

Court File No. 31-2623988  
Estate No. 31-2623988

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY AND INSOLVENCY**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF HEALTHCHAIN INC. OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**

**MOTION RECORD**

(Re: Extension of Time to File Proposal and Stay Extension)

May 6, 2020

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Toronto, ON M5X 1C9

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**Lawyers for HealthChain Inc.**

**TO: THE SERVICE LIST**

Court File No. 31-2623988  
Estate No. 31-2623988

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
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PROPOSAL OF HEALTHCHAIN INC. OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**

**INDEX**

**TAB**

<b>1.</b>	Notice of Motion
<b>2.</b>	Affidavit of Ronald Shon, Sworn May 6, 2020
	<b>A.</b> Order of Koehnen J., dated March 5, 2020
	<b>B.</b> Signed Commitment Letter of REDDS Technology Fund I L.P.
<b>3.</b>	Draft Order (Re: Extension of Time to File Proposal and Stay Extension)
<b>4.</b>	First Report of Dodick Landau Inc. in its capacity as Proposal Trustee

**TAB 1**

Court File No. 31-2623988  
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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF HEALTHCHAIN INC. OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**

**NOTICE OF MOTION**

(Re: Extension of Time to File Proposal and Stay Extension)

**HEALTHCHAIN INC.** (“**HealthChain**” or the “**Company**”), will make a motion to a Judge presiding over the Commercial List on Thursday, May 7, 2020, at 9:00 a.m. or as soon after that time as the motion can be heard by judicial teleconference via Zoom at Toronto, Ontario. Please refer to the conference details attached as Schedule “A” hereto in order to attend the motion and advise if you intend to join the motion by emailing Christel Paul at [cpaul@wfkllaw.ca](mailto:cpaul@wfkllaw.ca).

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. An Order, substantially in the form attached at Tab 3 of the Motion Record (the “**Extension Order**”) that, among other things:
  - a) abridges the time for service of this Motion, validates the manner of service, and declares that this Motion is properly returnable before the Court;

- b) extends the time for the Company to file a proposal with the Official Proposal Trustee by 45 days, up to and including June 26, 2020;
  - c) approves a debtor-in-possession facility in the maximum amount of \$200,000 (the “**DIP Facility**”); and
  - d) approves a charge up to a maximum of \$200,000 over the Debtor’s assets, property and undertaking in favour of REDDS Technology Fund I LP (the “**DIP Lender**”) to secure advances under the DIP Facility (the “**DIP Charge**”).
2. Such further and other relief as this Honourable Court deems just.

**THE GROUNDS FOR THIS MOTION ARE:**

3. On February 28, 2020 HealthChain filed a notice of intention to file a proposal pursuant to s. 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”). Dodick Landau Inc. was named proposal trustee (the “**Proposal Trustee**”).
4. On March 5, 2020, the Honourable Mr. Justice Koehnen granted an order that, among other things, extended the time for the Company to file a proposal and expanded the powers of the Proposal Trustee.
5. The stay of proceedings will expire on May 12, 2020.

*Extension of Time to File a Proposal*

6. The Company seeks an extension of time to file a proposal pursuant to Section 50.4(9) of the BIA, up to and including June 26, 2020, to allow it to continue discussions with

potential clients and creditors and finalize the terms of a key contract that will permit it to continue as a going concern and make a viable proposal to its creditors.

7. Without an extension of time, the Company will not be in a position to make a viable proposal to its creditors before May 12, 2020 and the Company will be deemed bankrupt, to the detriment of its creditors and stakeholders.
8. The test for an extension of time under Section 50.4(9) of the BIA is met:
  - a) the Company intends to finalize the terms of a key contract that will permit it to continue on a going concern basis and is likely to be able to make a viable proposal to its creditors if the extension requested is granted;
  - b) the Company has acted, and is acting, in good faith and with due diligence in engaging with potential clients and creditors; and
  - c) the Company has no outstanding secured debt and its unsecured creditors stand to benefit from a going concern proposal. No creditor will be materially prejudiced if the extension requested is granted.

*DIP Financing*

9. The Company requires debtor-in-possession financing to fund the restructuring proceeding while it finalizes its proposal and enable it to enter into and perform the proposed contract that it is currently negotiating.
10. The Company has secured a commitment from the DIP Lender in the maximum principal amount of \$200,000.

11. The proposed DIP loan is conditional upon the Debtor obtaining an order of this Court approving, among other things, a DIP Charge up to a maximum of \$200,000 over the assets, property and undertaking of the Company.
12. The quantum of the proposed DIP Charge is limited to what is reasonably necessary for the continued operation of the Company taking into account the liquidity needed to permit it to enter into and perform the proposed contract, and will permit the Company to operate until the end of the extended stay period.
13. The Company has no outstanding secured debt and there is no creditor with priority over the court-ordered charges.
14. It would be just and appropriate under the circumstances to approve the proposed DIP loan and DIP Lenders' Charge to maintain the Company as a going-concern while it continues to develop a viable restructuring proposal.

*Further Grounds*

15. The Proposal Trustee supports the relief being sought by the Company;
16. Sections 50.4(9) and 64.2 of the BIA;
17. Rules 1.04, 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, RSO 1990, Reg 194, as amended;
18. Such further and other grounds as counsel may advise and this Honourable Court may permit.



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

19. The Affidavit of Ronald Shon, sworn May 6, 2020, with Exhibits attached thereto; and,
20. Such further and other evidence as counsel may advise and this Honourable Court may permit.

May 6, 2020

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**Lawyers for HealthChain Inc.**

TO: **THE SERVICE LIST**

**Schedule "A"**  
**Conference Details to join Motion via Zoom**

Join Zoom Meeting

<https://zoom.us/j/3154597997?pwd=RXJ1OCtqdHUxa2IUREtUYIE5OUUpKZz09>

Meeting ID: 315 459 7997

Password: 729363

One tap mobile

+13017158592,,3154597997# US

+13126266799,,3154597997# US (Chicago)

Dial by your location

+1 301 715 8592 US

+1 312 626 6799 US (Chicago)

+1 346 248 7799 US (Houston)

+1 646 558 8656 US (New York)

+1 669 900 9128 US (San Jose)

+1 253 215 8782 US

Meeting ID: 315 459 7997

Password: 729363

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

**PROPOSAL OF HEALTHCHAIN INC. OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**

Court File No. 31-2623988  
Estate No. 31-2623988

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

*Proceedings commenced at Toronto*

**NOTICE OF MOTION**

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**TAB 2**

Court File No. 31-2623988

Estate No. 31-2623988

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY AND INSOLVENCY**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF HEALTHCHAIN INC. OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**

**AFFIDAVIT OF RONALD SHON**

(Sworn May 6th, 2020)

I, **RONALD SHON**, of the City of Vancouver, in the province of British Columbia, **MAKE OATH AND SAY:**

1. I am a principal of REDDS Venture Investment Partners LLC and REDDS Technology Fund 1 LP (together, “**REDDS**”), each an unsecured creditor of HealthChain Inc. (the “**Debtor**” or “**HealthChain**”). I am also a director of HealthChain. Accordingly, I have knowledge of the matters set out below. Where I have relied on information from others, I state the source of such information and verily believe it to be true.

