

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

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

PROPOSAL

Biosenta Inc. (the “**Corporation**”), the above-named debtor, submits the following Proposal under the *Bankruptcy and Insolvency Act* (Canada).

**PART I
INTERPRETATION**

Definitions

1. In this Proposal, capitalized terms will have the following meanings:
 - (a) “**Act**” means the *Bankruptcy and Insolvency Act* (Canada), as it may be amended from time to time;
 - (b) “**Business Day**” means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario;
 - (c) “**CD**” means an unsecured convertible debenture issued under the CD Agreement;
 - (d) “**CD Agreement**” means the agreement between the Corporation and the CD Holders defining the terms and conditions of the unsecured convertible debentures;
 - (e) “**CD Holder**” means a person or company that has a CD Agreement with the Corporation;
 - (f) “**Claim**” means any indebtedness, liability, action, cause of action, suit, debt, due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature of the Corporation to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured,

present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to the Filing Date. Without limiting the generality of the foregoing, and for greater certainty, the Claim of any Landlord shall be calculated in accordance with section 65.2(4)(b)(i) of the Act;

- (g) “**Class**” means the class of Creditors designated in Part III of this Proposal;
- (h) “**Convenience Claim**” means any Claim that is not more than \$5,000, provided that Creditors shall not be entitled to divide a Claim for the purpose of qualifying such Claim as a Convenience Claim;
- (i) “**Convenience Creditor**” means any Creditor having a Convenience Claim;
- (j) “**Court**” means the Superior Court of Justice, in Bankruptcy and Insolvency;
- (k) “**Court Approval Date**” means the date on which the Court makes the Final Order;
- (l) “**Creditor**” means any person who holds one or more Claims;
- (m) “**Crown Claims**” means all amounts owing to Her Majesty in Right of Canada or a Province for all amounts that were outstanding on the Filing Date and are of a kind that could be subject to a demand under:
 - (i) subsection 224(1.2) of the *Income Tax Act*;
 - (ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee’s premium, or employer’s premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
 - (iii) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum;

(A) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or

(B) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection;

- (n) “**Effective Date**” means the date on which the transactions and agreements provided for in this Proposal are to become effective, as determined in the Final Order, which will be no later than 15 days after the Court Approval Date;
- (o) “**Employees**” means all of the employees of the Corporation;
- (p) “**Event of Default**” has the meaning given to it in Section Part VII27 of this Proposal;
- (q) “**Filing Date**” means the date on which the Corporation filed its proposal under the Act with the Proposal Trustee;
- (r) “**Final Order**” means an order of the Court approving this Proposal to be granted under the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and that dismissal having become final;
- (s) “**Fiscal Year**” means the fiscal year of the Corporation ending on September 30 in each year;
- (t) “**Landlord**” means Century Standard Development Corporation in its capacity as landlord of the property at 1120 Finch Avenue West, Toronto, Ontario;
- (u) “**Maturity Date**” means three years from the Effective Date;

- (v) “**Preferred Claim**” means any amount owed to a Preferred Creditor that is payable to such Preferred Creditor in priority to the Claims of other Creditors, as provided in section 136 of the Act;
- (w) “**Preferred Creditor**” means any Creditor entitled to receive a Preferred Claim;
- (x) “**Promissory Noteholder(s)**” means the holder(s) of the secured grid note of the Corporation dated October 28, 2015 in the aggregate principal amount of up to \$300,000, together with additional secured promissory notes in the aggregate amount of up to \$500,000;
- (y) “**Proposal**” means this Proposal made under the Act, as further amended or supplemented from time to time;
- (z) “**Proposal Fund**” means any moneys in the bank account of the estate trust account controlled by the Proposal Trustee and any shares in the possession of the Proposal Trustee;
- (aa) “**Proposal Period**” means the period between the Court Approval Date and the Maturity Date;
- (bb) “**Proposal Trustee**” means A. Farber & Partners Inc., the Trustee acting in re the proposal of the Corporation;
- (cc) “**Secured Creditor**” means the Creditors who have security against various assets of the Corporation with respect to their Claims, being only the Promissory Noteholder(s); and
- (dd) “**Unsecured Creditor**” means any Creditor other than Preferred Creditors and Secured Creditors whose Claims arose by reason of the supply of goods or services to or for the account of the Corporation prior to the Filing Date, or whose Claims arose by reason of the loaning of money to the Corporation on an unsecured basis or which Claims arose by any other reason prior to the Filing Date, and includes any Secured Creditor to the extent of any Claim remaining following the realization by such Secured Creditor of its security.

