

District of Ontario  
Division No. 9 - Toronto  
Court File No.: BK-23-2946534-0031  
Estate File No.: 31-2946534

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

THE HONOURABLE ) TUESDAY, THE 3RD  
 )  
JUSTICE STEELE ) DAY OF OCTOBER, 2023

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

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
OF NANOPAY CORPORATION**

**ORDER**

**THIS MOTION**, made by Dodick Landau Inc., in its capacity as proposal trustee (the “**Trustee**”), pursuant to Section 50.4(9) and Section 59(4) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), for an Order approving the amended proposal of Nanopay Corporation (the “**Company**”), dated August 30, 2023 and filed with the Official Receiver on August 30, 2023, a copy of which is attached hereto as **Appendix “A”** (the “**Proposal**”), and granting certain other relief, was heard this day at 330 University Avenue, Toronto, Ontario by video conference.

**ON READING** the Third Report of the Trustee, dated 18, 2023 (the “**Third Report**”), and on hearing the submissions of counsel for the Company, the Trustee, and such other counsel as were present, no one else appearing for any other person although duly served as appears from the Affidavit of Service of Amanda Adamo sworn September 19, 2023, filed, and having determined that (i) the Proposal has been accepted by the required majority of creditors voting at the meeting

of creditors held on September 11, 2023; (ii) the terms of the Proposal are reasonable and calculated to benefit the general body of creditors; and (iii) that no offences or facts have been proved to justify the Court in withholding its approval of the Proposal:

## **DEFINITIONS**

1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Proposal.

## **SERVICE**

2. **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.

## **APPROVAL OF PROPOSAL AND IMPLEMENTATION**

3. **THIS COURT ORDERS** that the Proposal be and is hereby approved.

4. **THIS COURT ORDERS** that, as of the Implementation Date at the time or times and in the manner set forth in the Proposal: (i) the Proposal and all associated steps, compromises, settlements, satisfactions, releases, discharges, transactions, distributions and arrangements effected thereby are approved, binding and effective in accordance with the provisions of the Proposal and the BIA, including the cancellation of the Existing Common Shares and the distribution of the New Common Shares to the Trustee, holders of Proven Unsecured Claims and the Company's new investors, as applicable; and (ii) the treatment of the Claims of all Affected Creditors under the Proposal shall be final and binding for all purposes and enure to the benefit of the Company, all Affected Creditors, and all other Persons named or referred to in the Proposal,

and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

5. **THIS COURT ORDERS** that any Affected Creditors who do not prove their claim by the later of the Implementation Date or 30 days from the date on which the Trustee sends a notice pursuant to section 149 of the BIA, shall be and are hereby forever barred from making any Claims against the Company and shall not be entitled to a distribution under the Proposal, and all other Claims shall be and are hereby forever extinguished, except for any Claims held by Creditors unaffected by the Proposal in accordance with its terms.

6. **THIS COURT ORDERS** that the Proposal Trustee be and is hereby authorized, directed and empowered to perform its functions and to fulfill its obligations under the Proposal to facilitate the implementation of the Proposal.

7. **THIS COURT ORDERS** that the Proposal Trustee and any other Person required to make distributions, deliveries or allocations or take any steps or actions related thereto pursuant to the Proposal, are hereby authorized and directed to complete such distributions, deliveries or allocations and to take any such related steps or actions, as the case may be, in accordance with the terms of the Proposal, and such distributions, deliveries and allocations, and steps and actions related thereto, are hereby approved.

8. **THIS COURT ORDERS** that the Company is authorized and directed to take all actions necessary or appropriate to enter into, adopt, execute, deliver, implement, and consummate all matters contemplated under the Proposal and all agreements, transactions, and documents contemplated by the Proposal.

