the Purchaser, or its nominee or assignee; and

    b. the Purchaser will satisfy the Purchase Price in accordance with the terms of this Agreement.

6. Effective one moment following the Closing Time, any and all Liabilities arising from or relating to: (a) the change of control resulting from the Transaction; and (b) the transfer of the Excluded Assets and Excluded Liabilities to ResidualCo; and to which the Company may be bound at the Closing Time, including, for certainty and without limitation, Liabilities and Taxes resulting from any debt forgiveness, shall be transferred to ResidualCo and the Company shall have no obligation in connection with such Liabilities or Taxes.

7. The ResidualCo Shares shall be conveyed to the Receiver.

SCHEDULE "A"
EXCLUDED ASSETS

1. The Regency Pharmacy Assets, including Patient Records pertaining to the Regency Pharmacy Business; provided, however, that the Regency Pharmacy Assets will be transferred to the Regency Purchaser, rather than ResidualCo.

2. Inventory sold in the ordinary course of the Business in the Interim Period.

3. Cash on hand, bank deposits, guaranteed investment certificates, securities and other similar cash or cash equivalent items, save and except for normal cash floats maintained at the Premises.

4. All income tax refunds, HST refunds and all other tax refunds and amounts that may be due to the Company from Canada Revenue Agency or any provincial tax authorities relating to the period prior to the Closing Date.

5. All notes receivable and other debts due or accruing due not related to the Business.

6. All accounts receivable, accounts and monetary obligations owed or to become due and owing to the Company from any shareholder, or from any person who does not deal at arm's length with the Company.

7. Excluded Contracts.

8. All of the issued and outstanding shares of Regency Drugs Ltd.

[**Note: Balance of schedule to be completed two (2) Business Days prior to the Closing Date.]**

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SCHEDULE "B"
EXCLUDED CONTRACTS

The following is a comprehensive list of the Excluded Contracts or classes of contracts which are to be Excluded Contracts for the purposes of the Transaction:

1. **Regency Pharmacy Contracts**

Any contracts entered into specifically related to the operation of the Regency Pharmacy, including, without limiting the generality of the foregoing:

(a) Regency Pharmacy Lease.

(b) Contracts entered into with McKesson for the supply of product to the Regency Pharmacy Business or to enable the Regency Pharmacy to operate under a retail banner program operated by McKesson or any of its divisions or affiliates.

(c) Contracts entered into with Third Party Payors, including, without limitation, ODB.

(d) Contracts entered into with providers of services to premises occupied or used by the Regency Pharmacy Business, including, without limitation, utilities providers, telecommunications and cleaning services.

(e) Software licenses entered into and used or accessed by hardware located at the Regency Premises.

(f) Contracts entered into for the lease or purchase of equipment used in or located at the Regency Premises.

(g) Any contracts entered into by the Company relating directly to the Regency Pharmacy Business, such as, maintenance contracts, provision of pharmacist services and delivery services.

(h) Employment contracts entered into with Employees in connection with the Regency Pharmacy Business.

2. **Manning Pharmacy Contracts.**

(a) Contracts entered into with McKesson for the supply of product to the Business or to enable the Business to operate under a retail banner program operated by McKesson or any of its divisions or affiliates.

(b) Employment contracts entered into with Terminated Employees.

[Note: Balance of schedule to be completed two (2) Business Days prior to the Closing Date.]

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SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time.

2. Any and all Liabilities arising from or relating to the transfer of the Excluded Assets and Excluded Liabilities to ResidualCo and to which the Company may be bound at the Closing Time, including, for certainty and without limitation, Liabilities and Taxes resulting from any debt forgiveness; provided, however, that such Liabilities shall be transferred to ResidualCo one moment following the Closing Time and the Company shall have no obligation in connection with such Liabilities or Taxes.

3. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.

4. Liabilities for Terminated Employees whose employment with the Company or its Affiliate is terminated on or before Closing.

5. Any and all Liabilities that are not Retained Liabilities.

6. Any and all Liabilities arising under contracts entered into with McKesson for the supply of product to the Business or the Regency Pharmacy Business or to enable the Business or the Regency Pharmacy Business to operate under a retail banner program operated by McKesson or any of its divisions or affiliates.

7. Any Liabilities to Third Party Payors relating to prescriptions dispensed prior to the Closing Date from the Business and the Regency Pharmacy Business, whether determined prior to or subsequent to the Closing Date, including, without limiting the generality of the foregoing, any such Liabilities owed to ODB.

8. Any Liabilities arising under the Regency Pharmacy Lease, regardless of when such Liabilities arise.

9. All Taxes arising with respect to:

    (a) the Company's operations, including the Business and the Regency Pharmacy Business, up to the Closing Date;

    (b) the Collateral Transactions.

10. Any and all Liabilities to, guarantees of, or other financial obligations pertaining to any Affiliate of the Company (including Regency Drugs Ltd.).

[Note: Balance of schedule to be completed two (2) Business Days prior to the Closing Date.]

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SCHEDULE "D"
PERMITTED ENCUMBRANCES

[Note: Schedule to be completed ten (10) days prior to application for Approval and Reverse Vesting Order]

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SCHEDULE "E"
APPROVAL AND REVERSE VESTING ORDER

[Note: Schedule to be completed prior to application for Approval and Reverse Vesting Order]

Court File No: CV-24-00721374-00CL

BANK OF MONTREAL
Applicant

- and -

HOHS DRUGS LIMITED and HUAN DANG
Respondents

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

PRE-FILING REPORT TO THE COURT
SUBMITTED BY GRANT THORNTON LIMITED
IN ITS CAPACITY AS PROPOSED RECEIVER

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Lawyers for Grant Thornton Limited,
in its capacity as the Proposed Court-appointed Receiver of
HOHS Drugs Limited