ESTATE NO. 31-3096333

**IN THE MATTER OF THE BANKRUPTCY OF
15177561 CANADA INC. AND 15177570 CANADA INC.
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

REPORT OF THE TRUSTEE'S PRELIMINARY ADMINISTRATION OF THE ESTATE OF 15177561 CANADA INC. AND 15177570 CANADA INC.

SECTION A - BACKGROUND

CCAA Proceedings

1. On January 26, 2023, Acerus Pharmaceuticals Corporation ("**APC**"), Acerus Biopharma Inc., Acerus Labs Inc. and Acerus Pharmaceuticals USA, LLC. (collectively, the "**Acerus Group**" or the "**Applicants**") brought an application before the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs (the "**CCAA Proceedings**").

2. Pursuant to an Initial Order of the CCAA Court granted on January 26, 2023, Ernst & Young Inc. was appointed Monitor of the Applicants (the "**Monitor**") and FAAN Advisors Group Inc. was appointed as Chief Restructuring Officer ("**CRO**") in the CCAA Proceedings.

3. On January 29, 2023, the Acerus Group commenced ancillary insolvency proceedings under Chapter 15 of the United States Bankruptcy Code (the "**Chapter 15 Cases**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**").

Transaction

4. On May 30, 2023, the CCAA Court granted an approval and reverse vesting order (the "**RVO**") approving a subscription agreement dated as of May 15, 2023 (the "**Subscription Agreement**")

between APC and First Generation Capital Inc. ("**FGC**") as purchaser. Pursuant to the Subscription Agreement and RVO, FGC would, upon closing, acquire APC's equity interests and, indirectly, substantially all the assets and business of the Acerus Group (excluding the Excluded Assets, Excluded Contracts and Excluded Liabilities, all as defined in the Subscription Agreement) by way of a credit bid in a reverse vesting structure (the "**Transaction**"). On June 13, 2023, the U.S. Bankruptcy Court issued an Order recognizing and enforcing the RVO.

5. At the commencement of the CCAA Proceedings, FGC[1] held approximately 89.3% of APC's outstanding shares, and the Acerus Group was indebted to FGC in the approximate amount of US$50 million. In addition, FGC provided to the Acerus Group a US$7 million Court-approved debtor-in-possession (DIP) loan facility to finance the working capital needs of the Acerus Group throughout the CCAA Proceedings.

6. APC successfully completed the Transaction on July 10, 2023. Upon the closing of the Transaction, APC cancelled its outstanding shares and issued new common shares to the Purchaser, resulting in APC becoming a private company wholly-owned by the Purchaser. At the same time, all of the Excluded Assets, Excluded Contracts and Excluded Liabilities were transferred to, assumed by and vested in two newly founded entities: 15177561 Canada Inc. and 15177570 Canada Inc. (together, the "**ResidualCos"**), which are the bankrupts in this proceeding (in such capacity, the "**Bankrupts**").

7. Following the closing of the Transaction, the Acerus Group emerged from the CCAA Proceedings, leaving the ResidualCos as the only two remaining Applicants in the CCAA. The U.S. Bankruptcy Court subsequently terminated the Chapter 15 Cases on August 29, 2023.

Post-Closing Activities

8. On July 24, 2023, the CCAA Court made an order (the "**Termination Order**") providing that, among other things:

    (i) the CCAA Proceedings would be terminated upon the Monitor filing a termination certificate with the CCAA Court (the "**Termination Certificate**");

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[1] At such time, FGC was affiliated with the Chairman of the Board of Directors of APC.

(ii) the ResidualCos were authorized to make assignments in bankruptcy; and

(iii) the bankruptcy estates of the ResidualCos would be subject to a procedurally-consolidated administration.

9. Following the closing of the Transaction, the ResidualCos, with the assistance of the Monitor and the CRO, collaborated with the Purchaser to complete post-closing matters, address certain settlement matters, and provide information to CRA.

10. On June 24, 2024, the ResidualCos made an assignment in bankruptcy (the "**Bankruptcy**"). Ernst & Young Inc. was appointed as the trustee-in-bankruptcy of the Bankrupts' estates (in such capacity, the "**Trustee**").

11. On July 4, 2024, the Monitor filed the Termination Certificate dated June 24, 2024 with the CCAA Court, resulting in the termination of the CCAA Proceedings. The Monitor and the CRO were each discharged effective as at the same time.