9. **THIS COURT ORDERS** that notwithstanding anything to the contrary in the Company's articles, under the *Canada Business Corporations Act* ("CBCA") or otherwise in law, on the Implementation Date, immediately following funding of the Funded Proposal Payment:

(a) all Existing Common Shares of the Company shall be automatically cancelled and cease to exist; and

(b) the Company shall issue New Common Shares as contemplated by the Proposal;

and, so as to facilitate the foregoing, the Company be and is hereby authorized to take such steps as are necessary and appropriate, including but not limited to filing articles of reorganization and amending its articles to provide for such cancellation and issuance of shares as contemplated by the Proposal.

10. **THIS COURT ORDERS** that the Director (as defined in the CBCA) is hereby directed to file the above-referenced articles of reorganization upon receipt, and the effective date of such articles of reorganization shall be the date of issuance of the certificate of amendment in accordance with sections 191(6) and 262 of the CBCA.

11. **THIS COURT ORDERS** that this Order is the only authorization required to file the articles of reorganization or otherwise amend the Company's articles to implement the Proposal, and no shareholder's meeting or approval is required to proceed with the Proposal or amend the Company's articles, nor is the Company's shareholder entitled to dissent as a result of any amendment to the Company's articles of incorporation in accordance with the terms of the Proposal.

12. **THIS COURT ORDERS** that all Affected Creditors and any of their successors and assigns shall, at the request of the Company, from and after the Implementation Date, without delay, execute and deliver such releases, discharges, financing change statements, authorizations, directions, instruments, notices and other documents as may be requested for the purpose of evidencing and/or registering the release and discharge of any and all charges, mortgages, security interests, liens, pledges, statutory liens, executions or writ of executions with respect to such Affected Claims.

#### **GENERAL**

13. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

14. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and as against all Persons whom it may otherwise be enforced.

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or elsewhere 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 and the Proposal Trustee be at liberty and are 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 representatives in respect of the within proceedings for the purpose of having these proceedings in any jurisdiction outside of Canada.

17. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order, and this Order is enforceable without the need for entry and filing.

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**Appendix “A”**  
**Amended Proposal dated August 30, 2023**

District of Ontario  
Division No. 9 - Toronto  
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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
(IN BANKRUPTCY AND INSOLVENCY)**

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

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF NANOPAY CORPORATION**

**AMENDED PROPOSAL  
(August 30, 2023)**

Nanopay Corporation hereby submits the following Amended Proposal under the provisions of the Act.

**PART I  
INTERPRETATION**

**Definitions**

1. In this Proposal:
  - (a) “Act” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
  - (b) “Administrative Fees and Expenses” means the fees and expenses of the Trustee incidental to the NOI and the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, fees incurred by the Trustee in the administration of the Funded Proposal Payments; and, the legal fees and expenses of the Proposal Trustee and the Company before and following execution, acceptance and approval of this Proposal and in connection with the NOI and the preparation of this Proposal, as well as advice to the Company in connection therewith;
  - (c) “Affected Creditors” means those Creditors of the Company forming Classes 1 and 2, each as defined in Part III of this Proposal;



- (d) **“Approval Order”** means an order of the Court approving this Proposal to be granted pursuant to the provisions of the Act;
- (e) **“Bankruptcy Reserve”** means a reserve amount of \$30,000 to be held by the Trustee as security for the administrative costs of the bankruptcy of the Company, in the event that this Proposal is annulled, and the Company becomes bankrupt;
- (f) **“Business Day”** means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (g) **“Claim”** means any right of any Person with indebtedness, liability or obligation of any kind against the Company which indebtedness, liability or obligation is in existence at the Date of Filing, whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by surety or otherwise and whether or not such a right is executory in nature including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause, chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of Date of Filing;
- (h) **“Common Shares”** means common shares in the capital of the Company;
- (i) **“Company”** means Nanopay Corporation;
- (j) **“Convenience Claim”** means an Unsecured Creditor’s Claim against the Company which (i) is in an amount that is equal to or less than \$500 or (ii) is in an amount that is greater than \$500 and has been reduced to \$500 by election of the holder of such Claim on the ballot or voting letter provided for voting on the Proposal.
- (k) **“Convenience Class Election”** means an irrevocable election made by an Unsecured Creditor, on the ballot or voting letter provided for voting on the Proposal, that shall be deemed to amend such Unsecured Claim that is greater than \$500 and reduce the amount of such Claim to \$500 in aggregate.
- (l) **“Court”** means the Ontario Superior Court of Justice (Commercial List) in Bankruptcy and Insolvency;
- (m) **“Court Approval Date”** means the date on which the Approval Order is issued and entered by the Court;
- (n) **“Creditors”** means any Person having a Claim;

