

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

THE HONOURABLE MADAM) TUESDAY, THE 8TH DAY OF
)
JUSTICE CONWAY) FEBRUARY, 2022

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. (the "**Applicant**")

**(RE TRANSACTION APPROVAL, REVERSE VESTING ORDER, STAY
EXTENSION, MONITOR'S APPROVALS, AND CCAA TERMINATION)**

THIS MOTION, made by the Applicant, Medifocus Inc. ("**Medifocus**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order *inter alia* (i) declaring that 1000101532 Ontario Inc. ("**ResidualCo**") is a company to which the CCAA applies; (ii) adding ResidualCo as an Applicant in these CCAA proceedings; (iii) approving the reorganization transaction steps contemplated in paragraph 6 herein; (iv) extending the Stay Period (as defined below) until and including March 15, 2022; (v) approving the fees and activities of msi Spergel Inc. in its capacity as monitor (the "**Monitor**") and its counsel; and (vi) terminating these CCAA proceedings following the filing of the Monitor's Certificate (defined below), was heard this day by judicial videoconference over Zoom.

ON READING the motion record of the Applicant, including the affidavit of Raymond Tong, sworn February 2, 2022, and the exhibits thereto (the "**Tong Affidavit**"), the affidavit of

Raymond Tong, sworn February 7, 2022, and the exhibits thereto and the Third Report of msi Spergel Inc. (“MSI”) in its capacity as monitor of the Applicant (the “**Monitor**”), dated February 3, 2022, and on hearing the submissions of counsel for the Applicant, 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 February 4, 2022 and February 7, 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.

CCAA APPLICANT

2. **THIS COURT ORDERS AND DECLARES** that ResidualCo shall be a company to which the CCAA applies.

3. **THIS COURT ORDERS** that ResidualCo shall be added as an applicant in these CCAA proceedings and all references in any Order of this Court in respect of this CCAA proceeding to an “Applicant” or “Applicants” shall refer to and include ResidualCo.

4. **THIS COURT ORDERS** that the title of these proceedings is hereby changed to:

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

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

5. **THIS COURT ORDERS** that any document filed hereafter in these CCAA proceedings shall be filed using the revised title of proceedings.

REORGANIZATION TRANSACTION

6. **THIS COURT ORDERS AND DECLARES** that the reorganization transaction contemplated in this paragraph is hereby approved and the Applicants and their successors (including ResidualCo) are authorized to implement and complete the reorganization contemplated below:

- (a) all of the Liabilities (as defined below) of Medifocus other than the Assumed Liabilities (as defined in Schedule “A” hereto) shall be transferred to and vested in ResidualCo;
- (b) Medifocus shall apply to the Ontario Securities Commission (“OSC”) for a partial lifting of the Cease Trade Order in accordance with the *Securities Act* (Ontario), R.S.O. 1990, c. S5;
- (c) the constating documents of Medifocus shall be altered to, among other things, (i) permit the consolidation of the issued and outstanding common shares of Medifocus (including, for the avoidance of doubt, any common Shares that are issued pursuant to section 6(d) herein); and (ii) provide for such additional changes to the rights and conditions attached to the common shares as may be agreed to by Medifocus and PurchaseCo (defined below);
- (d) Asset Profits Limited (the “**Purchaser**”) or its permitted assignee (the “**Assignee**” and together with the Purchaser, “**PurchaseCo**”), as the case may be, shall subscribe for new shares of Medifocus, to be paid by way of a credit bid of the secured indebtedness of the Purchaser, via private placement to be coordinated with the Toronto Stock Exchange;
- (e) all equity interests, compensation plans and other securities in Medifocus, other than PurchaseCo’s interest, shall be cancelled such that PurchaseCo becomes the sole shareholder of Medifocus; and
- (f) Medifocus shall apply to the OSC to cease to be a reporting issuer, including full revocation of the Cease Trade Order;

(the “**Reorganization Transaction**”).

REVERSE VESTING ORDER

7. **THIS COURT ORDERS** that, other than the Assumed Liabilities, all claims, liabilities, debts, obligations, demands, indebtedness, trusts, or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, rights of distraint, levies, and charges of any kind or nature

whatsoever whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, secured or unsecured, liquidated or unliquidated, matured or unmatured or due or not due yet in law or equity and whether based on statute or otherwise (collectively, the “**Liabilities**”) shall be transferred to, assumed by and vest absolutely and exclusively in ResidualCo and shall no longer be obligations of Medifocus, and Medifocus and all of its assets, licenses, undertakings, permits, approvals, and properties of every nature and kind whatsoever and wherever situate shall be and are hereby forever released and discharged from all of the Liabilities vesting in ResidualCo.

