



Court File Nos.
Vancouver Registry
Estate Numbers

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE BUSINESS CORPORATIONS ACT, S.B.C. 2002, c. 57

AND

IN THE MATTER OF MEDIASURE PHARMACEUTICALS INC. AND MEDIASURE HOLDINGS INC.
(COLLECTIVELY, THE "COMPANIES" OR THE "PETITIONERS")

MONITOR'S FIRST REPORT TO COURT

DELOITTE RESTRUCTURING INC.

AUGUST 22, 2022

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INTRODUCTION AND BACKGROUND

- 1) On August 19, 2022 (the "**Initial Order Date**"), on application by Medipure Pharmaceuticals Inc. ("**MPI**") and Medipure Holdings Inc. ("**MHI**", together with MPI, "**Medipure**" or the "**Companies**"), the Supreme Court of British Columbia (the "**Court**") made an order (the "**Initial Order**") granting the Companies protection from their creditors pursuant to the *Companies Creditors Arrangement Act*, R.S.C. 1985 as amended (the "**CCAA**"). Under the Initial Order, Deloitte Restructuring Inc. ("**Deloitte**") was appointed as the Monitor of the Companies with enhanced powers (the "**Monitor**"). These proceedings (the "**CCAA Proceedings**") are a continuation of the proceedings (the "**BIA Proceedings**") which commenced on May 11, 2022 pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") under which Deloitte was appointed as the proposal Trustee of the Companies (the "**Proposal Trustee**"). The Initial Order discharges Deloitte as the Proposal Trustee of the Companies under the BIA Proceedings.
- 2) The Initial Order appointed the Monitor and granted an initial stay of proceedings until August 22, 2022 (the "**Initial CCAA Stay**").
- 3) This is the Monitor's first report under the CCAA Proceedings (the "**Monitor's First Report**") which has been prepared for a Court hearing to be held on August 22, 2022 (the "**Comeback Hearing**").
- 4) The Proposal Trustee prepared four reports to the Court under the BIA Proceedings (the "**Proposal Trustee Reports**") along with two material adverse change reports (the "**MAC Reports**", together with the Proposal Trustee Reports, the "**BIA Proceedings' Reports**"). The BIA Proceedings' Reports include significant background and other information on the Companies and the BIA Proceedings and this information has not been replicated in the Monitor's First Report. The BIA Proceedings' Reports and other information in respect of the NOI Proceedings are posted on the Proposal Trustee's website at www.insolvencies.deloitte.ca/en-ca/Pages/Medipure (the "**Trustee's Website**").
- 5) The BIA Proceedings resulted in several Court Orders which, among other things, directed and granted the following:
 - a) Extensions of the automatic initial 30-day stay of proceedings under Section 69(1) of the BIA from June 10, 2022 to August 19, 2022;
 - b) A June 17, 2022 Court Order approving a \$200,000 administration charge (the "**BIA Administration Charge**"), and a \$200,000 debtor-in-possession ("**DIP**") charge (the "**First BIA DIP Charge**") in favour of HFS Management Inc. ("**HFS**" or the "**BIA DIP Lender**"). The BIA Administration Charge is a first charge on the Companies' assets which ranks ahead of all secured creditors, with the potential exception of Canada Revenue Agency ("**CRA**"), whereas the First BIA DIP Charge ranks behind the BIA Administration Charge; and
 - c) A June 24, 2022 Court Order approving an additional \$1.36 million DIP charge (the "**Second BIA DIP Charge**") in favour of HFS ranking behind the BIA Administration Charge and the First BIA DIP Charge along with a \$65,000 charge in favour of the directors and officers of the Companies (the "**BIA D&O Charge**") ranking behind the Administration Charge, the First BIA DIP Charge, and the Second BIA DIP Charge.

PURPOSE

- 6) The purpose of the Monitor's First Report is to provide information to this Honourable Court for the Comeback Hearing in respect of:
 - a) The Monitor's view on the enhanced powers to be included in the Amended and Restated Initial Order (the "**ARIO**") which restates the Initial Order made on the Initial Order Date;
 - b) Present and comment on the Companies' updated cash flow forecast dated August 17, 2022 for the period from August 20, 2022 to November 18, 2022 (the "**August 17 Cash Flow Forecast**");
 - c) Provide comments on the additional DIP financing required pursuant to the August 17 Cash Flow Forecast;
 - d) Provide comments on the proposed administration charge, proposed chief restructuring officer ("**CRO**") charge, and proposed DIP lender's charge under the CCAA Proceedings; and
 - e) Provide comments on the extension of the Initial CCAA Stay until October 6, 2022.

TERMS OF REFERENCE

- 7) In preparing the Monitor's First Report, the Monitor has relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of the Companies ("**Management**") and the Companies' legal counsel, Boughton Law Corporation ("**Boughton**" or "**Companies' Counsel**"). Although this information has been reviewed, Deloitte has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Companies in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*. Accordingly, Deloitte expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in, or otherwise used to prepare the Monitor's First Report.
- 8) Certain of the information referred to in the Monitor's First Report consists of financial forecasts and/or projections prepared by Management. An examination or review of financial forecasts and projections and procedures as outlined by the *Chartered Professional Accountants of Canada* has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projections and the variations could be significant.
- 9) All monetary amounts contained in the Monitor's First Report are expressed in Canadian dollars, unless otherwise indicated.
- 10) Terms not defined in the Monitor's First Report are defined in the BIA Proceedings' Reports or the ARIO.
- 11) The Monitor's First Report and other information in respect of the CCAA Proceedings will be posted on the Monitor's website at www.insolvencies.deloitte.ca/en-ca/Pages/Medipure (the "**Monitor's Website**"). The Monitor's Website will have the same address as the Trustee's Website so information can all be viewed in one place.