- (o) **“Creditors Meeting”** means the meeting of the Affected Creditors called for the purpose of considering and voting upon this Proposal;
- (p) **“Crown Claims”** means Claims of His Majesty in right of Canada or any province of all amounts of a kind contemplated by section 60(1.1) of the Act;
- (q) **“Date of Filing”** means the date on which the Company filed the NOI;
- (r) **“DIP Lender”** means Nephesh Partners, LLC and/or its affiliate;
- (s) **“DIP Term Sheet”** means the term sheet, dated June 15, 2023, executed by the Company and the DIP Lender on June 20, 2023;
- (t) **“Disclaimed Lease”** means any lease of real property disclaimed by the Company from and after the Date of Filing and prior to the date of this Proposal or on the date of this Proposal pursuant to Section 65.2(1) of the Act;
- (u) **“Disputed Claims”** means a Claim filed in this Proposal by a Creditor that is: (i) disallowed in whole or in part by the Trustee; and/or (ii) is the subject of a disallowance proceeding or appeal before the Court;
- (v) **“Employee Preferred Claim”** means a Claim by a current or former employee of the Company, or such portion of such Claim, that would be payable in priority under Subsection 136(1)(d) of the Act;
- (w) **“Employer Health Tax Claim”** means a Claim by His Majesty in Right of Ontario represented by the Minister of Finance in respect of employer health tax owing by the Company pursuant to the *Employer Health Tax Act* (Ontario).
- (x) **“Equity Claim”** has the meaning given to such term in Section 2 of the Act;
- (y) **“Event of Default”** has the meaning given to it in Part VIII of this Proposal;
- (z) **“Existing Common Shares”** means all Common Shares issued and outstanding immediately prior to the Implementation Date;
- (aa) **“Final Order”** means a Court order for which the applicable appeal period has lapsed with no person seeking an appeal therefrom or, if such appeal has been taken, any such appeal(s) have finally been disposed of and any related appeal rights shall have lapsed;
- (bb) **“Former Employee”** means an individual who was an employee of the Company and whose employment was terminated by the Company prior to the Date of Filing;

- (cc) **“Former Employee Claim”** means the Claim, if any, of a Former Employee arising from the Former Employee’s termination by the Company, inclusive of wages, vacation pay, termination pay and severance;
- (dd) **“Funded Proposal Payment”** shall mean funds which will be advanced to the Trustee for distribution pursuant to Part V of this Proposal;
- (ee) **“Implementation Date”** means 10 Business Days following the date the Approval Order becomes a Final Order;
- (ff) **“Inspectors”** means the inspectors, if any, appointed pursuant to Part X of this Proposal;
- (gg) **“Landlord”** means any landlord holding a Disclaimed Lease;
- (hh) **“Landlord Claim”** means any claims of landlords under Section 65.2(4)(b) of the Act;
- (ii) **“Levy”** means the levy imposed by the Superintendent of Bankruptcy under the Act;
- (jj) **“New Common Shares”** means the Common Shares to be issued by the Company on the Implementation Date;
- (kk) **“NOI”** means the Notice of Intention to Make a Proposal filed by the Company on May 19, 2023;
- (ll) **“Person”** means any individual, partnership, joint venture, trust corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (mm) **“Post-Filing Crown Claims”** means all Crown Claims that became due or shall become due on or after the Date of Filing;
- (nn) **“Post-Filing Goods and Services”** means the goods supplied, services rendered, and other consideration given or provided to the Company on or after the Date of Filing;
- (oo) **“Pre-Filing Crown Claims”** means all Crown Claims that were outstanding as at the Date of Filing;
- (pp) **“Preferred Claim”** means any claim that is afforded priority under Section 136(1) of the Act;
- (qq) **“Preferred Creditor”** means any those Persons holding a Preferred Claim, solely in respect to that Preferred Claim;