12. All documents related to the CCAA Proceedings and the Bankruptcy, and key documents related to the Chapter 15 Cases have been posted on Trustee's website at www.ey.com/ca/acerus.

SECTION B – PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTEREST

13. Pursuant to the Subscription Agreement and the RVO, the purchase price payable in the Transaction was a credit bid by FGC of the secured debt owed to it by the Acerus Group. For this reason, there are no net proceeds available to distribute to the unsecured creditors of the Bankrupts' estates. Following the Transaction, only Excluded Assets, Excluded Contracts and Excluded Liabilities remain with the Bankrupts. The Trustee does not expect any further recoveries to the Bankrupts' estates, as discussed further herein.

14. As of July 15, 2024, the Trustee held approximately CDN$63,496 in its trust account, which will be utilized to fund the administration of the Bankruptcy.

15. In addition, pursuant to the Termination Order, Ernst & Young Inc. continues to retain approximately $98,185 in a separate trust account (the "**Administrative Expense Account**") established in accordance with the Subscription Agreement and RVO. These funds are designated to cover the Administrative Expense Amounts (as defined in the Subscription

Agreement), including the costs of the Bankruptcy. The Trustee may draw from the Administrative Expense Account as needed to complete the Bankruptcy. Upon the conclusion of the Bankruptcy, any remaining balance in the Administrative Expense Account will be returned to the Purchaser.

SECTION C – BOOKS AND RECORDS

16. Pursuant to the Subscription Agreement, the Purchaser has acquired certain records relating to the operations of the Acerus Group that were sold. The Subscription Agreements provide that the Trustee shall have access to those records acquired by the Purchasers until the conclusion of the Bankruptcy.

SECTION D - CONSERVATORY AND PROTECTIVE MEASURES

17. Since the Bankrupts' estates have no assets other than the remaining funds held by the Trustee, the Trustee does not believe any additional conservatory or protective measures are required in the circumstances.

SECTION E – PROVABLE CLAIMS

18. At the time of this Report, the Trustee has received the following proofs of claim:

	# of Claims	Amount
Unsecured claims against the ResidualCos	**6**	**$484,252.63**

The Trustee has yet to review any of these claims for their validity.

SECTION F – LEGAL PROCEEDINGS, REVIEWABLE TRANSATIONS & PREFERENCE PAYMENTS

19. The Trustee is not aware of any active legal proceedings involving the Bankrupts at the time of this Report.

20. The Trustee has not initiated any legal proceedings during its administration of the Bankrupts' estates.

21. The Trustee has not conducted a review of the books and records of the Bankrupts to determine whether there have been any preferences or transactions at undervalue. At this time, the Trustee is not aware of any irregularities to report to the creditors of the Bankrupts.

SECTION G - THIRD-PARTY DEPOSITS OR GUARANTEES

22. As described earlier, pursuant to the Termination Order, the funds in the Administrative Expense Account held by Ernst & Young Inc. would be accessible to the Trustee if additional funds are needed to complete the Bankruptcy.

23. The Trustee does not possess any other third-party deposits or guarantees.

SECTION H - ANTICIPATED RESULTS AND PROJECTED DISTRIBUTION

24. The remaining funds held by the Trustee will be utilized to fund the Bankruptcy. As noted above, the Trustee does not expect that there will be any distributions made to unsecured creditors.

SECTION I – OTHER MATTERS

25. On June 28, 2024, the Trustee sent packages via mail and email to the creditors of the Bankrupts listed on the Statement of Affairs (the "**SOA**") and certain other stakeholders. The package included a notice of the bankruptcy and first meeting of creditors, the SOA containing a list of creditors, a proof of claim form and a proxy form.

26. On July 5, 2024, a newspaper advertisement was placed in the national edition of the Globe and Mail newspaper informing creditors of the Bankrupts of the date and time of the first meeting of creditors.

27. The Trustee will continue administer the Bankrupts' estates on a procedurally-consolidated basis.

Dated at Toronto, Ontario this 15th day of July, 2024.

ERNST & YOUNG INC.

Solely in its capacity as the Trustee-in-Bankruptcy of the Bankruptcy Estates of 15177561 Canada Inc. and 15177570 Canada Inc. and not in any other capacity

Per: ______________________________

Allen Yao

Senior Vice President