ENHANCED POWERS OF THE MONITOR

- 12) The Monitor's counsel, Clark Wilson LLP (the "**Monitor's Counsel**"), prepared the initial draft ARIO which was circulated on August 21, 2022 to Boughton and Bennett Jones LLP ("**SHP's Counsel**"), counsel to the Companies' principal secured creditor SHP Capital LLC ("**SHP**"). The ARIO includes the provision of various enhanced powers for the Monitor including the retention of Helmsman Management Ltd. ("**HML**" or the "**Proposed CRO**") as a CRO to, among other things, carry on the business of the Companies (the "**Business**") in the ordinary course and in a manner consistent with the preservation of the Business and their current and future assets, undertakings and properties of every nature and kind whatsoever, and were situate including all proceeds thereof (the "**Property**").
- 13) The Proposed CRO would be empowered to take various actions, with the prior consent of the Monitor, including taking actions in the name of and on behalf of the Companies to run the Business, make disbursements pursuant to the ARIO, market the Property for sale, recover assets, engage, retain or terminate employees and agents, monitor receipts and disbursements, and assist the Companies with formulating a plan of compromise or arrangement (the "**Plan**").
- 14) The Monitor's Counsel has worked closely with the Proposed CRO in the past and the Monitor has met with the Proposed CRO and discussed its availability, credentials and past experience in Medipure's industry. The Monitor is confident that the Proposed CRO will have the skills and experience to satisfy the enhanced powers given to the CRO in the ARIO. An overview of the Proposed CRO, along with the profiles of its key personnel and their hourly rates is attached hereto as **Appendix "A"**.
- 15) The Monitor has the following comments in regards to the enhanced powers outlined in the ARIO:
 - a) The Companies shall remain in possession and control of their Property, including any controlled substances under the *Controlled Drugs and Substances Act* or any Property that might be environmentally contaminated;
 - b) All disbursements will require the prior written approval of the Monitor;
 - c) The Monitor will be authorized and empowered, but not required, to operate and control on behalf of the Companies all of the existing bank or other accounts at any financial institution in such a manner as the Monitor, in its sole discretion, deems necessary or appropriate;
 - d) The Monitor, CRO, or the Companies with the prior written approval of the Monitor, will require Court approval to shut down the operations, bankrupt the Companies, sell assets, terminate or temporarily lay off employees, refinance the business, or file a Plan; and
 - e) The Monitor and CRO will not be liable for carrying out the provisions of the ARIO save and except for any gross negligence or willful misconduct on their parts. As a result of the enhanced powers, the Monitor and CRO, among other things, will not be liable for any employee related liabilities of the Companies (other than amounts the Monitor may specifically agree in writing to pay), not be deemed a successor employer or related employer of the employees, and shall not be deemed to be a director, officer, employee, receiver, liquidator, receiver-manager, legal representative, etc. of the Companies.

- 16) The Monitor is comfortable with the enhanced powers and retention of the Proposed CRO as outlined above and in the ARIIO.

CASH FLOW PROJECTION

- 17) Management prepared the August 17 Cash Flow Forecast prior to the Initial Order Date and a copy of the August 17, 2022 Cash Flow Forecast is summarized below and attached hereto as **Appendix "B"**.

Medipure Cash Flow Forecast

For Period from August 20 to November 18, 2022	0 Balance Forward	1 26-Aug	2 02-Sep	3 09-Sep	4 16-Sep	5 23-Sep	6 30-Sep	7 07-Oct	8 14-Oct	9 21-Oct	10 28-Oct	11 04-Nov	12 11-Nov	13 18-Nov	Total
CDN\$'000 - Week ending															
Total receipts	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Total operating disbursements	349	133	152	220	63	103	134	100	79	118	127	104	189	175	2,045
Total other disbursements	443	151	143	144	68	69	68	69	68	69	53	79	53	69	1,546
Net cash flow	2,208	(284)	(295)	(364)	(131)	(172)	(202)	(169)	(147)	(187)	(180)	(183)	(242)	(244)	(590)
Opening cash balance	-	2,208	1,924	1,629	1,265	1,134	963	761	592	445	258	78	(105)	(347)	-
Net cash flow for the period	2,208	(284)	(295)	(364)	(131)	(172)	(202)	(169)	(147)	(187)	(180)	(183)	(242)	(244)	(590)
Closing cash balance	2,208	1,924	1,629	1,265	1,134	963	761	592	445	258	78	(105)	(347)	(590)	(590)

- 18) Due to the limited time available between receiving the August 17 Cash Flow Forecast and the Court hearing on August 19, 2022, the Monitor has only performed a high-level and cursory review of the August 17 Cash Flow Forecast. In addition, the August 17 Cash Flow Forecast was prepared by Management on the assumption that the NOI Proceedings would be extended past August 19, 2022 and, as a result, certain assumptions need to be updated for the conversion to the CCAA Proceedings and the additional professional fees associated with the enhanced powers of the Monitor.
- 19) The Monitor understands that the new proposed DIP lender, Wealth Management Experts Inc. ("**WMEI**"), has provided \$3.0 million in funds (at the date of this Monitor's First Report) that Boughton is holding in trust. If this \$3.0 million in potential DIP financing is included in the receipts in the August 17 Cash Flow Projection, it is estimated that these funds would cover the estimated \$792,000 in post-filing debt arrears owing to employees, creditors and professionals (the "**BIA Proceedings' Arrears**") along with the estimated disbursements for the 10 weeks from August 20, 2022 to October 28, 2022. If the Initial CCAA Stay was extended by the Court 45 days to October 6, 2022, the August 17 Cash Flow Forecast estimates that \$592,000 of the \$3.0 million in DIP funds would still be available. These amounts are before the additional professional fees associated with the CCAA Proceedings which will be significant but less than \$592,000.

