



Court File No. S-226773
Vancouver Registry

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 SUPPLEMENT TO THE FIRST REPORT TO COURT

DELOITTE RESTRUCTURING INC.

SEPTEMBER 1, 2022

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between Medipure Holdings Inc. and SHP Capital, LLC

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**") and the Monitor, counsel to the Monitor, counsel to the Companies, and counsel to SHP Capital LLC ("**SHP**") (with respect to the fees and disbursements incurred in the hearing of the Initial Order) were granted a \$300,000 charge on the Companies' assets (the "**CCAA Administration Charge**"). 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) The first report of the Monitor dated August 22, 2022 (the "**Monitor's First Report**") was prepared for the Companies' application on August 22, 2022 (the "**Comeback Hearing**") to, among other things, extend the Initial CCAA Stay and provided information to this Court on the Companies in respect of the Monitor's view on the enhanced powers to be included in the Amended and Restated Initial Order (the "**ARIO**"), commented 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**"), commented on the additional DIP financing required pursuant to the August 17 Cash Flow Forecast, commented on the extension of the Initial CCAA Stay, commented on the CCAA Administration Charge, the proposed chief restructuring officer ("**CRO**") charge of \$50,000 (the "**CRO Charge**"), and the proposed debtor-in-possession ("**DIP**") lender's charge of \$3.6 million (the "**CCAA DIP Charge**").
- 4) As a result of the Comeback Hearing and pursuant to a Court Order dated August 22, 2022, the Court approved the ARIO, which included the appointment of Helmsman Management Ltd. as CRO of the Companies (the "**CRO**"), extended the Initial CCAA Stay to August 24, 2022 (the "**First CCAA Stay Extension**"), and granted the CRO Charge. The CCAA DIP Charge was not granted as the Court application for interim financing was moved to August 24, 2022 (the "**August 24 Application**").
- 5) Despite the August 24 Application and a subsequent application on August 30, 2022, the Companies have been unable to secure interim funding for the CCAA Proceedings and the Court granted a short extension of the CCAA stay to September 1, 2022 to see if suitable funding could be sourced by the Companies.
- 6) As the Companies have insufficient funds to continue the CCAA Proceedings and significant arrears are owing to the employees and professionals, the Monitor and CRO believe it is in the best interests of stakeholders that there be an orderly liquidation of the Companies' property. On this basis, the Monitor is bringing an application to the Court on September 1, 2022 (the "**September 1 Application**") to amend the ARIO (the "**Second ARIO**") to give additional powers to the CRO, to among things, sell the Companies' property, to grant an additional charge to the maximum of \$200,000 as security for fees and disbursements of the Monitor, counsel to the Monitor and the CRO

(the "**Liquidation Charge**"), to determine that any employees terminated after the date of the Second ARIO are former employees for the purposes of the *Wage Earners Protection Program Act* ("**WEPPA**"), and to extend the CCAA stay to October 17, 2022.

- 7) The Monitor understands that the Companies will also be bringing an application to Court at the September 1 Application to obtain the approval of the DIP facility commitment letter dated August 31, 2022 between Medipure Holdings Inc. and SHP (the "**SHP Proposed DIP Facility**").
- 8) This is the Monitor's supplement to the Monitor's First Report under the CCAA Proceedings (the "**Supplement to the Monitor's First Report**") which has been prepared for the September 1 Application.

PURPOSE

- 9) The purpose of the Supplement to the Monitor's First Report is to provide information to this Honourable Court for the September 1 Application in respect of:
 - a) The proposed amendments to the Second ARIO to deal with a liquidation of the Companies' assets;
 - b) The SHP Proposed DIP Facility which was received subsequent to the Monitor's First Report; and
 - c) The proposed extension of the CCAA stay from September 1, 2022 to October 17, 2022.