2. This affidavit is submitted in support of a motion for an order that, among other things, extends the time for the Debtor to make a proposal to its creditors pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”) and approves a debtor-in-possession facility up to a maximum amount of \$200,000 (the “**DIP Facility**”) and a charge over the assets, property and undertaking of the Debtor up to a maximum amount of \$200,000 (the “**DIP Charge**”).

## **I. OVERVIEW**

3. HealthChain is in the business of developing and marketing electronic medication management software, principally based on blockchain and artificial intelligence technologies.
4. On February 27, 2020, HealthChain filed a Notice of Intent to Make a Proposal under the BIA. Dodick Landau Inc. was appointed proposal trustee (the “**Proposal Trustee**”).
5. On March 5, 2020, the Honourable Mr. Justice Koehnen granted an order that, among other things, extended the time for the Company to file a proposal and expanded the powers of the Proposal Trustee. A copy of the Order of Koehnen J. dated March 5, 2020 is appended hereto as Exhibit “**A**”.
6. The stay of proceedings will expire on May 12, 2020.

## **II. EXTENSION OF TIME TO FILE A PROPOSAL**

7. Since the NOI Filing, the Debtor, through its two Board of Directors, has been engaged in discussions with HealthChain’s management and various potential investors and clients to develop a restructuring proposal. I have been involved in those discussions as both a Director of HealthChain Inc. and as a creditor.
8. I am aware of a contract being negotiated with a potential client that would form the basis of a restructuring proposal by the Debtor. As the contract is still under negotiation, I am not in a position to disclose further particulars, however the contract has been disclosed to the Board and I believe that the Debtor will be able to make a viable proposal to its creditors to restructure on a going concern basis once key terms are finalized with the potential client.

9. The current stay of proceedings expires on May 12, 2020. The Debtor requires more time to continue negotiations with the potential client, engage with its creditors, and for the Proposal Trustee to hold a meeting of creditors. Accordingly, the Debtor is requesting a 45-day extension of time pursuant to Section 50.4(9) of the BIA, up to June 26, 2020, to make a proposal.

10. The Debtor has acted in good faith and with due diligence in engaging with management, creditors and potential clients to explore various restructuring options with the assistance of the Proposal Trustee. The extension of time will permit the Debtor to finalize the terms of a contract with the potential client and is likely to result in a viable going concern proposal. The Debtor has no outstanding secured debt and I am not aware of any creditors who will be materially prejudiced by the extension of time.

### **III. APPROVAL OF A DIP FACILITY AND DIP CHARGE**

11. In order to fund the restructuring proceeding, the Debtor has entered into a commitment letter dated May 5, 2020 (the “**Commitment Letter**”) with REDDS Technology Fund I L.P. (the “**DIP Lender**”). Pursuant to the Commitment Letter, the DIP Lender has agreed to advance a maximum of \$200,000 in principal (the “**DIP Facility**”). A copy of the Commitment Letter is appended hereto as Exhibit “**B**”.

12. The Commitment Letter sets out, among others, the following conditions to financing:
- a. court approval of a charge over the assets, property and undertaking of the Debtor in favour of the DIP Lender to secure any advances made;
  - b. the execution of definitive documents satisfactory to the DIP Lender; and
  - c. a commitment fee payable on closing of 2% of the principal amount of the DIP Facility.

13. The DIP Facility is required by the Debtor to ensure it is able to operate and that it has sufficient liquidity to perform the proposed contract if such contract is finalized. As set out in the First Report of the Proposal Trustee, to be filed, the amount available under the DIP Facility is sufficient to permit the Debtor to operate throughout the extended stay period.

#### **IV. PRIORITY OF CHARGES**

14. Pursuant to the Order of Koehnen J. dated March 5, 2020, the Debtor obtained approval of an administration charge to secure the professional fees and disbursements of the corporation, the Proposal Trustee and their respective counsel up to the maximum amount of \$100,000 (the “**Administration Charge**”).

15. At the time, the Debtor took the position that the Administration Charge was not intended to prime HealthChain’s only secured creditor, FCS Advisors, LLC in respect of its security interest in the corporation’s SRED tax credits.

16. I am advised by management that FCS Advisors, LLC has now been paid in full and HealthChain has no outstanding secured debt. Accordingly, there is no creditor with priority over the Administration Charge.

17. Pursuant to the Commitment Letter, the Debtor is seeking approval of a charge in favour of the DIP Lender to secure any advances made under the DIP Facility (the “**DIP Charge**”). The DIP Charge is to rank behind the Administration Charge, but ahead of all other creditors.



**SWORN** before me *by video conference* from the City of Vancouver in the Province of British Columbia, to the City of Toronto in the Province of Ontario, on the 6th day of May, 2020:



---

**A Commissioner for Taking Affidavits  
Name:**



Ronald Shon (May 6, 2020)

---

**RONALD SHON**

THIS IS **EXHIBIT "A"** REFERRED TO IN THE  
AFFIDAVIT OF RONALD SHON SWORN BEFORE ME,  
THIS 6<sup>th</sup> DAY OF MAY, 2020



-----  
A COMMISSIONER FOR TAKING AFFIDAVITS

Court File No. 31-2623988  
Estate File No. 31-2623988

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**(COMMERCIAL LIST)**



THE HONOURABLE MR. )

THURSDAY, THE 5TH

JUSTICE KOEHNEN )

DAY OF MARCH, 2020

**IN THE MATTER OF THE *BANKRUPTCY AND***  
***INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE PROPOSAL OF HEALTHCHAIN INC.**  
**OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

**ORDER APPROVING PROPOSAL TRUSTEE'S POWERS**

**THIS MOTION**, made by Healthchain Inc. (the "**Company**") for an order approving the powers of Dodick Landau Inc. (the "**Proposal Trustee**"), was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Affidavit of Anatoly Langer sworn March 3, 2020, and, on hearing the submissions of counsel for the Company, and for Amazon Web Services, Inc., no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Christel Paul sworn March 3, 2020, filed:

**SERVICE**

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.