CURRENT AND PROPOSED FINANCING

Current Financing

- 20) Medipure's operations have been financed by way of pre-NOI and post-NOI advances from HFS and pursuant to the First BIA DIP Charge and Second BIA DIP Charge (collectively, the "**BIA DIP Charges**"). The amounts advanced by HFS and a third party investor (the "**Investor**"), who the Monitor understands is not related to HFS or the Companies and who provided US \$50,000 directly to Boughton pursuant to an inter-lender agreement between the Investor and HFS, are outlined below. The Monitor takes no position on these additional payments as they relate to the BIA DIP Charges.

Date	HFS Advance Amount			DIP Approval Date	DIP Approved Amount	Provided after DIP Charge	Comments
	USD *	Fx Rate	CAD				
4/8/2022	\$ 150,000	1.256	\$ 188,400				
4/25/2022	100,000	1.270	127,000				
5/10/2022	40,000	1.297	51,888				
Total pre-filing	<u>290,000</u>		<u>367,288</u>				
5/16/2022	80,000	1.280	102,434				
6/6/2022	150,000	1.252	187,743				
6/13/2022	250,000	1.277	319,131				
6/21/2022	75,000	1.296	97,199	6/17/2022	200,000	97,199	
6/21/2022	24,000	1.296	31,104			31,104	
6/27/2022	42,000	1.284	53,949	6/24/2022	1,360,000	53,949	
6/27/2022	19,890	1.257	25,000			25,000	Funds from the Investor
7/4/2022	70,000	1.282	89,759			89,759	
7/6/2022	30,109	1.257	37,843			37,843	Funds from the Investor
Total post-filing	<u>740,999</u>		<u>944,161</u>		<u>1,560,000</u>	<u>334,853</u>	
Grand total	<u>\$ 1,030,999</u>		<u>\$ 1,311,449</u>		<u>\$ 1,560,000</u>	<u>\$ 334,853</u>	

- 21) Despite obtaining a total of \$1.56 million in BIA DIP Charges, HFS and the Investor have only provided approximately \$335,000 in funds to Medipure since the First BIA DIP Charge and this has created the BIA Proceedings' Arrears.
- 22) The Monitor understands that the Companies have now moved away from HFS as the DIP lender and have sourced alternate funding through WMEI, as discussed in the next section.

Proposed Financing

- 23) The Monitor understands that the Companies have reached out to the shareholders to try and source funds for DIP financing and WMEI has coordinated a fund raising campaign. As of the date of the Monitor's First Report, Boughton has indicated that it is holding \$3.0 million in trust from various Medipure shareholders and noteholders (the "**Participating Shareholders**").
- 24) The Monitor acknowledges that Mr. Craig Anderson of SHP, in his sixth affidavit (the "**Sixth Anderson Affidavit**"), has made various allegations against the Companies in regards to providing false or misleading information about the Companies and not identifying all of the risks associated with DIP financing and the insolvency proceedings when soliciting funds from the Participating Shareholders. The Monitor and Monitor's Counsel discussed this issue with Boughton and provided language to Boughton around a form of acknowledgement (the "**Shareholder Acknowledgement**") from the Participating Shareholders, including that the Participating Shareholders had reviewed the Sixth Anderson Affidavit. Boughton has responded that all of the Participating Shareholders have been invited to, and many have attended, the most recent Court applications in the BIA Proceedings held between August 9, 2022 and August 19, 2022 and are well aware of the BIA and CCAA Proceedings and the related risks around the Companies and the DIP financing. Boughton has also indicated that the Companies and WMEI have not had the opportunity to respond to the allegations included in the Sixth Anderson Affidavit. In addition, the Monitor understands that separate meetings have been held between the Companies, Boughton and the Participating Shareholders. The Monitor has also had a meeting with two of the Participating Shareholders, who have provided over \$2.0 million of the \$3.0 million raised from the Participating Shareholders, and they appear to be sophisticated investors who are familiar with the Companies and risks around DIP financing. The Monitor has not received any written Shareholder Acknowledgements as of the date of the Monitor's First Report.
- 25) MHI has entered into a DIP facility agreement with WMEI pursuant to the terms of a DIP facility commitment letter dated August 11, 2022 in the total amount of up to \$3.6

million (the "**CCAA Proposed DIP Facility**"). A copy of the CCAA Proposed DIP Facility is attached hereto as **Appendix "B"**.

