

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

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF MEDIFOCUS INC. AND 1000101532
ONTARIO INC.

MOTION RECORD
(RE: Stay Extension)

March 11, 2022

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**Lawyers for Medifocus Inc. and
1000101532 Ontario Inc.**

TO: THE SERVICE LIST

ONTARIO
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TAB 1

Court File No. CV-21-00669781-00CL

**ONTARIO
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**NOTICE OF MOTION
(RE: Stay Extension)**

MEDIFOCUS INC. (“**Medifocus**”) and 1000101532 Ontario Inc. (together with Medifocus, the “**Applicants**”) will make a motion to a Judge presiding over the Commercial List on **March 14, 2022 at 11:00 a.m.**, or as soon after that time as the motion can be heard by judicial teleconference via Zoom at Toronto, Ontario. Please refer to the conference details attached as Schedule “A” hereto and advise if you intend to join the motion by emailing Levi Rivers at lrivers@wfklaw.ca.

PROPOSED METHOD OF HEARING: The motion is to be heard:

- in writing under subrule 37.12.1 (1);
- in writing as an opposed motion under subrule 37.12.1 (4);
- in person;
- By telephone conference;
- By video conference.**

Schedule "A"

Join Zoom Meeting

<https://us02web.zoom.us/j/82829397484>

Meeting ID: 828 2939 7484

One tap mobile

+15873281099,,82829397484# Canada

+16473744685,,82829397484# Canada

Dial by your location

+1 587 328 1099 Canada

+1 647 374 4685 Canada

+1 647 558 0588 Canada

+1 778 907 2071 Canada

+1 204 272 7920 Canada

+1 438 809 7799 Canada

Meeting ID: 828 2939 7484

Find your local number: <https://us02web.zoom.us/u/kmsocyuyY>

THE MOTION IS FOR:

1. An Order, substantially in the form attached at Tab 3, of the motion record that, among other things:
 - a) abridges the time for service of this Motion, validating the manner of service, and declaring that this Motion is properly returnable on this day;
 - b) extends the Stay Period (as defined below) up to and including May 20, 2022; and
2. Such further and other relief as may be requested and this Honorable Court may deem just;

THE GROUNDS FOR THIS MOTION ARE:

Overview

3. Medifocus is engaged in the research, development and sale of medical device systems that deliver focused microwave-generated heat to diseased tissue, thereby shrinking or destroying the targeted tissue;
4. Medifocus' common shares were previously traded on the Toronto Stock Exchange under the trading symbol "MFS" and the OTC Markets under the trading symbol "MDFZF". On September 4, 2020, the Ontario Securities Commission issued a cease trade order (the "**Cease Trade Order**") for the shares of Medifocus due to the failure to file required public disclosure;
5. Medifocus filed a Notice of Intention to Make a Proposal ("**NOI**") on September 8, 2021, and msi Spergel Inc. ("**MSI**") was appointed as the proposal trustee;

6. On October 7, 2021, the Honourable Justice Cavanagh granted an Order (the “**Initial Order**”) converting the NOI proceedings into a proceeding under the CCAA and MSI was appointed as the Monitor;
7. The Initial Order provided for, among other things: (i) a stay of all proceedings against Medifocus (the “**Stay Period**”). The Stay Period was most recently extended until and including March 15, 2022, by the Order of the Honourable Justice Conway dated February 8, 2022;
8. In addition, the Court approved a stalking horse sale process in order to solicit bids for the purchase of the business and assets of Medifocus that were superior to the bid submitted by Asset Profits Limited (the “**Purchaser**”) pursuant to the stalking horse asset purchase agreement executed between the Purchaser and Medifocus.
9. No bids were received other than the bid submitted by the Purchaser and the Purchaser was deemed to be the successful bidder.
10. On February 8, 2022, Justice Conway granted an order that, among other things, approved a corporate restructuring pursuant to which the Purchaser would obtain control of Medifocus free and clear of liabilities (the “**Transaction**”).
11. The Transaction is in the process of being implemented. To effect the Transaction, Medifocus is required apply to the Ontario Securities Commission (the “**OSC**”) for a partial lifting of the Cease Trade Order to facilitate the subscription by the Purchaser or its permitted assignee of the shares in Medifocus.

12. In order to close the Transaction, Medifocus is obtaining the necessary approvals from the OSC. This process is taking longer than originally anticipated.

Extension of Stay Period

13. The Applicants will not be able to complete the Transaction before the expiry of the current Stay Period, on March 15, 2022;
14. The Transaction will require additional time to complete as compared with an asset purchase and vesting order, particularly to obtain the necessary approvals from the OSC and to complete the necessary steps to lift the Cease Trade Order;
15. The Monitor also supports the extension of the Stay Period;
16. The stay extension is appropriate: the Applicants have and continue to act in good faith and with due diligence in its efforts to restructure in a manner that will yield the greatest recovery for its creditors and other stakeholders;

Further Grounds

17. The provisions of the CCAA, including sections 3, 11 and 11.02;
18. Rules 1.04, 2.03, 3.02, and 37 of the *Rules of Civil Procedure*, RSO 1990, Reg 194, as amended;
19. The inherent and equitable jurisdiction of this Honourable Court; and
20. Such further and other grounds as counsel may advise and this Honorable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED ON THE HEARING OF THE MOTION:

21. The Affidavit of Raymond Tong, sworn March 11, 2022, and the exhibits attached thereto;
22. The Fourth Report of the Monitor, to be filed; and
23. Such further and other evidence as counsel may advise and this Honourable Court may permit.

March 11, 2022

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ARRANGEMENT OF MEDIFOCUS INC. AND 1000101532 ONTARIO INC.

Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

NOTICE OF MOTION

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**Lawyers for Medifocus Inc. and 1000101532
Ontario Inc.**

TAB 2

Court File No. CV-21-00669781-00CL

ONTARIO
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AFFIDAVIT OF RAYMOND TONG

(Sworn March 11, 2022)

I, **RAYMOND TONG**, of the City of Hong Kong, **MAKE OATH AND SAY:**

1. I am a director of the Applicants, Medifocus Inc. ("**Medifocus**") and 1000101532 Ontario Inc. Accordingly, I have personal knowledge of the matters set out below. Where I have relied on information from others, I state the source of such information and believe it to be true.
2. Medifocus is engaged in the research, development and sale of medical devices that deliver focused microwave-generated heat to diseased tissue, thereby shrinking or destroying the targeted tissue.
3. Medifocus' common shares were previously traded on the Toronto Stock Exchange ("**TSX**") under the trading symbol "MFS" and the OTC Markets under the trading symbol "MDFZF". On September 4, 2020, the Ontario Securities Commission (the "**OSC**") issued a cease trade order (the "**Cease Trade Order**") for the shares of Medifocus due to certain failures in periodic disclosure caused by cash flow restrictions.

4. On September 8, 2021, Medifocus filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada), and msi Spergel Inc. (“**MSI**”) was appointed as the proposal trustee (in such capacity, the “**Proposal Trustee**” and, following continuation under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (the “**CCAA**”), in such capacity, the “**Monitor**”).

5. On October 7, 2021, Justice Cavanagh granted an Initial Order continuing Medifocus’ NOI proceedings under the CCAA (the “**Initial Order**”).

6. In addition, the Court approved a stalking horse sale process in order to solicit bids for the purchase of the business and assets of Medifocus that were superior to the bid submitted by Asset Profits Limited (the “**Purchaser**”) pursuant to the stalking horse asset purchase agreement executed between the Purchaser and Medifocus.

7. No bids were received other than the bid submitted by the Purchaser and the Purchaser was deemed to be the successful bidder.

8. On February 8, 2022, Justice Conway granted an order that, among other things, approved a corporate restructuring pursuant to which the Purchaser would obtain control of Medifocus free and clear of liabilities (the “**Transaction**”).

9. This affidavit is sworn in support of the Applicants’ motion for an order, *inter alia*, extending the stay of proceedings up to and including May 20, 2022.

10. Further background to this CCAA proceeding can be found in my affidavit sworn October 4, 2021, in support of Medifocus’ application for the Initial Order under the CCAA (the “**October Affidavit**”).

A. Extension of the Stay of Proceedings

11. Medifocus is required to seek to lift the Cease Trade Order imposed by the OSC in order to facilitate the subscription by the Purchaser or its permitted assignee of the shares in Medifocus.

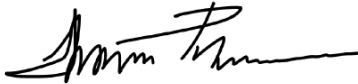
12. The Applicants seek an extension of the stay of proceedings up to and including May 20, 2022. In order to close the Transaction, Medifocus is obtaining the necessary approvals from the OSC. This process is taking longer than originally anticipated.

13. The cash flow projections, reviewed and prepared with the Monitor, and attached as an appendix to the Fourth Report of the Monitor, to be filed, project that the Applicants will have sufficient funding to continue operating until and including May 20, 2022.

14. The Applicants have acted in good faith and with due diligence to develop a viable going-concern proposal in order to maximize recovery for its creditors and stakeholders.

15. I am not aware of any creditors who will be materially prejudiced by an extension of the stay of proceedings.

SWORN, before me, remotely by Raymond Tong stated as being located in the City of Hong Kong, *by continuous video conference* to the City of Toronto, in the Province of Ontario on this 11th day of March, 2022.



A Commissioner for Taking Affidavits

DocuSigned by:

CAC380E55FDA4F5...

RAYMOND TONG

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**Lawyers for Medifocus Inc. and
1000101532 Ontario Inc.**

TAB 3

Court File No. CV-21-00669781-00CL

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

THE HONOURABLE MR)	TUESDAY, THE 14TH DAY OF
)	
JUSTICE CAVANAGH)	MARCH, 2022

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR
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ONTARIO INC.

(RE: STAY EXTENSION)

THIS MOTION, made by the Applicants, Medifocus Inc. and 1000101532 Ontario Inc., pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order *inter alia* (i) extending the Stay Period (as defined below) until and including May 20, 2022; was heard this day by judicial videoconference over Zoom.

ON READING the motion record of the Applicant, including the affidavit of Raymond Tong, sworn March 11, 2022, and the exhibits thereto (the "**Tong Affidavit**"), and the Fourth Report of msi Spergel Inc. ("**MSI**") in its capacity as monitor of the Applicants (the "**Monitor**"), dated March 1, 2022, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, and all persons present as stated on the counsel slip, no one appearing for any other person although properly served as appears from the affidavits of Shaun Parsons sworn March 1, 2022.

1. **THIS COURT ORDERS** that the time for service of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF THE STAY PERIOD

2. **THIS COURT ORDERS** that the stay period (the “**Stay Period**”) referred to in the Initial Order granted by the Honourable Justice Cavanagh, dated October 7, 2021, is extended until and including May 20, 2022.

GENERAL

3. **THIS COURT ORDERS** that, notwithstanding Rule 59.05, this Order is effective from 12:01 a.m. Eastern Standard/Daylight Time on the date that it is made and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing when the Court returns to regular operations.

4. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

5. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or in any other foreign jurisdiction to give effect to this Order and to assist the Applicants, the Monitor, the Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and the Monitor, as an officer of this Court, as may be necessary or desirable to recognize and give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order.

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STAY EXTENSION ORDER

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