2. **THIS COURT ORDERS** that the Proposal Trustee is hereby empowered and authorized, but not obligated, to act at once in respect of the property, assets and undertaking of the Company (the “**Property**”) and, without in any way limiting the generality of the foregoing, the Proposal Trustee is hereby expressly empowered and authorized to do any of the following where the Proposal Trustee considers it necessary or desirable:

- a) to take possession of and exercise control over the Property, including without limitation any bank account of the Company, and any account maintained with suppliers, vendors and service providers, and any and all proceeds, receipts and disbursements arising out of or from the Property;
- b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of passwords, profile information, payment information, locks and security codes, the relocating of Property to safeguard it, the engaging of independent security services, the taking of inventories and the placement of such insurance coverage as may be necessary or desirable;

- c) to manage, operate, and carry on the business of the Company, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Company;
- d) to engage and instruct consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Proposal Trustee's powers and duties, including without limitation those conferred by this Order;
- e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Company or any part or parts thereof;
- f) to receive and collect all monies and accounts now owed or hereafter owing to the Company and to exercise all remedies of the Company in collecting such monies, including, without limitation, to enforce any security held by the Company;
- g) to settle, extend or compromise any indebtedness owing to the Company;
- h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Proposal Trustee's name or in the name and on behalf of the Company, for any purpose pursuant to this Order;

- i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Company, the Property or the Proposal Trustee, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Proposal Trustee in its discretion may deem appropriate; and
- k) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.
- l) and in each case where the Proposal Trustee takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Company, and without interference from any other Person.

**DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE PROPOSAL TRUSTEE**

3. **THIS COURT ORDERS** that (i) all of the Company's current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (ii) all other individuals, firms, corporations,

governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Proposal Trustee of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Proposal Trustee, and shall deliver all such Property to the Proposal Trustee upon the Proposal Trustee's request. Notwithstanding the foregoing, subject to further Order of this Court, the disclosure that Amazon Web Services, Inc and its affiliates ("**AWS**") is required to make will be, for the time being, limited to such information as the Company is entitled to pursuant to its contractual arrangements with AWS.

4. **THIS COURT ORDERS** that all Persons shall forthwith advise the Proposal Trustee of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Company, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Proposal Trustee or permit the Proposal Trustee to make, retain and take away copies thereof and grant to the Proposal Trustee unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 4 or in paragraph 5 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Proposal Trustee due to the privilege attaching to solicitor-client communication (other than solicitor client privilege of the Company and waived by the Company) or due to statutory provisions prohibiting such disclosure.

5. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Proposal Trustee for the purpose of allowing the Proposal Trustee to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Proposal Trustee in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Proposal Trustee. Further, for the purposes of this paragraph, all Persons shall provide the Proposal Trustee with all such assistance in gaining immediate access to the information in the Records as the Proposal Trustee may in its discretion require including providing the Proposal Trustee with instructions on the use of any computer or other system and providing the Proposal Trustee with any and all access codes, account names and account numbers that may be required to gain access to the information.

6. **THIS COURT ORDERS** that, notwithstanding paragraphs 3, 4 and 5 herein, and subject to paragraph 7 herein, the Proposal Trustee shall have no greater access to the computers, servers and other electronic systems of information storage in the possession of AWS than the Company has in accordance with its contractual agreements with AWS.

7. **THIS COURT ORDERS** that the Company's current directors and officers shall forthwith deliver or cause to be delivered to the Proposal Trustee such information in their possession, knowledge and control as requested by the Proposal Trustee from time to time in



respect of the host server companies contracted or utilized by the Company, including but not limited to AWS, to permit the Proposal Trustee to access the accounts of the Company hosted therein pursuant to the terms of the contract between the Company and the host server company, provided that the Company, from the date of the Order, pays for such access, usage and related services in accordance with the contractual arrangements. The information to be delivered to the Proposal Trustee upon request pursuant to this paragraph includes, but is not limited to, login credentials, account numbers, usernames and passwords.

#### **ADMINISTRATION CHARGE**

8. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed the amount of \$100,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 10 hereof.

9. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge (the “**Charge**”) shall not be required and that the Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

10. **THIS COURT ORDERS** the Charge shall rank in priority as against all other validly perfected security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, granted by the Company or to which the Company is subject (together, the “**Encumbrances**”) as of the date of this Order, in favour of any person or entity (a “**Person**”), other than the security held by FCS Advisors, LLC in respect of certain SRED tax credits and any Encumbrances arising by operation of any applicable statutory law.

11. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charge, unless the Company also obtains the prior written consent of the Proposal Trustee, or further Order of this Court.

#### **EXTENSION OF TIME TO FILE A PROPOSAL**

12. **THIS COURT ORDERS** that, pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal with the Official Proposal Trustee be and is hereby extended to May 12, 2020.

#### **GENERAL**

13. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee under the BIA or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing

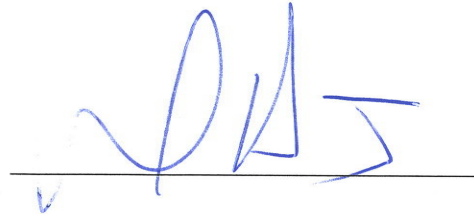
in this Order shall derogate from the protections afforded the Proposal Trustee by the BIA or any applicable legislation.

14. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Company, the Proposal 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 Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

15. **THIS COURT ORDERS** that each of the Company, the Proposal Trustee and the Interim Lender be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having this Order or these proceedings recognized in a jurisdiction outside Canada.

16. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven

(7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

A handwritten signature in blue ink, consisting of stylized letters, is written over a solid horizontal line.

**IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED**

Court File No. 31-2623988  
Estate File No. 31-2623988

**AND IN THE MATTER OF THE PROPOSAL OF HEALTHCHAIN INC.  
OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED IN TORONTO

**ORDER  
APPROVING PROPOSAL TRUSTEE'S POWERS**

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**Lawyers for HealthChain Inc.**

THIS IS **EXHIBIT "B"** REFERRED TO IN THE  
AFFIDAVIT OF RONALD SHON SWORN BEFORE ME,  
THIS 6<sup>th</sup> DAY OF MAY, 2020



-----  
A COMMISSIONER FOR TAKING AFFIDAVITS

## DEBTOR-IN-POSSESSION FINANCING TERM SHEET

*This term sheet (the “**Term Sheet**”) sets out the terms and conditions upon which REDDS Technology Fund I LP will provide debtor-in-possession financing to HealthChain Inc.*

- Borrower:** HealthChain Inc. (the “**Borrower**”)
- Lender:** REDDS Technology Fund I LP (the “**DIP Lender**”)
- Proposal Trustee:** Dodick Landau Inc. in its capacity as proposal trustee of the Borrower (the “**Proposal Trustee**”) in connection with their proposal proceedings (the “**NOI Proceedings**”) under the *Bankruptcy and Insolvency Act (Canada)* (“the “**BIA**”) and not in its personal capacity. Reference is also made to the Notice of Intention to make a Proposal under the BIA dated February 28, 2020 (the “**NOI**”).
- Type of DIP Loan:** Senior secured super-priority debtor-in-possession loan of up to a maximum amount of CDN \$200,000 (the “**DIP Loan**”), ranking behind only the court-ordered Administration Charge (pursuant to the Order of Koehnen J. granted March 5, 2020), to be available to the Borrower with the agreement of the Proposal Trustee subject to and in accordance with the terms herein.
- Availability:** Subject to the fulfillment of the applicable conditions precedent to the availability of the DIP Loan set out herein and the Borrower’s delivery of cash flows (the “**Approved Cash Flows**”) being satisfactory to each of the Proposal Trustee and the DIP Lender, and provided that no Event of Default (as defined below) has occurred and is then continuing, advances of the DIP Loan shall be made by the DIP Lender from time to time as requested by the Borrower with approval of the Proposal Trustee and shall be held in an account by the Proposal Trustee on behalf of the Borrower.
- Purpose, Use of Proceeds:** The proceeds of the DIP Loan will be applied by the Proposal Trustee to: (i) to pay any and all transaction costs, fees and expenses which are incurred in connection with the DIP Loan by the Borrower and the DIP Lender the legal fees and disbursements of the Borrower and the DIP Lender; and (ii) for other general corporate and working capital purposes of the Borrower provided for in the Approved Cash Flows.
- Closing Date:** On or before May 8, 2020 unless otherwise agreed by the Borrower and the DIP Lender (the “**Closing Date**”).