- 26) In order to provide the required near-term liquidity needed to fund the operations of Medipure during the CCAA Proceedings, Medipure is seeking approval of the terms of the CCAA Proposed DIP Facility pursuant to which WMEI is prepared to provide funding through the CCAA Proceedings.
- 27) The material terms of the CCAA Proposed DIP Facility have been set out in the application and accompanying affidavit materials filed by Medipure and are not repeated in their entirety herein. However, the Monitor highlights the following for consideration by the Court:
 - a) CCAA post-filing operating disbursements will be funded by drawing on the CCAA Proposed DIP Facility;
 - b) A maximum amount of \$3.6 million is to be provided for working capital and the BIA Proceedings' Arrears and draws may be made in minimum installments of \$100,000 with three business day's notice and only in accordance with the most current cash flow forecast;
 - c) Interest is at a rate of 8% per annum, calculated monthly and in arrears on any amounts disbursed to MHI, and MHI will reimburse WMEI for all reasonable and customary legal, professional and other due diligence costs associated with the CCAA Proposed DIP Facility;
 - d) The DIP loan, including any outstanding principal, interest and fees, becomes fully due and payable upon a date which is the earlier of June 1, 2024 or such further defaults as may be customary in WMEI's form of loan agreement;
 - e) Debt covenants include, among other items, a rolling 13-week cash flow forecast, compliance with the most current cash flow forecast, regular variance and other reporting, and compliance with any Court orders made in the CCAA Proceedings;
 - f) Conditions include the following:
 - i) The Companies must seek and obtain from the Court approval of the CCAA Proposed DIP Facility and a charge on the Companies' assets and such charge will be subordinate to only the BIA Administration Charge, the CCAA Administration Charge (as defined later herein) and the BIA DIP Charges (the "**CCAA DIP Lender's Charge**"), should this charge be granted by this Honourable Court;
 - ii) The Companies obtain a further 45 day extension under the NOI Proceedings or convert to CCAA proceedings;
 - iii) The approval of WMEI, in writing and in its sole discretion, of each of the Companies' cash flow forecast;
 - iv) The appointment of three additional directors as selected by WMEI immediately after a CCAA DIP Lender's Charge is granted. While this is an unusual condition, the Monitor understands that this will be reviewed in light of the CCAA Proceedings and the ARIO; and
 - v) Payment of all fees and expenses related to the financing and compliance with all debt covenants.

- 28) The Proposal Trustee has been summarily involved in the discussions surrounding the terms of the CCAA Proposed DIP Facility and is of the view that the CCAA Proposed DIP Facility is necessary to ensure continuity of operations and financing during the CCAA Proceedings.
- 29) Alternatives to the terms of the CCAA Proposed DIP Facility were previously considered in the NOI Proceedings, but appear less feasible given the potential costs, time and risk of seeking out an alternate lender and the potential for disruption to the Business of Medipure should current cash management and banking processes require extensive transformation in order to conform to the requirements of a new lender. The Monitor understood that SHP may provide DIP funds, but no commitment letter has been received as of the date of the Monitor's First Report.
- 30) The Monitor has reviewed the CCAA Proposed DIP Facility and its terms and conditions and is of the opinion that the terms and conditions are reasonable and consistent with interim financing facilities approved in the BIA Proceedings other similar CCAA proceedings.
- 31) As outlined previously in the first report of the Proposal Trustee, the Monitor understands that counsel to the Companies has been in extensive discussions with the British Columbia Securities Commission ("**BCSC**") who has indicated that a partial revocation order is not required to allow DIP financing to proceed.
- 32) In deciding whether to make an order, subsection 11.2(4) of the CCAA directs the Court to consider, among other things:
 - a) the period during which the debtor is expected to be subject to proceedings under the CCAA;
 - b) how the debtor's business and financial affairs are to be managed during the proceedings;
 - c) whether the debtor's management has the confidence of its major creditors;
 - d) whether the loan would enhance the prospects of a viable Plan being made in respect of the debtor;
 - e) the nature and value of the debtor's property;
 - f) whether any creditor would be materially prejudiced as a result of the security or charge; and
 - g) the monitor's report referred to in paragraph 23(1)(b), if any.
- 33) The Monitor makes the following observations with respect to the factors outlined above:
 - a) The period during which the Companies will be subject to the CCAA Proceedings is somewhat uncertain, and will depend on the timing associated with reviewing and assessing the various options available to the Companies. One option is to obtain a partial or full revocation of the cease trade order issued by the BCSC as against MHI on November 4, 2015 (the "**CTO**") and raise additional funds for the continued development of Medipure's products and a Plan to its creditors. The other option may include a sale of the Companies' assets. The Monitor understands from the BCSC and BDO Dunwoody LLP, the forensic auditor, that the information required and steps to be taken to obtain a revocation of the CTO

can be lengthy and is currently unknown. The CCAA Proposed DIP Facility is estimated by Management to provide sufficient working capital to allow Medipure to continue operations for approximately two months to review and analyze options, raise more financing, and see what progress can be made in dealing with the CTO;