TERMS OF REFERENCE

- 10) In preparing the Supplement to 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 this report.
- 11) Certain of the information referred to in this 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.
- 12) All monetary amounts contained in this report are expressed in Canadian dollars, unless otherwise indicated.
- 13) Terms not defined in the Supplement to the Monitor's First Report are defined in the Monitor's First Report, Initial Order, or the ARIO.
- 14) The Monitor's reports 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**").

PROPOSED AMENDMENTS TO THE SECOND ARIO

- 15) The more significant proposed amendments to, and the Monitor's comments on, the Second ARIO are as follows:

- a) The CRO has additional powers, including the ability to sell, convey, transfer, lease or assign the Petitioners' property or any part or parts thereof out of the ordinary course of business:
 - i) without the approval of this Court in respect of a single transaction for consideration up to \$100,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
 - ii) with the approval of this Court in respect of any transaction in which the individual or aggregate purchase price exceeds the limits set out in subparagraph (i) above.
 - b) The granting of the Liquidation Charge.
 - c) As part of the liquidation process, all of the Companies' employees will be terminated except for those retained to wind down the business operations. As these employees will have their employment terminated as part of the CCAA Proceedings, the Monitor seeks a declaration from the Court that these former employees are eligible to receive payments under WEPPA.
- 16) The Monitor's position is that the Companies have insufficient funds to continue the restructuring proceedings and accordingly the Monitor and the CRO are of the opinion that there should be an orderly liquidation of the Companies' assets for the benefit of all stakeholders. The additional powers to the CRO, with the consent of the Monitor, as set out in the Second ARIO are required for the CRO to market and sell the assets, with approval of the Court required for transactions over \$100,000 or an aggregate of \$500,000.
- 17) The Liquidation Charge is also required to ensure the continued participation of the professionals required for the liquidation process, being the Monitor, the Monitor's counsel and the CRO. The Monitor and the CRO are of the opinion that the Liquidation Charge amount of \$200,000 is appropriate.

PROPOSED FINANCING

WMEI Proposed DIP Facility

- 18) As outlined in the Monitor's First Report, Wealth Management Experts Inc. ("**WMEI**") coordinated a fund raising campaign and received funds, that were being held in Boughton's trust account, from certain Medipure shareholders and noteholders (the "**Participating Shareholders**"). MHI had 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 "**WMEI Proposed DIP Facility**").
- 19) The Monitor reviewed and commented in the Monitor's First Report on the commercial terms and the common factors for the Court to consider with respect to the WMEI Proposed DIP Facility and, based on this review, indicated it was supportive of the facility. The Monitor also indicated that it had discussed with Boughton and provided language to Boughton around a form of acknowledgement from the Participating Shareholders that they were aware of the risks associated with DIP financing, the Companies, and the insolvency proceedings, and were aware of the affidavits filed by Craig Anderson in the BIA Proceedings (the "**Shareholder Acknowledgements**"). As of August 24, 2022, the Monitor was provided with six signed Shareholder Acknowledgements that accounted for a total of approximately \$2.4 million (87%) of the \$2.8 million held in Boughton's trust account at that time.

- 20) The Monitor understands that one of the Participating Shareholders, who provided approximately \$2.0 million and signed an acknowledgement, decided to retract his funds from the WMEI Proposed DIP Facility on August 24, 2022. No other proposed DIP facility was in front of the Court at the August 24 Application.