- Termination Date:** The maturity of the DIP Loan (the “**Termination Date**”) shall be the earliest of:
- (a) six (6) months following the Closing Date or such other date agreed to be the DIP Lender in its sole discretion;
  - (b) the date on which the stay of proceedings provided for by virtue of the filing of the BIA NOI expires without being extended with the consent of the DIP Lender or the date on which the NOI Proceedings shall be dismissed or terminated or the date on which either of the Borrower become bankrupt or the stay is lifted to allow a filing of bankruptcy petition under the BIA or receivership or similar insolvency proceeding not otherwise stayed ruing the NOI Proceedings; and
  - (c) the date of the acceleration of the DIP Loan and the termination of the commitment with respect to the DIP Loan as a result of an Event of Default hereunder (as defined herein).
- All outstanding amounts under the DIP Loan, together with all interest accrued in respect thereof and all other amounts owing under this DIP Term sheet shall be payable in full on the Termination Date.
- Interest Rates:** All amounts outstanding under the DIP Loan will bear interest at a rate of 10% *per annum*, on the daily balance outstanding under the DIP Loan.
- Interest shall be due, owing, payable and repaid as the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.
- Commitment Fee** The Borrower shall pay to the DIP Lender a commitment fee equal to two percent of the amount of the DIP Loan (the “**Commitment Fee**”). The Commitment Fee is non-refundable and is fully earned and payable no later than the Closing Date.
- Repayment:** Unless otherwise repaid as contemplated herein, the DIP Loan shall be due, owing, payable and repaid as the Termination Date without further notice, protest, demand or other act on the part of the DIP Lender.
- Representations and Warranties:** The Borrower represents and warrants to the DIP Lender as of the date hereof, and as of the date of each advance under the DIP Loan that:
- (a) the Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its



organization, has all requisite power to carry on business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to constitute a material adverse effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required;

- (b) the execution, delivery and performance, as applicable, of the DIP Term Sheet constitutes a legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws of general application that limit the enforcement of creditors' rights generally and to general equitable principles;
- (c) the Approved Cash Flows represent the Borrower' best estimate as at each applicable date of the likely results of the operations of the Borrower during the period applicable thereto and, to the Borrower's knowledge, such results are achievable as provided therein;
- (d) there are no arrears for any statutory remittances, withholding taxes or other amounts that, if unpaid, would have the benefit of an encumbrance or deemed trust in priority to the DIP Charge (as defined below) and all security granted to the DIP Lender by the Borrower pursuant to the DIP Order (as defined below), including goods and services taxes under the *Excise Tax Act* (Canada) and any source deduction remittances to the Canada Revenue Agency, except those accruing in the normal course and not yet due.

**Covenants:**

The Borrower covenants and agree that:

- (a) the Borrower shall pay all amounts and satisfy all obligations in respect of the DIP Loan, including the Commitment Fee;
- (b) the Borrower shall not make or permit to be made any payment on account of pre-filing obligations without the prior consent of the Trustee and the DIP Lender and only as provided in the Approved Cash Flows and in accordance with the DIP Approval Order (as hereinafter defined);
- (c) the Borrower shall not undertake any actions with respect to their respective assets, business operations

and/or capital structure which would, in the sole determination of the DIP Lender, have a material adverse effect on the Borrower or the Collateral;

- (d) the Borrower shall promptly pay all DIP Expenses (as defined below), including all legal and advisory fees and expenses, of the DIP Lender as such DIP Expenses are incurred and invoiced to the Borrower;
- (e) the Borrower shall pay the fees, if any, owing to the DIP Lender in connection with the DIP Loan (as set out herein or otherwise) promptly when such fees are due.

**Security:**

As continuing security for the prompt payment of all amounts payable by the Borrower to the DIP Lender under the DIP Term Sheet and as continuing security for the due and punctual performance by the Borrower of its existing and future obligations (the “**DIP Obligations**”) pursuant to the DIP Term Sheet, the Borrower hereby grants, conveys, assigns, transfers, mortgages and charges as and by way of a fixed and specific security interest, mortgage and charge, to and in favour of the DIP Lender all of its property, assets, rights and undertaking, real and personal, moveable or immovable, tangible and intangible, legal or equitable, of whatsoever nature and kind, whatsoever locate, both present and future, now or hereinafter owned or acquired (Collectively, the “**Collateral**”), including, without limitation, all real and immovable property (including leasehold lands) now or hereafter owned or acquired by such Borrower.

The DIP Obligations shall be subject to a fully perfected Court-ordered super-priority charge (the “**DIP Charge**”) over the Collateral, ranking behind the Administration Charge but in priority to any security interests, claims, or deemed trusts (statutory or otherwise) without any requirements to effect applicable *Personal Property Security Act* registrations and registrations in the applicable land registrations office(s).

**Events of Default:**

An “**Event of Default**” shall include, without limitation, the following:

- (a) the Borrower default in the payments of any amount due and payable to the DIP Lender (whether of principal, interest or otherwise) pursuant to DIP Term Sheet;
- (b) any representations and warranties made by the Borrower in the DIP Term Sheet proves to be incorrect as of the date given;

- (c) the Borrower fail or neglect to observe or perform any term, covenant, condition or obligation contained or referred to in the DIP Term Sheet or any other document between the Borrower and the DIP Lender;
- (d) the stay of proceedings provided for by virtue of the filing of the NOI (as extended from time to time with the prior written consent of the DIP Lender) expires without being extended or the NOI Proceedings being dismissed or terminated or the Borrower becoming subject to a proceeding under the BIA or a receivership or similar insolvency proceeding not otherwise stayed during the NOI Proceedings;
- (e) the entry of an order staying, amending, reversing, vacation or otherwise modifying, in each case without the prior written consent of the DIP Lender, the DIP Loan, the DIP Order or any other order granted by the Court in the NOI Proceedings; and
- (f) if the Borrower make any payments of any kind not permitted by the DIP, or contemplated by the Approved Cash Flows.