- b) The Companies will be operated and managed by the Proposed CRO, with oversight from the Monitor, during the CCAA Proceedings and the August 17 Cash Flow Forecast has been prepared with a view to preserving liquidity and minimizing overheads while alternative financing sources are sought;
- c) the CCAA Proposed DIP Facility and the corresponding CCAA DIP Lender's Charge enhance the prospect that the Companies may be able to successfully file a Plan in these CCAA Proceedings;
- d) The Monitor has had ongoing dialogue with Mr. Anderson, the principal secured creditor of the Companies, who has reiterated a number of concerns regarding the actions of certain current and former directors and shareholders of Medipure as well as his concerns about the DIP financing being obtained through HFS and the Participating Shareholders. The Proposed CRO should help to alleviate some of these concerns and Mr. Anderson has not yet confirmed whether he is supportive of providing separate CCAA DIP financing on similar terms to WMEI;
- e) Medipure's primary asset consists of its intellectual property associated with its suite of early stage development drugs, which are very difficult to value as outlined in the BIA Proceedings' Reports. The Companies need to be properly capitalized in order to ensure the retention of key staff and to try and preserve the value of the Companies' intellectual property;
- f) The Monitor considered the terms of the CCAA Proposed DIP Facility and the costs of it to Medipure. The CCAA Proposed DIP Facility contemplates an interest rate of 8% per annum along with reimbursement to WMEI for all reasonable and customary legal, professional and other due diligence costs associated with the CCAA Proposed DIP Facility. Given the potential and preliminary realizable value of Medipure's assets is currently uncertain owing to the unique nature of the collateral, and in considering interim financings that have been approved in recent proceedings, the Monitor considers the costs of the CCAA Proposed DIP Facility to be reasonable and it is unlikely that an alternative financing could be arranged with a third party at this cost. In the Monitor's view, the commercial terms of the CCAA Proposed DIP Facility are reasonable and the 8% rate of interest is consistent with the costs of DIP financing facilities approved by Canadian courts in formal insolvency proceedings as reflected in a DIP loan summary schedule prepared by the Insolvency Insider Database as of June 14, 2021, a copy of which was attached as Appendix "G" of the Proposal Trustee's first report dated June 8, 2022;
- g) The Monitor believes that the CCAA Proposed DIP Facility is in the best interests of all of the Companies' stakeholders, including subordinate secured creditors, as the CCAA Proposed DIP Facility is integral to fund the costs of Medipure while the Monitor and CRO review and assess the various options available to the Companies; and
- h) Absent the CCAA Proposed DIP Facility being approved, the Companies would have no ability to continue their operations and would likely be subject to a

liquidation sale of its assets, potentially resulting in substantially lower values for creditors.

- 34) Based on the above, the Monitor supports the Companies in seeking approval of the CCAA Proposed DIP Facility and the granting of a priority CCAA DIP Lender's Charge.

PROPOSED COURT-ORDERED CHARGES

- 35) The Monitor understands that the Companies are seeking three Court-ordered charges in the CCAA Proceedings, as summarized below.

CCAA Administration Charge

- 36) The ARIO provides for a charge on the assets, property and undertakings of the Companies in an amount of \$300,000 in respect of the fees and expenses of the Monitor, legal counsel to the Monitor, legal counsel to the Companies (the "**CCAA Administration Charge**"), and any other professionals whose services may be retained by the Monitor in the CCAA Proceedings. The CCAA Administration Charge is to be granted in priority to all other Court ordered charges, other than the BIA Administration Charge that ranks pari passu, and the potential secured claims of any Personal Property Security Act registrants, and provides security to these professionals in the event that the CCAA Proceedings are terminated and such professionals have not been paid in full at the date of termination.
- 37) The Monitor has considered the factors set out in subsection 11.52(1) of the CCAA with respect to the granting of an administration charge. It is the view of the Monitor that the quantum of the proposed CCAA Administration Charge is reasonable and appropriate in the circumstances, having regard to the scale and complexity of Medipure and the CCAA Proceedings, and the size of the charges approved in similar proceedings.
- 38) An administration charge is a common feature in restructuring proceedings. Given the value that may result from an orderly restructuring process and the lack of liquidity in the Companies, the Monitor is of the view that the CCAA Administrative Charge is appropriate to ensure the continued support of the professionals in this process.

CCAA CRO Charge

- 39) The ARIO provides for a charge on the assets, property and undertakings of the Companies in an amount not to exceed \$50,000 in favour of the Proposed CRO (the "**CCAA CRO Charge**"). The CCAA CRO Charge sought by the Companies is a fourth-priority charge to rank in priority to all charges other than the BIA Administration Charge, CCAA Administration Charge, BIA DIP Charges, and CCAA DIP Lender's Charge.
- 40) The Monitor has reviewed the estimate of the potential liability in respect of the CRO and is of the view that the size of the CCAA CRO Charge is reasonable in the circumstances.

CCAA DIP Lender's Charge

- 41) The Monitor understands that the Companies will be seeking a \$3.0 million CCAA DIP Lender's Charge as part of the ARIO. This amount is based on the funds from the Participating Shareholders that are currently held in trust by Boughton. As set out in the August 17 Cash Flow Forecast, the \$3.0 million is expected to cover the BIA

Administration Arrears and the post-CCAA costs up until the week ending October 28, 2022, before the consideration of any additional professional fees required, including the Proposed CRO, to deal with the enhanced powers of the Monitor as outlined in the ARIO.

- 42) The CCAA DIP Lender's Charge would rank only subordinate to the BIA Administration Charge, CCAA Administration Charge, and BIA DIP Charges.
- 43) The Monitor is of the view that the CCAA DIP Lender's Charge represents a necessary and timely financing solution which affords the Companies the opportunity to assess potential restructuring options and it is not unreasonable to expect that obtaining a CCAA DIP Lender's Charge would be a condition of the CCAA Proposed DIP Facility. In the circumstances, the proposed priority of the CCAA DIP Lender's Charge is necessary as no commercially reasonable lender can be expected to provide the financing required by the Companies in the necessary urgent timelines, subordinate to the Companies' existing obligations.