IMPLEMENTATION OF TRANSACTION

8. **THIS COURT ORDERS AND DECLARES** that upon consummation of the Reorganization Transaction, PurchaseCo shall be the sole shareholder of Medifocus and Medifocus shall be free and clear of and from any and all Liabilities other than Assumed Liabilities.

9. **THIS COURT ORDERS** that the Applicant is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Reorganization Transaction.

10. **THIS COURT ORDERS** that this Order shall constitute the only authorization required by the Applicant to proceed with the Reorganization Transaction and that no shareholder or other approval shall be required in connection therewith.

11. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) in respect of the Applicants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicants,

the entering into of the Reorganization Transaction and the transactions approved in this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue,

or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

EXTENSION OF THE STAY PERIOD

12. **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, 2022, is extended until and including March 15, 2022.

DISCHARGE OF MONITOR AND TERMINATION OF CCAA

13. **THIS COURT ORDERS** that upon completion of any outstanding matters involving the Monitor as well as the completion of the Reorganization Transaction, the Monitor shall file a certificate substantially in the form attached hereto as Schedule “B” (the “**Monitor’s Certificate**”) notifying the Court of the completion of the Reorganization Transaction and the completion of all matters in these CCAA proceedings.

14. **THIS COURT ORDERS** that the Monitor may rely on written notice from Medifocus and PurchaseCo regarding the fulfilment of conditions to closing the Reorganization Transaction and shall have no liability with respect to delivery of the Monitor’s Certificate as it relates to such conditions.

15. **THIS COURT ORDERS** that the Monitor’s Certificate be and is hereby approved and directs the Monitor to file with the Court a copy of the Monitor’s Certificate, forthwith after service thereof to the service list for these CCAA proceedings.

16. **THIS COURT ORDERS** that upon the delivery to the service list for these CCAA proceedings and filing with the Court a signed Monitor’s Certificate:

- (a) MSI shall be discharged as Monitor of the Applicants in these CCAA proceedings, and shall have no further duties, obligations, or responsibilities, as Monitor, from and after such time, save and except as contemplated under paragraph 17 of this Order;

- (b) the Administration Charge shall automatically be terminated, discharged, expunged, and released; and
- (c) these CCAA proceedings will be deemed terminated, including as against Medifocus, without further Order of this Court.

17. **THIS COURT ORDERS** that notwithstanding the discharge of the Monitor and the termination of these CCAA proceedings, upon the Monitor filing the Monitor's Certificate, this Court shall remain seized of any matter arising from these CCAA proceedings, and MSI shall have the authority from and after the date of this Order to apply to this Court to address matters ancillary or incidental to these CCAA proceedings, notwithstanding the termination thereof. MSI, in its capacity as Monitor, is authorized to take such steps and actions as it deems necessary to address ancillary or incidental matters, following the termination of the CCAA proceedings, and in completing or addressing any such ancillary or incidental matters, MSI shall continue to have the benefit of all of the provisions of the CCAA and of all Orders made in these CCAA proceedings, in relation to its capacity as Monitor, including all approvals, protections, and stays of proceedings in favour of MSI, in its capacity as Monitor.

BANKRUPTCY OF RESIDUALCO

18. **THIS COURT ORDERS** that, as soon as practicable but prior to the filing of the Monitor's Certificate;

- (a) MSI is hereby authorized and directed to file an assignment in bankruptcy pursuant to the BIA for an on behalf of ResidualCo and to take any such steps incidental thereto;
- (b) MSI is hereby authorized and empowered, but not obligated, to act as trustee in bankruptcy in respect of ResidualCo under the BIA; and
- (c) MSI may apply funds received by the Applicant or PurchaseCo on account of any bankruptcy costs of ResidualCo against the Trustee's fees and disbursements incurred in connection with any such bankruptcy proceedings in respect of ResidualCo.

19. **THIS COURT ORDERS** that the costs of any bankruptcy of ResidualCo shall be paid by PurchaseCo, on behalf of Medifocus, to the Monitor, who shall provide same to the trustee in bankruptcy of ResidualCo (in such capacity, the “**Trustee**”), which costs shall be held by the Monitor and the Trustee free and clear of any Liabilities.

RELEASES

20. **THIS COURT ORDERS** that, upon the filing of the Monitor’s Certificate, (i) the Applicant’s current directors and officers and (ii) the Monitor, the Monitor’s legal counsel, legal counsel for the Applicant, and each of their respective affiliates, subsidiaries, partners, and successors (the “**Releasees**”) are hereby released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions and other recoveries on account of any liability, obligations, demand or cause of action of whatever nature, which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the date of the granting of this Order and all such claims shall be forever waived and released, except that nothing in this Order shall release any Releasee from liability for gross negligence, willful misconduct, or claims that are not permitted to be released pursuant to section 5.1(2) of the CCAA.