- (rr) **“Proposal”** means this amended proposal dated August 30, 2023, together with any amendments or additions thereto;
- (ss) **“Proposal Period”** means the period between the Court Approval Date and the date on which all distributions to the Creditors have been made and the Certificate of Full Performance has been issued by the Trustee to the Company, provided that no Event of Default has occurred that has not been cured or waived;
- (tt) **“Proven”** as used in relation to any Claim means such Claim as finally accepted or determined by the Trustee in accordance with the provisions of the Act and this Proposal, subject to the Creditor’s right of appeal to Court, the Court’s determination of that Claim or any applicable appeal periods having expired and no appeal having been made;
- (uu) **“Secured Claim”** means the value of any Claim by a Secured Creditor, excluding the Crown Claims;
- (vv) **“Secured Creditors”** means those Persons holding a valid and enforceable mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and includes the DIP Lender in respect of amounts advanced pursuant to the DIP Term Sheet, but excludes the Canada Revenue Agency to the extent of its Crown Claims;
- (ww) **“Trustee”** means Dodick Landau Inc., solely in its capacity as proposal trustee of the Company;
- (xx) **“Unsecured Claim”** means the value of any Proven Claim in respect of which no security is held and which is not afforded priority under Section 136(1) of the Act;
- (yy) **“Unsecured Creditors”** means those Persons holding Unsecured Claims; and
- (zz) **“WEPPA”** means the *Wage Earner Protection Program Act*.

## **Headings**

2. The division of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction or interpretation of this Proposal.

## **Number, etc.**

3. In this Proposal, where the context requires, a word importing the singular includes the plural and vice versa, and a word importing gender includes the masculine, feminine and neuter genders.

#### **Date for Action**

4. In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

#### **Accounting Principles**

5. Accounting terms not otherwise defined in this Proposal have the meanings assigned to them in accordance with generally accepted Canadian accounting principles.

#### **Currency**

6. All dollar amounts contained herein shall be in Canadian dollars.

### **PART II PURPOSE AND EFFECT OF THIS PROPOSAL**

#### **Purpose of Proposal**

7. The purpose of this Proposal is to effect a restructuring of the indebtedness of the Company in the manner contemplated herein and as permitted by the Act in the expectation that all Creditors will derive a greater benefit from the restructuring and the continued operation of the business and affairs of the Company than would result from a bankruptcy of the Company.

#### **Effect of Proposal**

8. This Proposal restructures the indebtedness of the Company and provides the essential terms on which all Creditors' Claims will be fully and finally resolved and settled. During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Creditors will be stayed from commencing or continuing any proceeding or remedy against the Corporation or any of its property or assets in respect of a Claim including, without limitation, any proceeding or remedy to recover payment of any monies, to recover or enforce any judgment against the Company in respect of a Claim or to commence any formal proceedings against it other than as provided for under this Proposal.

### **PART III CLASSIFICATION OF CREDITORS**

9. For the purpose of this Proposal, Creditors with Proven Claims shall be in the following classes:

- (a) Class 1 - His Majesty in Right of Ontario represented by the Minister of Finance in respect of any portion of an Employer Health Tax Claim that is a Secured Claim;
- (b) Class 2 – Creditors with Proven Preferred Claims, Proven Unsecured Claims and Proven Former Employee Claims, and for certainty shall include Proven Convenience Claims and Proven Claims of His Majesty in Right of Canada and any province for all amounts other than Crown Claims or Secured Claims.