STAY EXTENSION

- 44) The Monitor is not aware of the length of time that the Companies are seeking for an extension of the Initial CCAA Stay, but is of the view that 45 days would be appropriate in the circumstances. A 45 day extension of the Initial CCAA Stay would equate to October 6, 2022.
- 45) The Monitor supports an extension of the Initial CCAA Stay for the following reasons:
 - a) The concern around the Companies acting in good faith and with due diligence should be addressed with the funds currently available from the CCAA Proposed DIP Facility, along the enhanced powers of the Monitor, which includes the appointment of the Proposed CRO;
 - b) The length of the extension of the Initial CCAA Stay is supported by the need for certainty around the time and expense required to obtain a partial or full revocation of the CTO, source additional DIP financing, and/or review restructuring options; and
 - c) Subject to the assumptions included in the August 17 Cash Flow Forecast, the Companies appear to have sufficient cash to maintain their operations and fund professional fees through to October 6, 2022.

CONCLUSION AND RECOMMENDATION

- 46) Based on the foregoing, the Monitor recommends that the Court:
 - a) Approve the ARIO with any acceptable changes that may be proposed by the Companies' Counsel or SHP's Counsel;
 - b) Approve the CCAA Administration Charge;
 - c) Approve the CCAA DIP Lender's Charge;
 - d) Approve the CCAA CRO Charge; and
 - e) Extend the Initial CCAA Stay to October 6, 2022.

All of which is respectfully submitted to this Honourable Court this 22nd day of August, 2022.

DELOITTE RESTRUCTURING INC.

In its capacity as CCAA Monitor of
Medipure Holdings Inc. and Medipure Pharmaceuticals Inc.
and not in its personal or corporate capacity.



Per: Jeff Keeble, CPA, CA, CIRP, LIT, CBV
Senior Vice-President

Appendix A

Helmsman Management Ltd. overview and key personnel profiles and hourly rates

Helmsman Management, is a boutique consulting firm that provides fractional executive, finance, IT & back office support services to complex companies undergoing rapid transitions. Our team works with a portfolio of companies on an ongoing basis providing a full spectrum of finance department services, from C-Suite executive management, to day-to-day operations. We work with start-up, established, and distressed organizations, providing expert management to support companies through challenging situations where a depth of experience is required.

Our core team, provides a full spectrum of management responsibilities includes:

- Restructuring coordination
- Financial and strategic planning
- Financial reporting
- Budgeting and cash flow management
- M&A support
- IPO readiness
- Asset management
- Investor relations
- Internal control assessment and development
- System implementations
- Business infrastructure services

The team is complemented with a network of consultants with focused expertise on an as-needed basis.



Key Personnel:

John Parkinson, CPA, CA, B.Comm, B.A.

President

Proven senior executive with a depth of experience in the management of complex, dynamic organizations. John is a Chartered Accountant by trade with extensive C level experience in leadership of companies in a number of industry sectors. Through Helmsman Management Ltd., John manages an array of independent entities on behalf of investors focused on retail real estate sectors as well as providing executive services to entities in the pharmaceutical, natural fibre, construction, and remediation technology sectors. John's previous role was as the court appointed Chief Executive Officer of a diverse investment fund under CCAA. John's initial task was to complete a strategic analysis on \$375 million portfolio, and to forge a path to maximize the recovery to a large and diverse stakeholder group through collaboration and negotiation.

Prior to this, John provided Chief Financial Officer services to a number of high growth entities, including two publicly traded companies. John obtained his Chartered Accountant designation with KPMG, for whom he worked for 10 years providing advisory and reporting services to fast growth technology based clients in British Columbia and London England.

Stephen Albinati, CPA, CA

Director

Stephen is a dynamic finance professional, who has acted as Finance Director for high-growth companies in the technology, biotech, construction, and real estate industries. He has executed complex, high-value projects including corporate restructuring, critical cash management, debt refinancing, ERP implementations, and managed teams in rapidly scaling organizations. A strategic thinker, Stephen looks for innovative ways to rethink processes and leverage technology to drive efficiencies.

Stephen is a Chartered Professional Accountant and holds a Masters of Professional Accounting from the University of Saskatchewan and a Bachelor of Commerce from the University of Victoria.

Natalia Rice, CPA, CGA, PCP

Manager – Accounting, Payroll

Natalia's focus is on full cycle accounting, financial statement preparation and general ledger maintenance. She holds a bachelor's degree in law and has trained as a payroll compliance practitioner.



Marco Rossato, BA

Manager – Accounting, Financial Reporting

Marco has 20 years of experience in public practice accounting with a focus on personal and corporate tax returns, NTR's, review engagements and working closely with clients to help resolve any financial issues and maintain financial records. Marco brings his breadth of experience in public practice accounting to add to Helmsman's strong financial team in helping companies grow and expand in a changing fast pace business economy. Marco has a Bachelor of Arts degree in Economics from the University of Victoria and volunteers his time coaching his sons' soccer teams.

Braden Dougherty

Manager - IT

Braden's skills as an IT Manager are highly valued & diverse. Braden provides a unique blend of coordination, quality assurance, support, and training services. His experience ranges from management of IT services to clients with locations across the globe, network migration & expansion, MS Teams and other platform implementation, security protection, privacy audits.

John Wallace, BA

Manager – Investor Communications, Support

John Wallace's main focus is investor communications. John brings strong communication skills and a depth of investor relations experience to the Helmsman team. John draws on his strong team building skills honed as a member of the successful 1992 Olympic gold medal Men's 8+ rowing team.