SHP Proposed DIP Facility

- 21) The Monitor was provided with the SHP Proposed DIP Facility during the evening of August 31, 2022, a copy of which is attached hereto as **Appendix "A"**. The Monitor has received a signed copy of the SHP Proposed DIP Facility from the Companies and understands that counsel for SHP is holding a signed SHP copy in escrow pending agreement that the Companies and Monitor are in support.
- 22) The structure and more significant terms of the SHP Proposed DIP Facility are as follows:
- a) The total principal amount is up to US \$4.6 million (excluding fees).
 - b) SHP shall contribute cash up to the amount of US \$2.75 million (the "**SHP Loan Balance**"), being the approximate outstanding secured debt owing to the SHP on its loan advanced to MHI in 2021 that is secured by a term grid promissory note and a general security agreement (the "**SHP Security**"), to be utilized solely to repay in full the SHP Loan Balance in full and final satisfaction of the SHP Loan (the "**SHP Loan Repayment Commitment**"). The SHP Loan Repayment Commitment shall bear interest at 15.0% per annum which equates to the current default interest rate being charged on the SHP Loan Balance.
 - c) Simultaneously with the SHP Loan Repayment Commitment being fulfilled, SHP shall contribute cash to satisfy any additional draws for working capital up to US \$1.85 million (the "**SHP Working Capital Commitment**") based on specific items listed on Schedule "B" to the SHP Proposed DIP Facility (the "**Specific Items**") along with a contingency of approximately US \$440,000 (the "**Contingency Amount**"). These funds are required to wind-down the operations and secure and sell the Companies' assets through a sales process.
 - d) The SHP Working Capital Commitment shall bear interest at 8.0% per annum and, if approved, SHP will fund US \$1.4 million of the SHP Working Capital Commitment (the "**First Advance**") on September 2, 2022 and hold back the Contingency Amount. A 1.75% origination fee (the "**Origination Fee**") will apply on the First Advance and any other funds advanced under the facility.
 - e) The facility is a DIP loan (the "**Interim Loan**") in the form of a non-revolving facility which becomes fully due and payable on the earlier of September 30, 2022 or on default.
 - f) SHP will have the right to make a stalking horse bid ("**SHB**") for the Companies' property to the Monitor for approval by the Court as soon as reasonably practicable.
 - g) 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.
 - h) Conditions include the following:
 - i) The Interim Loan is subject to the issuance of an order by the Court in the CCAA Proceedings approving the Interim Loan and granting the Participants

a ratable first-place super priority charge over the assets of the Borrower (the "**Interim Lender's Charge**"). The Interim Lender's Charge ranks only behind the \$500,000 in Administration Charges granted in the BIA and CCAA Proceedings and the \$50,000 CRO Charge in the CCAA Proceedings and shall rank in priority to all deemed trust claims arising under any applicable statutes.

- ii) The Interim Lender's Charge shall rank in priority to the BIA DIP charges granted to HFS Management Inc. and any CCAA DIP loan.
 - iii) SHP shall have the right, but not the obligation, to advance any additional DIP funds to the Companies and, if SHP chooses not to advance such additional funds, any additional funds provided by other parties will rank on a pari passu basis with the Interim Lender's Charge.
 - iv) The appointment of three additional directors selected by SHP immediately after the Interim Lender's Charge is granted.
 - v) The payment of all fees and expenses related to the financing and compliance with the debt covenants.
 - vi) Full access to management and Companies non-confidential information without prior approval of the Monitor.
- 23) The larger Specific Items, excluding the Contingency, that comprise the SHP Working Capital Commitment, and any related comments from the Monitor, are as follows:
- a) \$400,000 is being made available for the completion of MP-20X animal trials. These costs are required to ensure the trials continue without delay.
 - b) \$375,000 is for the repayment to SHP of the retainer provided to Deloitte for pre and post-CCAA fees and costs of the Monitor, counsel to the Monitor and the CRO (the "**CCAA Retainer**").
 - c) \$350,000 for the payment to Boughton of their outstanding legal fees related to the BIA Proceedings and CCAA Proceedings, subject to review by SHP and the Monitor.
 - d) Approximately \$199,000 is to cover eight weeks of payroll owing from July 9 to September 2, 2022, net of approximately \$90,000 in offsets for payments to be recovered through potential WEPPA claims for eligible employees (the "**WEPPA Offset**"). The impact of the WEPPA Offset is that eligible employees will only receive a portion of the amounts they are owed upon the funding of the SHP Working Capital Commitment and they will have to potentially wait 8 to 10 weeks to recover their remaining wages through WEPPA.
 - e) Approximately \$84,000 is for two months of rent for the North Vancouver office and Burnaby lab location along with a four-month security deposit due for a new lease for the Burnaby lab location.
 - f) \$76,000 in expenses related to the subsidiary and property in Croatia in order to be able to secure and realize on the property.
 - g) \$45,000 in payroll for four weeks for certain employees to be retained to assist the Monitor and CRO with the wind down of the operations and completion of a potential compressed sales process.