#### **PART IV SECURED CREDITORS**

- 10. Other His Majesty in Right of Ontario represented by the Minister of Finance in respect of any portion of a Employer Health Tax Claim that is a Secured Claim, as set forth in paragraph 13 below, no Secured Creditors shall be affected by this Proposal.

#### **PART V TREATMENT OF VARIOUS CLAIMS, FUNDING OF PROPOSAL AND DISTRIBUTION**

##### **Crown Claims**

- 11. At the Date of Filing, the Company owed approximately \$192,000 to CRA for employee source deduction, including related penalties and interest calculated up to the Date of Filing. Subsequent to the Date of Filing, all outstanding amounts were paid or set off against the Company's HST refund and no such amounts are currently owing.
- 12. All Proven Pre-Filing Crown Claims (if any) shall be paid in full out of the Funded Proposal Payment and shall be remitted by the Trustee to His Majesty in the Right of Canada or of any province, as applicable, within six (6) months of the Court Approval Date.

##### **Employer Health Tax Claims**

- 13. His Majesty in Right of Ontario represented by the Minister of Finance shall receive in respect of any portion of a Proven Employer Health Tax Claim that is a Secured Claim a distribution of \$50,000 which amount shall be paid out of the Funded Proposal Payment on the Implementation Date. Any portion of a Proven Employer Health Tax Claim that is not a Secured Claim shall be treated as a Proven Unsecured Claim.

### **Employee Preferred Claims**

14. All Proven Employee Preferred Claims (if any) shall be paid in full out of the Funded Proposal Payment and shall be remitted by the Trustee to the entitled claimants immediately after the Court Approval Date.

### **Former Employee Claims**

15. All Proven Former Employee Claims shall be paid an amount equal to the Former Employee's maximum entitlement under WEPPA, less any amounts received on account of Employee Preferred Claims. These amounts shall be paid out of the Funded Proposal Payment on the Implementation Date.

### **Preferred Claims (in addition to Employee Preferred Claims)**

16. Proven Preferred Claims (if any), other than Employee Preferred Claims, shall be paid in full, without interest, out of the Funded Proposal Payment on the Implementation Date.

### **Convenience Claims**

17. Proven Convenience Claims shall be paid in full, without interest, out of the Funded Proposal Payment on the Implementation Date.

### **Unsecured Claims**

18. Creditors holding Proven Unsecured Claims (not including Convenience Claims) shall receive, on a *pro rata* basis, 1% of the New Common Shares. The New Common Shares shall be provided to the Trustee on the Implementation Date and distributed to the holders of Proven Unsecured Claims in accordance with this Proposal.<sup>1</sup>

### **Equity Claims**

19. Equity Claims shall not receive any distribution, payment or other consideration under this Proposal.

### **Landlord Claims**

20. All Landlords of and in respect of a Disclaimed Lease shall be entitled to file a proof of claim for an amount equal to the lessor of:
  - (a) the aggregate of:

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<sup>1</sup> The remaining 99% of New Common Shares will be issued to the Company's new investors.

- (i) the rent provided for in the Disclaimed Lease for the first year of the Disclaimed Lease following the date on which the disclaimer thereof becomes effective; and
    - (ii) fifteen percent of the rent for the remainder of the term of the Disclaimed Lease after that year; and
  - (b) three years' rent,
- or as otherwise may be arranged with the Company and agreed to by the Trustee.
21. All Landlords and Landlord Claims shall be included in Class 2 under this Proposal. All Landlords shall be deemed to be and shall be treated as Unsecured Creditors, and Landlord Claims shall be deemed to be and shall be treated as Unsecured Claims under this Proposal.