Upon the occurrence of an Event of Default, without any notice, protest, demand or other act on the part of the DIP Lender:

- (a) all indebtedness of the Borrower to the DIP Lender shall become immediately due and payable and the DIP Lender may take all steps necessary to enforce its security.

The DIP Lender shall also have the right to exercise all other customary remedies, including, without limitation, the right to enforce and realize on all Collateral, in each case, upon providing two (2) days prior written notice to the Borrower and the Trustee, without the necessity of obtaining further relief or order from the Court.

**Conditions Precedent, to  
Advance of the DIP Loan:**

The conditions precedent for making advances under the DIP Loan to the Borrower from time to time, include, without limitation:

- (a) the representations and warranties made by the Borrower in this DIP Loan Term Sheet being true and correct as of the date given;

- (b) issuance of an order by the Court (the “**DIP Order**”), satisfactory in form and substance to the DIP Lender in its sole discretion, approving the DIP Loan, granting the DIP Charge with the priority contemplated herein, and authorizing the payment by the Borrower of all of the fees and expenses in respect of the DIP Loan, unless otherwise agreed to by the DIP Lender in its sole discretion;
- (c) the DIP Commitment Fee is paid by the Borrower to the DIP Lender;
- (d) the DIP Order shall be in full force and effect, unamended and no motion for leave to appeal has been made; and
- (e) the absence of any Events of Default or any events that with the passage of time would constitute Events of Default (“**Defaults**”) as certified by the Borrower.

**Illegality:** In the event that it becomes illegal for the DIP Lender to lend or continue to lend, the DIP Lender will be repaid and/or the DIP Lender’s commitment will be cancelled.

**Taxation:** All payments of principal, interest and fees will be made free and clear of all present and future taxes, levies, duties or other deductions of any nature whatsoever, levied either now or at any future time.

**Fees and Expenses:** DIP Expenses: The Borrower shall pay all of the DIP Lender’s due diligence and other out-of-pocket expenses (including the fees and expenses of its counsel and advisors), whether or not any of the transactions contemplated hereby are consummated and whether incurred prior to or after the date of the DIP Order, as well as all expenses of the DIP Lender in connection with the ongoing monitoring, interpretation, administration, protection and enforcement of the DIP Loan, the continuation of the NOI Proceedings contemplated in the Approved Cash Flows, and the enforcement of any and all of its remedies at law (collectively, the “**DIP Expenses**”).

**Governing Law, Jurisdiction:** Laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario. The Borrower agree to submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

IN WITNESS HEREOF, the parties hereby execute this DIP Term Sheet as of the date first written above.

**HEALTHCHAIN INC.,** as Borrower

*Ronald Shon*

Ronald Shon (May 6, 2020)

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**Name: RONALD SHON**

Title: DIRECTOR

**REDDS Technology Fund I LP** as DIP  
Lender

*Ronald Shon*

Ronald Shon (May 6, 2020)

---

**Name: RONALD SHON**

Title: PRINCIPAL

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF HEALTHCHAIN INC.**

**ONTARIO SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

*Proceedings commenced at Toronto*

**AFFIDAVIT OF RONALD SHON**

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**Lawyers for HealthChain Inc.**

**TAB 3**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)  
(COMMERCIAL LIST)**

THE HONOURABLE MR.	)	THURSDAY, THE 7 <sup>TH</sup>
	)	
JUSTICE KOEHNEN	)	DAY OF MAY, 2020

**IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

**AND IN THE MATTER OF THE PROPOSAL OF HEALTHCHAIN INC.  
OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

**ORDER  
(Extension of Time to File Proposal and DIP Financing)**

**THIS MOTION**, made by Healthchain Inc. (the "**Company**") for an Order extending the period of time for filing a proposal pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**"), and for authorization and approval for the Company to borrow pursuant to a debtor-in-possession ("**DIP**") credit facility, was heard this day by way of teleconference, in accordance with the Chief Justice's Notice to the Profession dated March 15, 2020 and Changes to Commercial List Operations in Light of COVID-19 dated March 16, 2020.

**ON READING** the Affidavit of Ronald Shon sworn May 6, 2020, and, on hearing the submissions of counsel for the Company, and for Dodick Landau Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**"), no one appearing for any other person on the



service list, although properly served as appears from the affidavit of service of Christel Paul sworn May 6, 2020, filed:

### **SERVICE**

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

### **EXTENSION OF TIME TO FILE A PROPOSAL**

2. **THIS COURT ORDERS** that pursuant to Section 50.4(9) of the BIA, the time for the Company to file a proposal with the Official Proposal Trustee be and is hereby extended to June 26, 2020.

### **DIP FINANCING**

3. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan**") from REDDS Technology Fund I LP (the "**DIP Lender**") in order to finance the Company's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$200,000 unless permitted by further Order of this Court.

4. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Company and the DIP Lender dated as of May 6, 2020 (the "**Commitment Letter**"), filed.

5. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security

documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Company is hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

6. **THIS COURT ORDERS** that subject to the terms herein, the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Charge**") on the Company's current and future assets, licences, undertakings and properties of every nature and kind whatsoever, and wherever situate including all real and personal, tangible and intangible, property and all proceeds thereof (the "**Property**"). The DIP Charge shall have the priority set out in paragraph 11 hereof.

7. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Charge, the DIP Lender, upon 7 days' notice to the Company and to the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the Commitment Letter, Definitive Documents, and the DIP Charge, including without limitation, to cease making

advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the Commitment Letter, the Definitive Documents, or the DIP Charge, to make demand, accelerate payment and give other notices, including notices of sale, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

8. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any proposal filed by the Company under the BIA, with respect to any advances made under the DIP Loan.

#### **VALIDITY AND PRIORITY OF THE DIP CHARGE**

9. **THIS COURT ORDERS** that the priorities of the DIP Charge and the Administration Charge (as defined in the Order of Koehnen J., dated March 5, 2020), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$100,000); and,

Second – DIP Charge (to the maximum amount of \$200,000).

10. **THIS COURT ORDERS** that the filing, registration or perfection of the DIP Charge shall not be required and that the DIP Charge shall be valid and enforceable for all purposes,

including as against any right, title or interest filed, registered, recorded or perfected subsequent to the DIP Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

11. **THIS COURT ORDERS** that, except as otherwise expressly provided for herein, the DIP Charge shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any person.

12. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the DIP Charge, unless the Company also obtains the prior written consent of the Proposal Trustee and the DIP Lender, or further Order of this Court.

13. **THIS COURT ORDERS** that the DIP Charge, the Commitment Letter, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents,

lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Company of any Agreement to which it is a party;
- (b) the DIP Lender shall not have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the Commitment Letter, the creation of the DIP Charge, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the DIP Charge, does not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

14. **THIS COURT ORDERS** that the DIP Charge created by this Order over any leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

## **GENERAL**

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Company, the Proposal 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 Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

16. **THIS COURT ORDERS** that each of the Company, the Proposal Trustee and the DIP Lender be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having this Order or these proceedings recognized in a jurisdiction outside Canada.