Headings

2. The division of this Proposal into parts, paragraphs and sub-paragraphs, and the insertion of headings, are for convenience of reference only and are not to affect the construction or interpretation of this Proposal. Unless otherwise provided in this Proposal, references to parts, paragraphs and sub-paragraphs are references to parts, paragraphs and sub-paragraphs 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 an action is required to be taken under this Proposal is not a Business Day, that action will be required to be taken on the next succeeding day that is a Business Day.

Time

5. All times expressed in this Proposal are local time in Toronto, Ontario.

Successors and Assigns

6. This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, personal representatives, successors and assigns of all persons named or referred to in the Proposal including, without limitation, all Creditors.

Accounting Principles

7. Accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles for financial reporting in Canada as recommended and approved by the Canadian Institute of Chartered Accountants, or its successor, in its handbook.

PART II EFFECT OF THIS PROPOSAL

Effect of Proposal

8. This Proposal restructures the affairs of the Corporation and amends the terms of any and all agreements between the Corporation and the Creditors existing as at the Court Approval Date and provides the essential terms on which all 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 under this Proposal, 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 owing to Creditors, to recover or enforce any judgment against the Corporation in respect of a Claim or to commence any formal proceedings against it other than as provided for under this Proposal. For greater certainty, any rights of the Landlord or any other of the Corporation's landlords to levy distress against the property assets of the Corporation are stayed.

Persons Affected

9. This Proposal will, in accordance with its terms, be binding on the Corporation and all Secured, Preferred and Unsecured Creditors.

PART III CLASSIFICATION AND TREATMENT OF CLAIMS

Classes of Creditors

10. For the purposes of voting on this Proposal, there will be one consolidated class of creditors, which will be composed of all of the Creditors.

Amendments to Agreements

11. Despite the terms and conditions of all agreements or other arrangements with Creditors entered into before the Filing Date, for so long as an Event of Default has not occurred or, if it has, it is not continuing under this Proposal, all those 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. If there is any conflict or inconsistency between the terms of those agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern. All Creditors will, upon request of the Corporation, provide those acknowledgements, agreements, discharges or other documentation as may be necessary to give effect to the intent of this Proposal.

Treatment of Claims

12. For purposes of this Proposal, each Creditor will receive the treatment provided for in this Proposal on account of that Creditor's Claim, but only to the extent that such Claim has not been paid, released, or otherwise satisfied prior to the Effective Date.
13. During the Proposal Period, and provided that an Event of Default has not occurred or, if it has, is not continuing, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Corporation or its property based upon a Claim existing on or before the Filing Date, including, without limitation, any proceeding or remedy to recover payment of that Claim, to realize against any security granted in respect of that Claim, to recover or enforce a judgment against the Corporation in respect of that Claim, or to initiate any proceedings against it under any applicable bankruptcy, insolvency or other laws in respect of that Claim, other than an application or proceeding in connection with this Proposal.
14. Each Convenience Creditor shall receive a cash payment from the Corporation on the Effective Date equal to its Convenience Claim.
15. Subject to such issuance being in accordance with applicable securities laws without the need to file any material documents on the part of the Corporation, each Secured Creditor will receive common shares equal in number to 25/700ths of the total (fully-diluted) issued and outstanding common shares of the Corporation, following all issuances under this Proposal, rounded up to the nearest whole share in the case of fractions, in full satisfaction of each \$250,000 of its Claim (pro-rated for partial amounts).

16. Subject to such issuance being in accordance with applicable securities laws without the need to file any material documents on the part of the Corporation, in order to receive a distribution pursuant to this Proposal, each Unsecured Creditor who is not a Convenience Creditor shall, by no later than 45 days after the Effective Date, inform the Proposal Trustee of its election to:

- (a) Receive common shares equal in number to $1/700^{\text{ths}}$ of the total (fully-diluted) issued and outstanding common shares of the Corporation, following all issuances under this Proposal, rounded up to the nearest whole share in the case of fractions, in settlement of each \$10,000.00 of its Claim (pro-rated for partial amounts), in full satisfaction of its Claim; or
- (b) Receive a cash amount equal to up to 50% of the amount its Claim in full satisfaction of its Claim, as follows:
 - (i) Within 45 days after the Effective date, the Proposal Trustee shall (subject to paragraphs 17 and 18) distribute 15% of the value of each Unsecured Creditor's Claim to that Unsecured Creditor not electing under part (a) of this paragraph; and
 - (ii) The Corporation will pay each Unsecured Creditor not electing under part (a) of this paragraph 35% of that Unsecured Creditor's Claim as cash flows permit (in the board's discretion) after payment of all Secured Creditor Claims and Preferred Creditor Claims and after other post-proposal expenses and reserves, in the discretion of the Corporation's board of directors.