- 24) The Monitor has the following comments on the structure and more significant terms of the SHP Proposed DIP Facility:
- a) The repayment of pre-filing secured debt through DIP financing is unusual, but the Companies agree with the SHP Loan Repayment Commitment and the Monitor understands that the SHP Loan Balance is accruing default interest at 15.0% in any event so there is no interest cost impact with all else being equal.
 - b) The SHP Loan Balance would be secured by the Interim Lender's Charge which, if approved by Court, would rank ahead of any deemed trust claims arising under any statute as well any prior DIP charges granted in the BIA Proceedings. Medipure has an estimated liability of approximately \$2.0 million owing to CRA for payroll source deductions which is subject to audit.
 - c) The proposed interest rate of 8.0% for the SHP Working Capital Commitment is the same as proposed in the WMEI Proposed DIP Facility and the Origination Fee is reasonable. The Monitor also notes that 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 SHP Proposed DIP Facility to be reasonable and the Companies have been unable to locate other parties that are willing and able to provide DIP financing, despite the various extensions granted by the Court.
 - d) While the Specific Items appear to be reasonable and will assist in an orderly liquidation of the Companies' assets and result in the employee's wage arrears being addressed in full, the Monitor does have concerns around the impacts of the WEPPA Offset and the timing of when employees will actually receive the WEPPA portion of their outstanding wages. The WEPPA Offset will also not allow employees to realize on any portion of their outstanding vacation pay or severance pay entitlements that may form part of a WEPPA claim.
 - e) The appointment of three additional directors as selected by SHP immediately after an Interim Lender's Charge is on the same terms as the WMEI Proposed DIP Facility and the Monitor understands that this will be reviewed in light of the CCAA Proceedings and the ARIO.
- 25) The Monitor is of the view that the SHP Proposed DIP Facility is necessary to ensure an orderly liquidation of the Companies' assets during the CCAA Proceedings absent any other financing being available.
- 26) The Monitor outlined in the Monitor's First Report the factors for the Court to consider in deciding to make an order for interim financing pursuant subsection 11.2(4) of the CCAA. The Monitor, subject to the issues outlined above, has the same comments in regards to these factors for the SHP Proposed DIP Facility as with the WMEI Proposed DIP Facility.
- 27) The Monitor understands that the Companies are in favour of the SHP Proposed DIP Facility and that the funds, net of the Contingency, would be provided by SHP on September 2, 2022 if the Interim Lender's Charge was granted.
- 28) The Monitor had a discussion with staff at the British Columbia Securities Commission ("**BCSC**") on August 23, 2022 in response to clarifying the Monitor's First Report. The BCSC indicated at that time that it did not have enough information on the WMEI Proposed DIP Facility to provide a position on whether the DIP financing is a "security" under the *Securities Act* and if the DIP financing requires relief from the terms of the

cease trade order issued by the BCSC as against MHI on November 4, 2015 (the "CTO"). The BCSC previously provided its position that the DIP financing obtained in the BIA Proceedings did not meet the definition of a "security" and did not require relief from the CTO. The Monitor understands that the BCSC is not saying that its position would be different in the current circumstances, but these are new circumstances, and it has not been provided full details, or the opportunity to take a different position. The BCSC has been made aware of the September 1 Application.

- 29) Based on the above, and under the assumption that the DIP financing is not affected by the CTO, the Monitor supports the Companies in seeking approval of the SHP Proposed DIP Facility.