17. **THIS COURT ORDERS** that any interested party (including the Company and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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**IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED**

Court File No. 31-2623988  
Estate File No. 31-2623988

**AND IN THE MATTER OF THE PROPOSAL OF HEALTHCHAIN INC.  
OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO**

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

PROCEEDING COMMENCED IN TORONTO

**ORDER**

**(Extension of Time to File Proposal and DIP Financing)**

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**Lawyers for HealthChain Inc.**

**TAB 4**



Court File No. 31-2623988

Estate No. 31-2623988

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE PROPOSAL OF  
HEALTHCHAIN INC.  
OF THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO

FIRST REPORT OF DODICK LANDAU INC.  
AS PROPOSAL TRUSTEE OF HEALTHCHAIN INC.

MAY 6, 2020

**INTRODUCTION**

1. On February 28, 2020 (the "**Filing Date**"), Healthchain Inc. (the "**Debtor**") filed with the Official Receiver a Notice of Intention to Make a Proposal ("**NOI**") to its creditors pursuant to section 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**") and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee (the "**Proposal Trustee**"). A copy of the NOI and certificate of filing are attached hereto and marked as **Appendix "A"**.
2. On March 5, 2020 (the "**March 5 Order**"), this Court granted an order which, among other things:
  - i. approved an extension of time to file a proposal up to and including May 12, 2020;
  - ii. granted a charge in favour of the Proposal Trustee, legal counsel to the Proposal Trustee and the Debtor's legal counsel (the "**Administration Charge**") over the Debtor's property, assets and undertakings (the "**Property**") in the amount of \$100,000, as security for the professional fees and disbursements of the Proposal Trustee and such legal counsel in respect of

- these proceedings, incurred at their standard rates and charges;
- iii. enhanced the powers of the Proposal Trustee and in addition to the powers and duties set out in the BIA, the Proposal Trustee was authorized to, among other things: a) take possession and exercise control over the Debtor's Property; b) receive, preserve and protect the Property; and c) execute, assign, issue and endorse documents of whatever nature in respect of any of the Property;
  - iv. granted the Proposal Trustee unfettered access to and use of the accounting, computer, software and physical facilities relating to the books and records of the Company; and
  - v. required the Company's current and former directors to grant immediate and continued access to the Property to the Proposal Trustee.
3. The Debtor has brought a motion returnable May 7, 2020 ("**May Motion**") to further extend the time for filing a proposal, and the stay of proceedings granted in the March Order, for a period of 45-days to, and including, June 26, 2020.
  4. The Proposal Trustee has reviewed an affidavit sworn by Ronald Shon on May 6, 2020 in support of the May Motion ("**Shon Affidavit**"). All capitalized terms used in this Report but not otherwise defined shall have the meaning ascribed to such terms in the Shon Affidavit.
  5. This first report (the "**Report**") of the Proposal Trustee is made in connection with the motion of the Debtor to:
    - i. abridge the time for service of the Notice of Motion, the Motion Record and this Report and dispense with service on any other person other than those served;
    - ii. authorize the Debtor to enter into a debtor-in-possession term sheet ("**DIP Term Sheet**") with REDDS Technology Fund I LP, as lender, (the "**DIP Lender**"), approve the DIP Commitment Letter (defined and discussed further herein) and grant the DIP Lender a super priority charge on all of the Debtor's Property as security for all of the Debtor's obligations to the DIP Lender under the DIP Commitment Letter;

- iii. extend the time for filing a proposal, and extend the stay of proceedings granted upon the filing of the NOI, for a period of 45-days to, and including, June 26, 2020; and
- iv. approve the activities of the Proposal Trustee as set out in this Report.

## **DISCLAIMER**

- 6. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with the management of the Company ("**Management**") and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report:
  - i. the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information;
  - ii. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and
  - iii. the Proposal Trustee has prepared this Report in its capacity as a Court appointed officer and has made a copy of this Report available on the Proposal Trustee's website at [www.dodick.ca](http://www.dodick.ca) for purposes of the Company's motion returnable May 7, 2020. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.
- 7. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

8. All monetary amounts contained herein are in Canadian dollars.

## **CREDITORS**

### *Secured Creditors*

9. As at the Filing Date, HealthChain had one secured creditor, FCS Advisors LLC ("**FCS Advisors**"). Subsequent to the Filing Date the Proposal Trustee was advised by Management that FCS Advisors was repaid in full in December 2020 and, accordingly, HealthChain has no outstanding secured debt.

### *Unsecured Creditors*

10. HealthChain's unsecured creditors include investors, who directly or through their corporations, invested in and financed HealthChain's working capital needs pursuant to various SAFE Agreements (the "**SAFE Investors**"), drafted and delivered by the Debtor to these investors.
11. The Proposal Trustee understands that the terms of the SAFE Agreements were substantially the same and included, among other things, a provision converting the agreement into a debt instrument with a repayment obligation equal to the SAFE Investors investment contribution in HealthChain upon the occurrence of a Dissolution Event (as defined in the SAFE Agreement).
12. As a result of the occurrence of a Dissolution Event, HealthChain owes an aggregate of approximately \$1.3 million to SAFE Investors. In addition, according to the books and records of HealthChain and information provided by Management, there are other known unsecured creditors with claims totalling approximately \$225,000.

## **INTERIM FINANCING**

13. REDDS Technology Fund I LP, in its capacity as the proposed DIP Lender has offered to make available to the Debtor, a debtor-in-possession loan in the maximum amount of \$200,000 (the "**DIP Loan**") pursuant to a commitment letter dated May 5, 2020

(**"Commitment Letter"**), to fund its financial needs and its anticipated cash shortfall, as provided for in the cash flow forecast prepared by the Debtor and discussed further herein.

14. It is a fundamental term of the DIP Term Sheet that the Court grant an order on terms acceptable to the DIP Lender which, among other things, grants the DIP Lender a charge (the **"DIP Charge"**), which shall rank behind only the Administration Charge, but in priority to all other claims and encumbrances.
15. Other key terms of the Commitment Letter include the following:
  - i. an interest rate of 10% per annum, on the daily balance outstanding under the DIP Loan;
  - ii. a commitment fee equal to 2% of the amount of the DIP Loan payable on closing and amounting to \$4,000; and
  - iii. a provision specifying that the DIP Loan matures on the earliest of: a) six (6) months following closing or such other date agreed to by the DIP Lender in its sole discretion; b) the date on which the stay of proceedings provided for by virtue of the filing of the BIA NOI expires without being extended with the consent of the DIP Lender or the date on which the NOI proceedings shall be dismissed or terminated or the date on which either of the Debtor become bankrupt or the stay is lifted to allow a filing of bankruptcy petition under the BIA or receivership or similar insolvency proceeding not otherwise stayed ruing the NOI proceedings; and c) the date of the acceleration of the DIP Loan and the termination of the commitment with respect to the DIP Loan as a result of an Event of Default (as defined in the Commitment Letter).
16. Based on the Debtor's Cash Flow Forecast (defined further herein), the Debtor will require immediate DIP Loan advances which, over the period of fourteen weeks ending August 7, 2020 will total approximately \$146,000. These funds are required in order to maintain its operations while the Debtor continues to negotiate contracts with new customers and formulates a proposal to its creditors, as well as provide sufficient liquidity for the Debtor to enter into and perform the proposed contract that it is currently negotiating with a potential client. It is expected that the proposed contract will permit the Debtor to continue

to operate and advance a going concern proposal to its creditors. In addition, approximately \$38,000 has already been advanced by the DIP Lender to fund the Debtor's restructuring costs, which forms the opening balance of the DIP Loan.