The aggregate of cash payments that may be made pursuant to paragraph 16(b)(i) of this Proposal shall not exceed \$215,000. If the total value of distributions to be made pursuant to paragraph 16(b)(i) exceeds \$215,000, then all Unsecured Creditors who have elected and would be entitled to receive cash pursuant to paragraph 16(b)(i) will receive their rateable share of the \$215,000 available for distribution to Unsecured Creditors not electing to receive a distribution under paragraph 16(a). The balance of each such

Unsecured Creditor's entitlement under paragraph 16(b)(i) will be distributed to that Unsecured Creditor in accordance with paragraph 16(a).

Any Unsecured Creditor who fails to notify the Proposal Trustee of that Unsecured Creditor's election in accordance with this section will receive a distribution under paragraphs 16(b)(i) or (ii) as the Proposal Trustee considers appropriate.

17. Any Unsecured Creditor who fails to deliver a proof of claim to the Proposal Trustee within 45 days after the Effective Date shall be forever barred from receiving and shall not receive a distribution pursuant to this Proposal. Any Claims of such Unsecured Creditor shall be forever barred and extinguished.
18. Any distribution to be made by the Proposal Trustee shall be made within 45 days of the date the Corporation receives an amount on account of and to be credited to the Proposal Fund, provided that at such time the balance in the Proposal Fund is at least \$150,000; subject to the following sentence, there shall be no distribution to the Unsecured Creditors from the Proposal Fund until the balance therein is in excess of \$100,000 after deducting therefrom all amounts provided for by the terms of this Proposal. Notwithstanding the foregoing, on the Maturity Date, the Proposal Trustee shall distribute the remaining balance in the Proposal Fund, after deducting therefrom all amounts provided for by the terms of this Proposal, in accordance with paragraph 16 of this Proposal

PART IV PREFERRED CLAIMS AND MANDATORY PAYMENTS

Preferred Claims

19. Each Preferred Creditor is to be paid the entirety of its Preferred Claim (without interest) within 5 business days after the Effective Date in full priority to all Claims of Unsecured Creditors.

Payment of Fees

20. All proper fees and expenses of the Proposal Trustee and reasonable legal and other professional fees incurred by the Proposal Trustee on and incidental to the proceedings

arising out of this Proposal and in connection with the preparation of this Proposal and in the administration of this Proposal, including advice to the Corporation in connection with this Proposal, will be paid in priority to all Claims of Creditors.

Crown Claims

21. During the Proposal Period, the Corporation will pay and keep current Her Majesty in right of Canada and in right of Ontario all Crown Claims. Any such Claims outstanding at the Filing Date will be paid within six months after the Court Approval Date.
22. During the Proposal Period, the Corporation agrees that any income tax refund, HST/GST refund or rebate that may be due to the Corporation on account of the Fiscal Year in which this Proposal is filed or any previous Fiscal Year may be set-off against any amounts owing by the Corporation on account of income tax arrears or HST/GST, as the case may be.

Employees' Claims

23. For greater certainty, all payments payable to former or current employees of the Corporation which would be payable in priority under subsection 136(1) of the Act should the Corporation become a bankrupt will be paid on the Effective Date.

**PART V
PAYMENT PROCESS DURING PROPOSAL**

24. All amounts payable by the Corporation to any Creditor under this Proposal during the Proposal Period will be paid by it to the Proposal Trustee at least three Business Days before the dates on which those payments must be made to the Creditors. The Proposal Trustee will distribute all those payments to Creditors on the dates appointed for those payments under this Proposal and the Creditors will accept these payments in full and complete satisfaction of their Claims.

**PART VI
COVENANTS OF THE CORPORATION**

Perform Terms of Proposal

25. The Corporation covenants and agrees to fulfil its obligations under the terms of this Proposal.

Taxes

26. The Corporation shall during the Proposal Period:
- (a) remit any and all corporate tax instalment payments and file income tax returns as required by the *Income Tax Act* (Canada);
 - (b) remit any and all HST/GST payments and file HST/GST returns as required by the *Excise Tax Act* (Canada); and
 - (c) remit any and all payroll deductions, including without limitation, employment insurance premiums, Canada Pension Plan contributions and income tax deductions, as required by applicable law.