#### **Funded Proposal Payments**

22. The Company will cause to be paid to the Trustee the Funded Proposal Payment immediately after the Court Approval Date.
23. The Funded Proposal Payment shall be an amount equal to the aggregate value of:
- (a) the estimated Administrative Fees and Expenses;
  - (b) the Bankruptcy Reserve;
  - (c) the distribution in respect of any portion of a Proven Employer Health Tax Claim that is a Secured Claim, as set forth in paragraph 13 above;
  - (d) the Proven Pre-Filing Crown Claims;
  - (e) the Proven Employee Preferred Claims;
  - (f) the Proven Former Employee Claims;
  - (g) the Proven Preferred Claims (not including Employee Preferred Claims);
  - (h) the Proven Convenience Claims; and
  - (i) the value of Disputed Claims that if a Proven Claim would be related to the amounts in sub-paragraphs (c)-(h) of this Paragraph 23.

#### **Distributions of Funded Proposal Payments**

24. The Funded Proposal Payment shall be distributed by the Trustee in the following order of priority:
- (a) first, to the Administrative Fees and Expenses;



- (b) second, to establish the Bankruptcy Reserve, to be held in trust by the Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled, and the Company becomes bankrupt, failing which such amount shall be repaid to the Company;
- (c) third, to Proven Pre-Filing Crown Claims;
- (d) fourth, to Proven Employer Health Tax Claim (secured portion only);
- (e) fifth, to Proven Employee Preferred Claims;
- (f) sixth, to Proven Preferred Claims, without interest;
- (g) seventh, to the Proven Former Employee Claims;
- (h) eighth, to Proven Convenience Claims; and
- (i) ninth, to pay any Disputed Claims that are determined to be Proven Claims in accordance with Paragraph 24 of this Proposal and any excess amounts shall be repaid to the Company.

#### **Cancellation and Issuance of Common Shares**

- 25. As of the Implementation Date, all Existing Common Shares shall no longer be outstanding, shall be automatically cancelled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor. All Persons holding Existing Common Shares shall deliver any original share certificates issued in respect thereto to the Trustee for cancellation or otherwise provide evidence of cancellation satisfactory to the Trustee.
- 26. On the Implementation Date, the Trustee shall receive a share certificate representing 1% of the New Common Shares issued in the name of the Trustee, in trust.
- 27. Unsecured Creditors shall receive from the Trustee their *pro rata* share of 1% of the New Common Shares as soon as practicable after the Implementation Date. No fractional shares shall be issued. All amounts will be rounded down to the nearest whole number.
- 28. Upon resolution of all Disputed Claims, if any, the Trustee shall provide to the Company a final list of Unsecured Creditors with Proven Unsecured Claims and return the share certificate issued in the name of the Trustee to the Company and the Company shall deliver to the Trustee for distribution to the Unsecured Creditors share certificates representing each such Unsecured Creditors' entitlement.

### **Amendments to Agreements**

29. Notwithstanding the terms and conditions of all agreements or other arrangements with Creditors entered into before the Date of Filing, provided that no Event of Default has occurred and is continuing hereunder, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern. All Creditors will provide such acknowledgements, agreements, discharges or other documentation as may be necessary to give effect to the intent of this Proposal.

### **Treatment of Claims**

30. For purposes of this Proposal, each Creditor holding a Claim will receive the treatment provided for in this Proposal on account of such Claim.

## **PART VI POST-FILING OBLIGATIONS**

### **Payment of Post-Filing Goods & Services**

31. During the Proposal Period, all Post-Filing Goods and Services shall be paid in full in the ordinary course of business by the Company.

### **Post-Filing Crown Claims**

32. During the Proposal Period, the Company shall remit all Post-Filing Crown Claims as and when due.

### **Reporting by the Company**

33. During the Proposal Period, the Company shall provide to the Trustee, no later than 5 Business Days after receipt of a written request, a report containing the information set out below:
- (a) a cash flow statement for the Company's business and affairs for the prior three months; and
  - (b) evidence of Company's filing and remittance of source deductions and HST.