#### **EXTENSION OF STAY OF PROCEEDINGS**

17. The Debtor is seeking an extension of the time for the filing of the proposal to and including June 26, 2020, for a total of 45 days.
18. The stay extension is required to provide the Debtor with the necessary time to preserve its business on a going concern basis for the benefit of its stakeholders.
19. The Proposal Trustee understands that the Debtor is negotiating a contract with a potential client which would form the basis of a restructuring proposal by the Debtor. Based on the key terms, which are still being finalized, the Debtor is of the view that it will be able to make a viable proposal to its creditors.
20. The Proposal Trustee is of the view that the Debtor is acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve its business and assets for the benefit of the stakeholders.
21. Without the requested extension, the Debtor is not in a position to make a viable proposal to its creditors and will become bankrupt to the detriment of its stakeholders. In contrast, no creditor will be materially prejudiced if the extension applied for is granted. If the extension applied for is granted, permitting the contract with the potential client to be finalized and signed, the Debtor would likely be able to make a viable proposal to its creditors following the completion of its restructuring.

#### **OVERVIEW OF THE DEBTOR'S WEEKLY CASH FLOW FORECAST**

22. The Debtor, with the assistance of the Proposal Trustee, has prepared a fourteen-week cash flow forecast for the period of May 2, 2020 to August 7, 2020 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"** to this Report. The Cash Flow Forecast has been prepared by Management of the Debtor for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1-10 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts and disbursements to be received or paid over the fourteen-week forecast period (the "**Period**") in Canadian

dollars.

23. The Cash Flow Forecast projects that the Debtor will require the use of the DIP Loan immediately to: (i) maintain the bare bones of its business during the restructuring process, and (iii) fund the costs of the proposal proceedings.
24. The Cash Flow Forecast projects that the Debtor will have sufficient liquidity, following receipt of advances totalling approximately \$88,000 (over six weeks) under the DIP Loan, to fund the Debtor's expenses and Proposal proceedings throughout the proposed extension to the stay of the proceedings.
25. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by the Management of the Debtor. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of the Debtor for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
26. Based on the Proposal Trustee's review, except as otherwise described in this Report, nothing has come to its attention to cause it to believe that, in all material respects:
  - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
  - ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtor or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
  - iii. the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.

**CONCLUSION AND RECOMMENDATION**

27. The Proposal Trustee is of the view that the stay extension, as described above, will allow the Debtor the necessary time to finalize the terms of a contract with the potential client and formulate a viable proposal to its creditors.
28. The Proposal Trustee is further of the view that the DIP Charge is necessary, reasonable and appropriate in these circumstances.
29. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief being requested by the Debtor pursuant to the BIA.

All of which is respectfully submitted this 6<sup>th</sup> day of May, 2020.

**DODICK LANDAU INC.**

In its capacity as the Proposal Trustee of  
Healthchain Inc. and not in its personal or corporate capacity.

Per:



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Rahn Dodick, CA, CPA, CIRP, LIT  
President



**APPENDIX "A"**

District of: Ontario  
Division No. 09 - Toronto  
Court No.  
Estate No.

**- FORM 33 -**  
**Notice of Intention To Make a Proposal**  
**(Subsection 50.4(1) of the Act)**

**In the matter of the Notice of Intention to Make a Proposal of**  
**Healthchain Inc.**  
**of the city of Toronto, in the Province of Ontario**

**Take notice that:**

- 1. I, Healthchain Inc., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.**
- 2. Dodick Landau Inc. of 4646 Dufferin St., Suite 6, Toronto, ON, M3H 5S4, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.**
- 3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.**
- 4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.**

**Dated at the city of Toronto in the Province of Ontario, this 27th day of February 2020.**

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**Healthchain Inc.**  
**Insolvent Person**

District of: Ontario  
 Division No. 09 - Toronto  
 Court No.  
 Estate No.

**- FORM 33 -**  
**Notice of Intention To Make a Proposal**  
**(Subsection 50.4(1) of the Act)**

In the matter of the Notice of Intention to Make a Proposal of  
 Healthchain Inc.  
 of the city of Toronto, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Adam Cole	338 Soudan Avenue Toronto ON M4S 1W7		250.00
Andrew Shinewald	c/o Amjay Software Solutions Inc. 3080 Yonge Street, Suite 6060 Toronto ON M4N 3N1		250.00
Bradley Steinfeld			250.00
Bruce Lau			250.00
Charlotte Schwartz			50,000.00
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	HST Account	250.00
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	Payroll Account	250.00
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	Corporations Tax Account	250.00
David Evans			250.00
Efim Gorbenko			250.00
FCS Advisors LLC	230 Park Avenue, Suite 1525 New York NY 10169 USA		250.00
Gareth			250.00
Globalive Capital Inc.	48 Yonge Street, Suite 1200 Toronto ON M5E 1G6		50,000.00
Jeffrey Sleep	c/o Amjay Software Solutions Inc. 3080 Yonge Street, Suite 6060 Toronto ON M4N 3N1		250.00
Ly Ngo			250.00

District of: Ontario  
 Division No. 09 - Toronto  
 Court No.  
 Estate No.