Helmsman Management Rate Sheet

Individual	Hourly Rate (CAD\$)
Principal (Parkinson)	\$385
Director (Albinati)	\$245
Manager (Rossato, Wallace, Rice)	\$160
IT Manager (Dougherty)	\$160
Admin	\$100

Appendix B

August 17, 2022 Cash Flow Forecast for the Period of August 20, 2022 to November 18, 2022

Medipure Cash Flow Forecast

For Period from August 20 to November 18, 2022	0	1	2	3	4	5	6	7	8	9	10	11	12	13	
CDN\$'000 - Week ending	Balance Forward	26-Aug	02-Sep	09-Sep	16-Sep	23-Sep	30-Sep	07-Oct	14-Oct	21-Oct	28-Oct	04-Nov	11-Nov	18-Nov	Total
Receipts															
DIP financing	3,000														3,000
Other misc. receipts															-
Total receipts	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Operating disbursements															
Office and laboratory lease/rent costs	11	-	-	-	18	-	-	-	-	21	-	-	-	22	72
Payroll, source deductions, benefits and WCB	150	74	-	74	6	74	-	74	-	80	-	74	-	80	686
R&D: project study and trials costs	126	8	136	130	8	18	126	8	76	8	121	11	181	60	1,017
Critical vendors	25	3	3	4	4	5	4	5	3	4	5	4	4	2	75
Insurance / equipment rental / storage costs	3	-	1	1	2	-	1	-	-	2	-	1	1	2	15
Other administrative and laboratory costs	17	35	-	-	12	-	-	3	-	-	-	4	-	8	79
Funding of subsidiaries	17	13	12	12	13	6	3	10	-	2	1	10	3	1	101
Total operating disbursements	349	133	152	220	63	103	134	100	79	118	127	104	189	175	2,045
Other disbursements															
Professional fees	443	151	143	144	68	69	68	69	68	69	53	79	53	69	1,546
DIP financing interest and fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FX changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other disbursements	443	151	143	144	68	69	68	69	68	69	53	79	53	69	1,546
Net cash flow	2,208	(284)	(295)	(364)	(131)	(172)	(202)	(169)	(147)	(187)	(180)	(183)	(242)	(244)	(590)
Opening cash balance	-	2,208	1,924	1,629	1,265	1,134	963	761	592	445	258	78	(105)	(347)	-
Net cash flow for the period	2,208	(284)	(295)	(364)	(131)	(172)	(202)	(169)	(147)	(187)	(180)	(183)	(242)	(244)	(590)
Closing cash balance	2,208	1,924	1,629	1,265	1,134	963	761	592	445	258	78	(105)	(347)	(590)	(590)

Appendix C

**Debtor-in-possession facility commitment letter dated August 11, 2022 between
Medipure Holdings Inc. and Wealth Management Experts Inc.**

Debtor-in-Possession Facility Commitment Letter

August 11, 2022 ¹²

Medipure Holdings Inc.
302 – 267 West Esplanade Avenue
North Vancouver, BC V7M 1A5

Attention: Nihar Pandey

Re: Debtor-in-Possession (DIP) Facility Commitment Letter

The Lender is pleased to confirm that it will make available to the Borrower the credit facilities described below on, and subject to, the terms and conditions described in this letter and the attached Schedule A (together, this “**Commitment Letter**”).

- 1. **Borrower:** Medipure Holdings Inc., a corporation incorporated under the laws of the Province of British Columbia (the “**Borrower**”) with a mailing address at 302 – 267 West Esplanade, North Vancouver, BC V7M 1A5.
- 2. **Lender:** Wealth Management Experts Inc., a corporation incorporated under the laws of the State of Texas (the “**Lender**”) with a mailing address at 3308 Preston Rd #350-154, Plano TX 75093.
- 3. **Principal Amount:** \$3,600,000.00 CDN, [excluding fees.]
- 4. **Drawdown:** Drawdowns may be made in minimum instalments of \$100,000.00 with three business days’ notice and only in accordance with the most current Cash Flow Forecast (as defined below).
- 5. **Instrument:** Debtor in possession loan (the “**Interim Loan**”), in the form of a non-revolving facility, subject to a satisfactory order (the “**Interim Loan Approval Order**”) of the Supreme Court of British Columbia made in *Bankruptcy and Insolvency Act* proposal proceedings to be initiated by the Borrower (the “**BIA Proceedings**”) approving the Interim Loan and granting the Lender a first-place super priority charge over the assets of the Borrowers (the “**Interim Lender’s Charge**”) in form and substance acceptable to the Lender in its sole discretion.
- 6. **Use of Proceeds:** Working capital and payment of previous Debtor in Possessions loan arrears due by HFS
- 7. **Closing Date:** As required by the Borrower, subject to fulfilment of the conditions precedent set forth in this Commitment Letter.
- 8. **Maturity:** The Interim Loan, including any outstanding principal, interest and fees becomes fully due and payable upon a date (the “**Maturity Date**”) which is the earlier of:

(Handwritten mark)

- a) June 1, 2024; or
- b) such further defaults as may be customary in the Lender's form of loan agreement.

9. Accelerated Maturity: The Interim Loan shall be suspended, and the Maturity Date may be accelerated (at the option of the Lender) upon the occurrence of a Default.