STAY EXTENSION

- 30) As of the time of the finalization of this report, the Monitor understands that the Companies are seeking the approval of the SHP Proposed DIP Facility at the September 1 Application. If the application is brought before the Court, but an Interim Lender's Charge is not granted or a decision is delayed, none of the SHP Proposed DIP Facility will be available to fund any costs and the Companies have no other financing options. If this is the case, the Monitor would seek the Court's approval of the Second ARIO and related Liquidation Charge and would take immediate steps to reduce all ongoing employee, occupation and other costs. The Monitor highlights that the realizable value of the Companies' assets may be negatively impacted in this scenario as there are limited funds to affect an orderly liquidation and preserve the status of the Companies' intellectual property and licences, and continuing animal trials will not be possible.
- 31) Regardless of whether the Interim Lender's Charge is granted or not, the Monitor and CRO will require additional time to wind down the operations and initiate a sales process under a liquidating CCAA and Second ARIO. The Monitor is of the view that an extension to October 17, 2022 would be appropriate in the circumstances and supports an extension of the 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 Second ARIO and CRO currently in place;
 - b) The length of the CCAA stay extension is supported by the need to affect a wind down of the operations and sale of the assets; and
 - c) While there may or may not be DIP financing in place through the SHP Proposed DIP Facility, the Monitor and CRO will need to utilize the remaining funds in the CCAA Retainer and rely on the Liquidation Charge to cover the fees and costs to wind down the operations and sell the assets.

CONCLUSION AND RECOMMENDATION

- 32) Based on the foregoing, the Monitor recommends that the Court:
- a) Approve the proposed amendments to the Second ARIO, including the Liquidation Charge; or
 - b) If the Interim Lender's Charge is approved, approve the proposed amendments to the Second ARIO with the exception of the Liquidation Charge; and
 - c) Extend the Initial CCAA Stay to October 17, 2022.

All of which is respectfully submitted to this Honourable Court this 1st day of September, 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

**Debtor-in-possession facility commitment letter dated August 31, 2022 between
Medipure Holdings Inc. and SHP Capital, LLC**

Debtor-in-Possession Facility Commitment Letter

September 1, 2022 ✓

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 (defined below) 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 and Schedule B (together, this "**Commitment Letter**"). All amounts herein are in United States dollars, unless otherwise specified.

- Borrowers:** Medipure Holdings Inc. (collectively, the "**Borrower**").
- Guarantors:** Medipure Pharmaceuticals Inc. and Medipure d.o.o. Croatia
- Lender:** SHP Capital, LLC, a Delaware limited liability company ("**SHP**" or the "**Lender**") with a mailing address at 1374A South Venetian Way, Miami, FL 33139. As a protection to the Borrower, if the Lender makes a decision under the Interim Loan (defined below) and the Borrower objects to the decision, they may seek that the Monitor (defined below) evaluate the disagreement. In such situation, if the Monitor disagrees with the decision of the Lender, then the Monitor shall be empowered to reverse the decision of the Lender. Provided, however, the Monitor shall adhere to the terms of the Interim Loan in deciding whether to reverse any such decision of the Lender.
- Principal Amount:** \$4,600,000 excluding fees
- Drawdown:** Drawdowns may be made in minimum installments of \$25,000 with two business days' notice and only in accordance with the most current Cash Flow Forecast (as defined below).
- Instrument:** Debtor in possession loan (the "**Interim Loan**"), in the form of a non-revolving facility, subject to the issuance of an order (the "**Interim Loan Approval Order**") by the Supreme Court of British Columbia, in form and substance satisfactory to the Lender in its sole discretion, made in the *CCAA* proceedings initiated by the Borrower (the "**CCAA Proceedings**") approving the Interim Loan and granting the Lender a first-place super priority charge over the assets of the Borrower (the "**Interim Lender's Charge**") in form and substance acceptable to the Lender in its sole discretion.
- SHP Capital Loan:** Medipure Holdings Inc. borrowed \$2,000,000 principal amount from SHP pursuant to a secured term grid promissory note dated October 21, 2021, and a general security agreement dated November 2, 2021 (the "**SHP Loan**"). The SHP Loan is secured by all the property of the Borrower and currently bears interest at 15% per annum. The Borrower is currently in default. The SHP Loan provides for the reimbursement of SHP's out of pocket expenses, including the fees and

disbursements of its legal counsel, plus accrued interest on such disbursements. SHP estimates that the balance due and owing on the SHP Loan, including all interest, expenses, fees and disbursements, is approximately \$2,750,000 (the "**SHP Loan Balance**").