- FORM 33 -

Notice of Intention To Make a Proposal  
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to Make a Proposal of  
 Healthchain Inc.  
 of the city of Toronto, in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Nicholas Zamora	3515 Greenwood Road Greenwood ON L0H 1H0		250.00
Ontario Centre of Excellence	325 Front Street West, Suite 300 Toronto ON M5V 2Y1		125,000.00
Product Manager			250.00
REDDS Technology Fund 1, L.P.	16381 Scientific Way Irvine CA 92618 USA		500,000.00
REDDS Venture Investment Partners, LLC	16381 Scientific Way Irvine CA 92618 USA		500,000.00
Said El Khouri			50,000.00
Spacibo Inc.			250,000.00
Subash G.			250.00
<b>Total</b>			<b>1,529,000.00</b>



Healthchain Inc.  
 Insolvent Person



**Industry Canada**

**Office of the Superintendent  
of Bankruptcy Canada**

**Industrie Canada**

**Bureau du surintendant  
des faillites Canada**

District of        Ontario  
Division No.    09 - Toronto  
Court No.        31-2623988  
Estate No.      31-2623988

In the Matter of the Notice of Intention to make a  
proposal of:

**Healthchain Inc.**  
Insolvent Person

**DODICK LANDAU INC.**  
Licensed Insolvency Trustee

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Date of the Notice of Intention:                      February 28, 2020

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**CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL**  
**Subsection 50.4 (1)**

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: February 28, 2020, 14:44

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

**Canada**

**APPENDIX "B"**

**Healthchain Inc.**  
**Weekly Cash Flow Forecast**  
**For the period from May 2, 2020 to August 7, 2020**

Week Ending	Notes	08-May-20	15-May-20	22-May-20	29-May-20	05-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20	03-Jul-20	10-Jul-20	17-Jul-20	24-Jul-20	31-Jul-20	07-Aug-20	TOTAL
Receipts	2	-	-	-	-	-	-	-	-	3,000	-	-	-	-	-	3,000
Disbursements																
Direct Costs	3	-	-	-	(6,500)	-	-	-	-	(6,500)	-	-	-	(6,500)	-	(19,500)
Human Resources	4	-	-	(17,500)	-	-	(17,500)	-	-	-	(17,500)	-	-	-	-	(52,500)
Occupancy Costs	5	-	-	-	(700)	-	-	-	-	(700)	-	-	-	(700)	-	(2,100)
G&A Expenses	6	(4,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,000)
Professional Fees	7	-	(9,000)	-	(5,000)	-	(27,500)	-	-	-	(29,500)	-	-	-	-	(71,000)
<b>Total Disbursements</b>		<b>(4,000)</b>	<b>(9,000)</b>	<b>(17,500)</b>	<b>(12,200)</b>	<b>(40,214)</b>	<b>(27,500)</b>	<b>(17,500)</b>	<b>(85,214)</b>	<b>(7,200)</b>	<b>(29,500)</b>	<b>(17,500)</b>	<b>(136,414)</b>	<b>(7,200)</b>	<b>-</b>	<b>(149,100)</b>
<b>Net Cash Flow</b>		<b>(4,000)</b>	<b>(9,000)</b>	<b>(17,500)</b>	<b>(12,200)</b>	<b>-</b>	<b>(27,500)</b>	<b>(17,500)</b>	<b>(4,200)</b>	<b>(4,200)</b>	<b>(29,500)</b>	<b>(17,500)</b>	<b>-</b>	<b>(7,200)</b>	<b>-</b>	<b>(146,100)</b>
<b>Bank Balance</b>																
Opening Bank Balance	8	2,486	(1,514)	(10,514)	(28,014)	(40,214)	(40,214)	(67,714)	(85,214)	(85,214)	(89,414)	(118,914)	(136,414)	(136,414)	(143,614)	2,486
Add: Net Cash Flow		(4,000)	(9,000)	(17,500)	(12,200)	-	(27,500)	(17,500)	-	(4,200)	(29,500)	(17,500)	-	(7,200)	-	(146,100)
<b>Closing Bank Balance</b>		<b>(1,514)</b>	<b>(10,514)</b>	<b>(28,014)</b>	<b>(40,214)</b>	<b>(40,214)</b>	<b>(67,714)</b>	<b>(85,214)</b>	<b>(85,214)</b>	<b>(89,414)</b>	<b>(118,914)</b>	<b>(136,414)</b>	<b>(136,414)</b>	<b>(143,614)</b>	<b>(143,614)</b>	<b>(143,614)</b>
<b>DIP Loan</b>																
Operating DIP Loan Balance	9	(38,402)	(42,402)	(51,402)	(68,902)	(81,102)	(81,102)	(108,602)	(126,102)	(126,102)	(130,302)	(159,802)	(177,302)	(177,302)	(184,502)	(38,402)
Add: DIP loan	10	(4,000)	(9,000)	(17,500)	(12,200)	-	(27,500)	(17,500)	-	(4,200)	(29,500)	(17,500)	-	(7,200)	-	(146,100)
<b>Closing DIP Loan Balance</b>		<b>(42,402)</b>	<b>(51,402)</b>	<b>(68,902)</b>	<b>(81,102)</b>	<b>(81,102)</b>	<b>(108,602)</b>	<b>(126,102)</b>	<b>(126,102)</b>	<b>(130,302)</b>	<b>(159,802)</b>	<b>(177,302)</b>	<b>(177,302)</b>	<b>(184,502)</b>	<b>(184,502)</b>	<b>(184,502)</b>

This statement of forecast cash flow of Healthchain Inc. is prepared in accordance with section 50.4 (2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the accompanying notes.

**HealthChain Inc. (“Healthchain” or the “Company”)**  
**Major Assumptions**  
**Cash Flow Forecast**  
**For the Period May 2, 2020 to August 7, 2020 (the “Period”)**

1. HealthChain’s financial projections have been prepared for the purpose of meeting the requirements of the Bankruptcy and Insolvency Act. The Projection is based on the hypotheses that HealthChain will continue operations in the normal course while additional investors in the Company are solicited.

**Receipts:**

2. HealthChain is in the business of developing and marketing electronic medication management software, principally based on blockchain and artificial intelligence technologies. Receipts are composed of collections from an existing customer. A new customer contract is expected to be entered into in the Period. No receipts are forecast for the period in connection with this new contract. However, certain related direct costs are forecast to be incurred in the Period to be able to service this new customer and are discussed further below.

**Disbursements:**

3. Direct costs represents the cost of the IT cloud server and certain application services that are payable monthly.
4. Human resources represent the costs of employees forecast to be required in the Period on account of the customer contract.
5. Occupancy costs are for insurance costs payable on a monthly basis.
6. General administrative costs includes the commitment fee payable upon the closing of the DIP Loan discussed below.
7. Professional fees include fees for the Proposal Trustee and its legal counsel as well as the Company’s legal counsel for the Period. It also includes corporate legal fees and costs associated with the drafting of the contract with the new customer.
8. The opening cash balance as of May 1, 2020 is \$2,486 and represents the cash balance in the Proposal Trustees trust account.
9. Financing of the business is expected to be by way of a Debtor in Possession (“DIP”) loan provided by a corporation related to one of the major shareholders of the Company (“DIP Lender”). To date the DIP Lender has advanced approximately \$38,000 to the Company to fund restructuring costs.
10. According to the cash flow forecast, approximately \$146,000 will be required to be advanced by the DIP Lender in the Period.



**PROPOSAL OF HEALTHCHAIN INC. OF THE CITY OF TORONTO IN  
THE PROVINCE OF ONTARIO**

Court File No. 31-2623988  
Estate No. 31-2623988

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

*Proceedings commenced at Toronto*

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**MOTION RECORD**

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