10. Defaults: Any of the following will constitute defaults (collectively, the "Defaults"):

- a) if the Interim Loan Approval Order has been vacated, stayed or otherwise caused to be ineffective or is otherwise amended in a manner not approved by the Lender (which approval may be withheld in the sole discretion of the Lender);
- b) the issuance of an order terminating the BIA Proceedings or lifting the stay in the BIA Proceedings to permit the enforcement of any security against the Borrower or the assets of the Borrower, or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against a Borrower or the assets of the Borrower;
- c) there is a negative variance of [15%] or more from any Cash Flow Forecast, unless such variance is approved in advance by the Lender in writing;
- d) any steps are taken by the Borrower or any other person to challenge the Interim Loan Approval Order or the validity, enforceability or priority of the Interim Lender's Charge; or
- e) failure of the Borrower to comply in any way with: (i) any Cash Flow Forecast; (ii) the requirements and procedures set out herein for the drawdown of the Interim Loan; or (iii) failure of the Borrower to perform or comply with any other term or covenant under this Commitment Letter..

11. Waiver: The Defaults may be waived by the Lender in its sole discretion.

12. Repayment: The full amount of all outstanding principal and interest will be repaid on the Maturity Date.

13. Interest: The Interim Loan shall bear interest at the rate of 8% per annum calculated monthly and in arrears on any amounts disbursed to the Borrower.

14. Expense: The Borrower will reimburse the Lender for all reasonable and

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customary legal, professional and other due diligence costs associated with the Interim Loan and the BIA Proceedings.

15. Additional Agreements and Security:

If required by the Lender, the Borrower will execute the following additional agreements and obtain the following security:

- a) a loan agreement;
- b) the Interim Lender's Charge whereby all other charges other than an administration charge in the amount of [\$200,000] securing the Borrower's obligations to its legal counsel, the proposal trustee and the proposal trustee's legal counsel, shall be subordinated to the Interim Lender's Charge; and
- c) such other security instruments as the Lender may reasonably require.

16. Debt Covenants:

The debt covenants associated with the Interim Loan shall include, but are not limited to, the following (collectively, the "**Debt Covenants**"):

- a) prepare and deliver to the Lender by noon on Tuesday bi-weekly following the Closing Date a rolling 13-week cashflow forecast (each a "**Cash Flow Forecast**");
- b) operate in compliance with the most current Cash Flow Forecast;
- c) prepare and deliver to the Lender by noon on Tuesday bi-weekly following the Closing Date a cashflow variance report showing the variance from the most current Cash Flow Forecast;
- d) report to the Lender as set out in **Schedule "A"** hereto (the "**Reporting**");
- e) comply with the provisions of any orders of the court made in the BIA Proceedings;
- f) conduct all activities in accordance with the Borrower's Cash Flow Forecast;
- g) keep the Lender informed of the Borrower's activities and consult the Lender with respect to any matters that could reasonably be expected to affect the Lender; and
- h) no further encumbrances of the assets of the Borrower.

17. Conditions:

In addition to the matters described elsewhere in this Commitment Letter, the completion of the transaction and each drawdown of the Interim Loan will be subject to the following conditions:

(17)

- a) the granting by the court in the BIA Proceedings or CCAA proceedings if converted of the Interim Loan Approval Order, including approval of this Commitment Letter and granting the Interim Lender's Charge;
- b) the Company obtain a further 45 day extension of the time to file a proposal, or a conversion to a CCAA proceeding;
- c) the approval by the Lender, in writing and in its sole discretion, of each Cash Flow Forecast;
- d) the appointment of three additional directors selected by the Lender immediately after the Interim Lender's Charge is granted;
- e) payment of all fees and expenses related to the financing; and
- f) compliance with the Debt Covenants.

- 18. **Representation and Warranties:** As normal for a transaction of this nature (which shall be, in each case, subject to materiality qualifiers, exceptions, thresholds and limitations to be mutually agreed upon).
- 19. **Confidentiality:** Except as otherwise provided herein, unless and until such time as approval of this Commitment Letter is sought in the BIA Proceedings, the Borrower, its shareholders, employees and other representatives will not disclose the existence or contents of this Commitment Letter except to their advisors and representatives who need to know the existence and contents hereof in order to facilitate the completion of the Interim Loan by the Lender.
- 20. **No Broker:** The Borrower represents and warrants that no commissions or other payments shall be due to any broker, consultant or any other third party in connection with this Interim Loan.
- 21. **Further Assurances:** The Borrower will, at its expense, do, execute, acknowledge and deliver or will cause to be done, executed, acknowledged and delivered all and every such further and other acts, agreements, instruments, registrations, filings and assurances as the Lender may require for the purpose of giving effect to this Commitment Letter.
- 22. **Governing Law:** This Commitment Letter and all related agreements shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.



Yours truly,

WEALTH MANAGEMENT EXPERTS INC

by its authorized signatory:

DocuSigned by:



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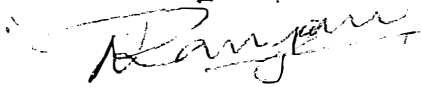
Name: Dan Stammen

Title:

The undersigned hereby acknowledges, accepts and agrees to the terms and conditions of this Commitment Letter (including Schedule A attached hereto) this 11 day of August, 2022.

MEDIPURE HOLDINGS INC.

by its authorized signatory:



Name: **NIHAR PANDEY**

Title: **CEO/CSO & Director**



SCHEDULE "A"

REPORTING REQUIREMENTS

The Borrower will provide the following reporting to the Lender once per calendar month and only on written request of the Lender::

- a) internal financial statements as at the close of business of the previous Friday;
- b) copies of all bank statements showing the prior week's transactions;
- c) accounts payable listings;
- d) a written update from management commenting on the status of the Borrower's ongoing operations.

(12)