Funding of Interim Loan:

The Interim Loan shall be funded in the following order.

- a) SHP shall contribute cash up to the amount of the SHP Loan Balance (the "**SHP Loan Repayment Commitment**") to be utilized solely to repay in full the SHP Loan Balance in full and final satisfaction of the SHP Loan. The SHP Loan Repayment Commitment shall bear interest at 15% per annum.
- b) Simultaneously with the SHP Loan Repayment Commitment being fulfilled, SHP shall contribute cash to satisfy any additional draws for working capital up to \$1,850,000 (the "**SHP Working Capital Commitment**"). The SHP Working Capital Commitment shall bear interest at 8% per annum. On September 2, 2022, the Lender will fund \$1,400,000 of the SHP Working Capital Commitment as described in the Capital Contributions paragraph below.

Use of Proceeds: The SHP Loan Repayment Commitment shall be used solely to repay the SHP Loan. Funds from the SHP Working Capital Commitment shall be used explicitly for the items listed on Schedule B.

Capital Contributions: Based on instructions received from the Borrower and approved by Deloitte Restructuring Inc. (the "**Monitor**"), the Lender shall advance funds under the Interim Loan either to (i) the trust account of the Monitor, in trust, for the Monitor to use for payment of obligations of the Borrower or (ii) to the Borrower.

Closing Date: As required by the Borrower, subject to fulfillment of the conditions precedent set forth in this Commitment Letter.

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:

- a) September 30, 2022; or
- b) such further defaults as may be customary in the Lender's form of loan agreement.

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.

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 CCAA Proceedings or lifting the stay in the CCAA 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 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.

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

Repayment: The full amount of all outstanding principal, interest, fees, expenses and disbursements will be repaid on the Maturity Date.

Interest: The Interim Loan shall bear interest as follows: (a) 8% per annum on \$1,850,000, which is for the SHP Working Capital Commitment, and (b) 15% per annum on approximately \$2,750,000, which is for the SHP Loan Repayment Commitment. All interest shall be calculated monthly in arrears on any amounts disbursed.

Origination Fee: The Borrower shall pay an origination fee to the Lender equal to 1.75% of the \$1,400,000 advanced by the Lender under the SHP Working Capital Commitment on September 2, 2022, and such fee shall be added to the principal balance of the Interim Loan on September 2, 2022. The total origination fee payable to the Lender for the first advance is \$24,500. If additional funds are advanced to the Borrower, they shall be subject to an origination fee of 1.75% in the same manner.

Expenses: The Borrower will reimburse the Lender for all reasonable and customary legal, professional, loan administration, perfection, enforcement, collection, conversion, credit bid, due diligence and all other costs incurred by the Lender associated with the Interim Loan and the CCAA Proceedings.



Stalking Horse Bid: The Borrower agrees that the Lender shall have the right to submit a stalking horse bid for the property of the Borrower to the Monitor for approval by the court as soon as reasonably practicable.

Access to Management and Records:

The Lender shall have unfettered access to (i) management and employees of the Borrower and (ii) all records of the Borrower, without having to seek prior approval of the Monitor; provided, however, access to trade secrets or highly confidential information of this similar nature shall require prior approval of the Monitor.