## **PART VII LEVY, MANDATORY PAYMENTS AND PREFERRED CLAIMS**

### **Levy**

34. The Levy, if applicable, shall be deducted by the Trustee from distributions to Creditors by the Trustee.

### **Payment of Fees and Expenses**

35. As per Part V of this Proposal, the Administrative Fees and Expenses shall be paid in priority to the Crown Claims and all other Creditors. The Trustee will be at liberty to withdraw and pay such Administrative Fees and Expenses at any time and from time-to-time subject to final approval by the Registrar in Bankruptcy upon completion of the Proposal. The Trustee's disbursements will be charged in addition to its fees based on the actual costs incurred and/or as allowed by tariff.

### **Employee Claims**

36. As per Part V of this Proposal, all Employee Preferred Claims (if any) will be paid in priority to other Claims immediately after the issuance of the Approval Order.

### **Preferred Claims**

37. As per Part V of this Proposal, Proven Claims of Preferred Creditors, without interest, are to be paid in full priority to all Claims of the Unsecured Creditors including, without limitation, any entitlement of the Unsecured Creditors to the distributions to be made under Part V of this Proposal.

## **PART VIII EVENTS OF DEFAULT**

38. The following events will constitute Events of Default for purposes of section 63 of the Act and otherwise under this Proposal:
- (a) the non-payment by the Company of any of its obligations hereunder within thirty (30) days after written notice has been given by the Trustee that such payment is past due; and
  - (b) the breach or failure by the Company to observe and perform any other covenant and provision of this Proposal, other than payment as provided for in paragraph 38(a) above, which is not remedied within thirty (30) days after written notice thereof has been given to the Company by the Trustee.

## **PART IX TRUSTEE**

39. The Trustee is acting solely in its capacity as proposal trustee under the Act and not in its personal capacity and no officer, director, employee or agent of the Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of the Company.
40. Any payments made by the Trustee to Creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.

## **PART X INSPECTORS**

### **Appointment of Inspectors**

41. At the Creditors Meeting, the Affected Creditors will be entitled to appoint one or more, but not exceeding five (5) Inspectors in total.

### **Powers of Inspectors**

42. The Inspectors, by way of majority, will have the following powers, but will have no personal liability to the Company or other Creditors:
  - (a) the power to extend the dates the Funded Proposal Payment is due under this Proposal;
  - (b) the power to waive any default in the performance of any provision of this Proposal; and
  - (c) the power to advise the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee.

## **PART XI CONDITIONS PRECEDENT**

### **Creditor Approval**

43. The Trustee shall call a meeting of the Affected Creditors of the Company to seek Creditor approval of the Proposal in the requisite majority in number and value of the class, as set out in the Act, of Creditors described in this Proposal.
44. The performance of this Proposal by the Company shall be conditional upon approval of the Affected Creditors. If such Affected Creditors do not approve the Proposal, the Trustee shall report on the result of the vote as required under section 57 of the Act and the Company shall be deemed bankrupt.

### **Court Approval**

45. In the event the Proposal is approved by the Affected Creditors the Proposal Trustee shall, as soon as practicable, apply to the Court for a hearing to seek the Approval Order. The performance of this Proposal by the Company shall be conditional upon the issuance of the Approval Order. In the event that the Court does not approve the Proposal, the Company shall be deemed bankrupt.

### **PART XII RELEASES**

46. As at 12:01 a.m. the Implementation Date, the Company, shall be released and discharged from any and all Claims. This release shall have no force or effect if the Company goes bankrupt before the terms of the Proposal are performed.
47. As of 12:01 a.m. the Implementation Date, each and every present and former director of the Company shall be released from claims against them that arose before the Date of Filing and that relate to the obligations of the Company where such persons are by law liable in their capacity as directors for the payment of such obligations, provided that nothing herein shall release or discharge any director of the Company from any claims coming within the exceptions set out in section 50(14) of the Act. This release shall have no force or effect if the Company goes bankrupt before the terms of the Proposal are performed.

