

**IN THE MATTER OF THE BANKRUPTCY OF
INTELLIPHARMACEUTICS CORP**

**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION**

BACKGROUND

Intellipharmaceutics Corp (“**IPC**”) is a pharmaceutical company, formed under the laws of Nova Scotia and is an operating subsidiary of Intellipharmaceutics International Inc. which is incorporated under the laws of Canada (“**IP Int Inc**”). IPC and IP Int Inc. (collectively, the “**Company**”) operated from a lease premises at its registered head office located at 30 Worcester Road, Toronto Ontario. The Company specialized in the research, development and manufacturing of novel and generic controlled-release oral solid dosage drugs.

IPC generated revenue through two licensing agreements with a Canadian and US pharmaceutical company respectively. Its parent company, IP Int Inc. was listed on the TSX Venture Exchange under the trading symbol “**IPCI.H**” and raised funding through the issuance of securities.

IPC had four (4) employees as at the Bankruptcy Date (as defined herein).

BANKRUPTCY PROCEEDINGS

On October 31, 2024 (the “**Bankruptcy Date**”), IPC and IP Int Inc. filed an assignment in bankruptcy (the “**Bankruptcy Proceedings**”) and KPMG Inc. (“**KPMG**”) was appointed as trustee of the estate of the bankruptcy (the “**Trustee**”) by the Official Receiver, subject to affirmation by the creditors of the Trustee’s appointment or substitution of another trustee by the creditors.

On November 7, 2024, a notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of IPC, and on November 8, 2024 a notice of the bankruptcy and the first meeting of creditors was published in the Financial Post. The first meeting of creditors will be convened on November 18, 2024 at 1:00 p.m. EST.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the *Bankruptcy and Insolvency Act* (“**BIA**”).

CAUSES OF INSOLVENCY

The financial viability of IPC was highly dependent on whether its product candidates received approval from the U.S. Food and Drug Administration (“**FDA**”), Health Canada and the regulatory authorities of other countries in which its products were proposed to be sold and whether it was able to successfully market approved products. IPC funded business activities primarily through the issuance of securities in IP Int Inc. and amounts received from development agreements. IPC primarily earned revenue through a

license and supply agreement with Taro Pharmaceuticals Inc. (the “**Taro Agreement**”) and a license and commercialization agreement with Par Pharmaceutical Inc. (the “**Par Agreement**”).

IPC faced liquidity issues as revenue generated through the Taro Agreement and Par Agreement were insufficient to cover IPC’s operating costs. In addition, other product candidates that were developed by the Company did not receive final approval from the FDA due to various legal challenges.

FINANCIAL POSITION/ASSETS

Assets

The primary assets of IPC as at the Bankruptcy Date was cash, medical machinery and equipment and IPC’s intellectual property (collectively, the “**Property**”). Based on the books and records of IPC, the estimated book value of the Property as at the Bankruptcy Date is set out below.

Assets	(\$CAD)
Intellectual Property	1
Cash ⁽¹⁾	189
Machinery and Equipment ⁽²⁾	666,132
Total	666,321

Notes

(1) As per the IPC bank statements as at October 15, 2024

(2) Net book value as per the IPC’s books and records

The Trustee understands that the medical machinery and equipment includes, but is not limited to, research and development equipment, testing and manufacturing equipment. The intellectual property relates to the novel and generic controlled-release pharmaceutical products and the associated licenses.

BOOKS AND RECORDS OF THE BANKRUPT

The Trustee has made arrangements to safeguard the books and records of the Company, including historical financial information, bank statements, general ledgers, and material agreements.

CREDITORS

Secured Creditors

IPC’s Statement of Affairs indicates there is one (1) secured creditor as at the Bankruptcy Date, as follows:

Secured Creditor	Estimated Amount Owed (\$CAD)
Dr. Isa and Dr. Amina Odidi	278,000

The Trustee is aware of certain Canada Revenue Agency deemed trust amounts relating to IPC’s employee portion of unremitted source deductions estimated to be \$22,291 which would form a right to IPC’s Property.

The Trustee has not obtained an independent legal opinion with respect to the validity and enforceability of the security granted in favour of Dr. Isa and Dr. Amina Odidi at this time.

Preferred Creditors

Security for Unpaid Wages – S.81.3 Claims

IPC’s Statement of Affairs indicates that there are creditors with amounts owing of approximately \$8,000 in aggregate related to former employees for certain unpaid wages which would form a priority right over IPC’s Property.

The Trustee is in the process of reviewing IPC’s records to determine what amounts are owed to IPC’s terminated employees that would rank as secured claims pursuant to section 81.3 of the BIA.

The Trustee is complying with the requirements of the *Wage Earner Protection Program Act* and will be advising Service Canada of all amounts owed by IPC to its terminated employees, including any amounts owed for termination and severance pay.

Unsecured Creditors

The Company’s Statement of Affairs indicates that there are 145 unsecured creditors with claims totaling approximately \$12.3 million in aggregate.

PROVABLE CLAIMS

As at 10:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Notes	Claims Filed	Amount	Proxies in Favour of Trustee	Amount
		#	(\$CAD)	#	(\$CAD)
Secured		Nil	Nil	Nil	Nil
Preferred		Nil	Nil	Nil	Nil
Unsecured	1	5	2,139,049.35	1	2,401.65
Total		5	2,139,049.35	1	2,401.65

Note 1: The Trustee received a total of five (5) proofs of claim against IPC. The Trustee received five (5) proofs of claim containing unsecured amounts.

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee has not performed a review of IPC’s books and records, with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the Inspectors, if so appointed at the first meeting of creditors.

TRUSTEE’S FEES

The Trustee is in possession of a retainer to fund the professional fees and disbursements of the Trustee, including legal counsel if the Trustee deems it necessary to retain legal counsel and it is approved by the Inspectors, if so appointed.

PROJECTED DISTRIBUTION AND ANTICIPATED ASSET REALIZATION


The Trustee is in the process of developing a realization strategy for IPC’s assets. At this time, it is currently uncertain as to the quantum and timing of any distribution to creditors of IPC.

OTHER

Further information related to IPC’s bankruptcy proceedings may be obtained from the Trustee’s website at www.kpmg.com/ca/Intellipharmaceutics.

Dated at Toronto, Ontario this 18th day of November, 2024

KPMG Inc.,
in its capacity as Trustee of the estate of
Intellipharmaceutics Corp
and not in its personal capacity

Per: 

Tim Montgomery, LLT
Vice-President