Additional Agreements and Security:

If required by the Lender, the Borrower will execute the following additional agreements and obtain the following security in form and substance satisfactory to the Lender, in its sole discretion:

- a) a loan agreement;
- b) the Interim Lender's Charge approved pursuant to the Interim Loan Approval Order, whereby all other charges other than a court-approved administration charge of CAD\$300,000, an administration charge of CAD\$200,000 granted in prior proceedings under the *Bankruptcy and Insolvency Act*, and a CRO charge of CAD\$50,000 shall be subordinated to the Interim Lender's charge, and which Interim Lender's Charge shall rank in priority to all deemed trust claims arising under any applicable statute;
- c) the Interim Lender's Charge shall rank in priority senior to the NOI DIP loan from HFS Management Inc. and the CCAA DIP loan of CAD\$216,000 approved by the court on August 24, 2022;
- d) if circumstances arise such that additional DIP funds are requested by the Borrower and the Monitor, and the court is willing to approve such request, the Lender shall have the right, but not the obligation, to provide such dollar amount of funds to the Borrower on the same terms and conditions contained herein. If the Lender chooses not to advance such additional funds, then any new funds lent by the new DIP lender and approved by the court shall be on a pari passu basis with the Interim Lender's Charge; and
- e) such other security agreements as the Lender may reasonably require.

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 CCAA Proceedings;
- f) conduct all activities and expenditures 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.

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:

- a) the granting by the court in the CCAA Proceedings of the Interim Loan Approval Order, including approval of this Commitment Letter and granting the Interim Lender's Charge pursuant to the Interim Loan Approval Order;
- b) the approval by the Lender, in writing and in its sole discretion, of each Cash Flow Forecast;
- c) the appointment of three additional directors selected by the Lender immediately after the Interim Lender's Charge is granted;
- d) payment of all fees and expenses related to the financing; and
- e) compliance with the Debt Covenants.

Representations 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).

Confidentiality:

Except as otherwise provided herein, unless and until such time as approval of this Commitment Letter is sought in the CCAA 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.

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.

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.

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.

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Yours truly,

SHP CAPITAL, LLC

by its authorized signatory:

Craig Anderson, its Manager

The undersigned hereby acknowledges, accepts and agrees to the terms and conditions of this Commitment Letter (including Schedule A and Schedule B attached hereto) this 1st day of September, 2022.

MEDIPURE HOLDINGS INC.

by its authorized signatory:



Name: **NIHAR R. PANDEY**
Title: **CEO, CSO & DIRECTOR**

MEDIPURE PHARMACEUTICALS INC.

by its authorized signatory:



Name: **NIHAR R. PANDEY**
Title: **CEO, CSO & DIRECTOR**

(NP)

SCHEDULE "A"

REPORTING REQUIREMENTS

The Borrower will provide the following reporting to the Lender once per week:

- 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; and
- d) a written update from management commenting on the status of the Borrower's ongoing operations.



SCHEDULE "B" (a)

All amounts in Canadian dollars.

SHP original retainer with Deloitte, CRO and Clark Wilson	\$375,000
Additional retainer for Deloitte, CRO and Clark Wilson	\$150,000
Boughton Law Corporation legal fees	\$350,000
Completion of MP-20X animal trials	\$400,000
Rent for BCIT lab and North Vancouver office (2 mos.)	\$ 39,113
BCIT lab lease security deposit (4 mos.)	\$ 45,170
Employee benefits	\$ 12,000
Croatia expenses	\$ 76,000
Gowlings law firm	\$ 25,000
MP-20X supply chain	\$ 30,000
IT expenses	\$ 14,000
Expense reimbursement	\$ 13,350
Payroll arrears for 8 weeks (net of WEPP)	\$198,709
Payroll for 4 weeks	\$ 45,000
Expense reimbursement	\$ 13,350
Contingency (b)	\$576,658

Total in CAD	\$2,350,000
Equivalent in USD (at 1.31 CAD/USD)	\$1,793,893
Rounded Up Equivalent in USD (at 1.31 CAD/USD)	\$1,850,000

- (a) Dollars may not be transferred from one line item to another. If there are excess funds remaining for one line item after the planned expenditure(s) has been made, such funds shall stay in the bank account of the Borrower or the Monitor and not be utilized further.
- (b) Expenditure of funds under contingency is subject to approval by SHP in its sole and absolute discretion and such approval may be withheld without any justification.