21. **THIS COURT ORDERS** that no action or other proceeding shall be commenced against the Monitor in any way arising from or related to its capacity or conduct as Monitor except with prior leave of this Court and on prior written notice to the Monitor.

APPROVAL OF THE MONITOR’S ACTIVITIES AND FEES

22. **THIS COURT ORDERS** that the First Report of the Monitor dated October 5, 2021, the Second Report of the Monitor dated January 4, 2022, and the Third Report of the Monitor (the “**Third Report**”) dated February 3, 2022, and the activities of the Monitor referred to therein are hereby approved; provided, however, that only the Monitor, in its personal capacity and only with

respect to its own personal liability, will be entitled to rely upon or utilize in any way such approval.

23. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel, as set out in the fee affidavits attached to the Third Report, are hereby approved.

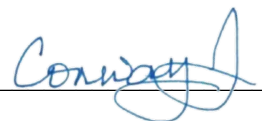
24. **THIS COURT ORDERS** that the Fee Accruals (as defined in the Third Report) of the Monitor and its counsel incurred in connection with the completion by the Monitor of its remaining duties and the administration of these CCAA proceedings, is hereby approved without further Order of the Court.

GENERAL

25. **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.

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

27. **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.



Schedule "A"

"Assumed Liabilities" means:

- all Liabilities with respect to the assets of Medifocus that arise or are incurred from and after the delivery of the Monitor's Certificate; and
- the debtor in possession facility in the maximum amount of \$700,000 owed by Medifocus to Assets Profits Limited or its assignee.

Schedule "B"
Form of Monitor's Certificate

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF MEDIFOCUS INC. (“**Medifocus**”) AND
1000101532 ONTARIO INC. (“**ResidualCo**” and together with
Medifocus, the “**Applicants**”)

Applicants

CERTIFICATE OF THE MONITOR

RECITALS

1. Pursuant to the Initial Order of the Honourable Mr. Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List), dated October 7, 2021, Medifocus’ proposal proceeding under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, was converted into a proceeding under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and msi Spergel Inc. (“**MSI**”) was appointed as the monitor (“**Monitor**”) of Medifocus in the within proceedings (the “**CCAA Proceedings**”).
2. Pursuant to an Order of this Court dated February 8, 2022 (the “**Transaction Approval Order**”), among other things, the Court approved transactions or a corporate reorganization, and ordered, *inter alia* (i) a reverse vesting or transfer of certain liabilities to ResidualCo; and (ii) the implementation of a corporate reorganization pursuant to which Asset Profits Limited or its permitted assignee (“**PurchaseCo**”) subscribed for shares in Medifocus and all other shares in the capital of Medifocus were to be cancelled with the

effect that PurchaseCo shall be the sole shareholder of Medifocus (the “**Reorganization Transaction**”).

3. Pursuant to the Transaction Approval Order, this Monitor’s Certificate shall be served upon the service list in these CCAA Proceedings and filed with the Court upon the completion of the Reorganization Transaction to the satisfaction of the Monitor and the completion of any other outstanding matters involving the Monitor in the CCAA Proceedings.

THE MONITOR CERTIFIES the following:

1. The Monitor has received written confirmation from PurchaseCo and the Applicants, in form and substance satisfactory to the Monitor, that all conditions to closing the Reorganization Transaction have been satisfied.
2. In accordance with the terms of the Transaction Approval Order, PurchaseCo has:
 - (a) paid the costs, or provided the Monitor with sufficient funds, to cover the costs of the bankruptcy proceedings of ResidualCo, such funds to be provided to MSI in its capacity as trustee in bankruptcy of ResidualCo;
 - (b) confirmed to the Monitor that PurchaseCo has paid, assumed or otherwise satisfied the priority payables of Medifocus; and
 - (c) confirmed to the Monitor that all other matters to be attended to in connection with the Reorganization Transaction have been completed to the satisfaction of the Monitor, and the Reorganization Transaction has been fully consummated.
3. All other matters in these CCAA Proceedings involving the Monitor have been fully completed.
4. This Monitor’s certificate was delivered by the Monitor at _____ on _____, 2022.

**MSI SPERGEL INC., solely in its capacity as
Monitor of the Applicants, and not in its personal
or corporate capacity.**

Per: _____
Name: Mukul Manchanda
Title: Managing Partner, Corporate
Restructuring & Insolvency

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.

Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

**TRANSACTION APPROVAL AND REVERSE
VESTING ORDER**

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