### **PART XIII MISCELLANEOUS**

#### **Nanopay Holdings Inc.**

48. Nanopay Holdings Inc. has agreed, as evidenced by such Creditor's signed confirmation appended as Schedule "A" hereto, that: (a) it is related to the Company within the meaning of the Act; (b) it will not file any Claim in this Proposal; and (c) it will not participate in any distributions to Creditors under this Proposal. Any Claim of Nanopay Holdings Inc. shall not be affected or otherwise compromised by this Proposal.

#### **Preferential Payments**

49. Sections 95 to 101 of the Act shall not apply to any dealings by the Company at any time prior to the Date of Filing. The releases contemplated in Part XII of this Proposal include releases from all claims, actions, or remedies available to Creditors or others pursuant to Sections 95 to 101 of the Act, provided that nothing herein shall release any director of the Company from any claims coming within the exceptions set out in Section 50(14) of the Act.

### **Consents, Waivers and Agreements**

50. On the Implementation Date, all Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. For greater certainty, each such Creditor will be deemed to have waived any default by the Company in any provision, express or implied, in any agreement existing between the Creditor and the Company that has occurred on or prior to the Date of Filing, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of this Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

### **Further Actions**

51. The Company and the Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated hereby.

### **Performance**

52. Except where otherwise expressly provided, all obligations of the Company under this Proposal will commence as of the Implementation Date. All obligations of the Company under this Proposal will be fully performed for the purposes of Section 65.3 of the Act only upon the Company having made the payments and New Common Share issuances provided for herein.

### **Acceleration of Payments**

53. Notwithstanding the payment structure set out in Part V of this Proposal, nothing herein prevents or restricts the Company from accelerating the Funded Proposal Payment or from satisfying the full amount of the Funded Proposal Payment in advance of the time period contemplated in Part V of this Proposal.

### **Binding Effect**

54. The provisions of this Proposal will be binding on the Creditors and the Company, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Approval Order after all appeal periods have expired.

## **PART XIV ANNULMENT OF PROPOSAL**

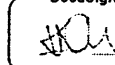
55. If this Proposal is annulled by an order of the Court, all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of Creditors.

**PART XV  
AMENDMENTS**

56. The Company may propose amendments to the Proposal at any time prior to the conclusion of the Creditors Meeting provided that any such amendment does not reduce the rights and benefits given to the Creditors pursuant to the Proposal before such amendment and that any and all amendments shall be deemed to be a part of and incorporated into the Proposal.

**DATED** at the City of Toronto, in the Province of Ontario, as of this 30th day of August 2023.

**NANOPAY CORPORATION**


DocuSigned by:  
  
Per: \_\_\_\_\_  
Name: Laurence Cooke  
Title: CEO

**SCHEDULE "A"**  
**CONFIRMATION OF NANOPAY HOLDINGS INC.**

Nanopay Holdings Inc. hereby confirms, acknowledges and agrees that it is related to the Company within the meaning of the Act, that it will not file a Claim under this Proposal and it will not participate in any distributions to Unsecured Creditors under this Proposal.

Date: August 30, 2023

**NANOPAY HOLDINGS INC.**

DocuSigned by:  
  
Per: \_\_\_\_\_  
Name: Laurence Cooke  
Title: CEO



District of Ontario  
Division No. 9 - Toronto  
Court File No.: BK-23-2946534-0031  
Estate File No.: 31-2946534

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF NANOPAY CORPORATION**

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

PROCEEDING COMMENCED AT TORONTO

**ORDER**

**LOOPSTRA NIXON LLP**

130 Adelaide St. West, Suite 2800  
Toronto, ON M5H 3P5

**R. Graham Phoenix** (LSO No.: 52650N)

&

**Shahrazad Hamraz** (LSO No.: 85218H)

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[shamraz@loonix.com](mailto:shamraz@loonix.com)

*Lawyers for the Proposal Trustee, Dodick Landau Inc.*