**PART VII
EVENTS OF DEFAULT**

27. The following events will constitute Events of Default (subject to paragraph Part IX31) for purposes of section 63 of the Act and otherwise under this Proposal:
- (a) the non-payment by the Corporation of any of its obligations under this Proposal within ten Business Days after written notice has been given by the Proposal Trustee to the Corporation that such payment is past due; and
 - (b) the breach or failure by the Corporation to observe and perform any covenant and provision of this Proposal, other than payment as provided for in subparagraph 27(a) of this Proposal, which is not remedied within thirty days after written notice of that breach or failure has been given to the Corporation by the Proposal Trustee.

The Corporation agrees that time shall be of the essence of this Proposal, and that the occurrence of an Event of Default which has not been cured or addressed in accordance with this Proposal or Section 62.1 of the Act shall constitute a default in the performance of this Proposal, and in such circumstances the Corporation shall consent to any application for annulment of this proposal that is made on behalf of Her Majesty in right of Canada.

PART VIII PROPOSAL TRUSTEE

Confirmation of Appointment

28. A. Farber & Partners Inc. will be the Proposal Trustee under this Proposal.

Meeting of Creditors

29. The Proposal Trustee will call one or more meetings of the Creditors, to be held whenever practicable within twenty-one days after the filing of the Proposal with the official receiver, at those dates, times and places as may be agreed upon by the Proposal Trustee and the Corporation.

Proofs of Claim

30. All Creditors will be required to submit a proof of claim to the Proposal Trustee, the face amount of which will govern for the purpose of voting at the meeting of Creditors to be held to consider this Proposal, unless otherwise disputed or disallowed by the chair of the meeting of Creditors. Thereafter, the Proposal Trustee will examine all proofs of claim and may require further evidence and support of the Claim or the security for a Claim. The provisions of section 135 of the Act will apply to all proofs of claim submitted by Creditors.

**PART IX
INSPECTORS**

Appointment of Inspectors

31. At a meeting or meetings of Creditors that are held to consider this Proposal, the Creditors will be entitled to appoint inspectors, but not exceeding five inspectors in total. The inspectors will have the following powers, but will have no personal liability to the Corporation or other Creditors:
- (a) the power to extend the dates of payments provided under this Proposal, if any such extensions are in the best interests of the Creditors, provided that prior to extending the payment dates with respect to any Secured Creditor, the approval of the applicable Secured Creditor has been obtained;
 - (b) the power to waive any default in the performance of any provision of this Proposal, provided that prior to waiving any default that has an impact on the Corporation's obligations to any Secured Creditor, the approval of the applicable Secured Creditor has been obtained;
 - (c) the power to permit the Corporation to amend any agreement under this Proposal where any such amendment is in the best interests of the Creditors, provided that prior to making amendments to agreements with any Secured Creditor, the approval of the applicable Secured Creditor has been obtained;
 - (d) advising the Proposal Trustee in respect of those matters as may be referred to the inspectors by the Proposal Trustee; and
 - (e) advising the Proposal Trustee concerning any dispute that may arise as to the validity of Claims of Preferred and Unsecured Creditors under this Proposal.

**PART X
CONDITIONS PRECEDENT**

32. As provided for in the Act, the arrangements set out in this Proposal will not take effect unless the conditions set forth below are substantially satisfied on or before the Effective Date:
- (a) all approvals and consents to the Proposal that may be required have been obtained;
 - (b) no order or decree restraining or enjoining the consummation of the transactions contemplated by this Proposal will have been issued; and
 - (c) all agreements or instruments necessary to effect the intention and purpose of this Proposal will have been received by the Corporation in a form satisfactory to the Corporation and the Proposal Trustee.

**PART XI
APPLICATION FOR FINAL ORDER**

Application for Final Order

33. The Proposal Trustee will apply forthwith to the Court for the Final Order upon approval by the Creditors of this Proposal.

**PART XII
MISCELLANEOUS**

Consents, Waivers and Agreements

34. On the Effective 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 Creditor will be deemed to have waived any default by the Corporation in any provision, express or implied, in any agreement existing between the Creditor and the Corporation that has occurred on or prior to the Effective Date, 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 govern and the provisions of any such agreement are amended accordingly.

Performance

35. All obligations of the Corporation under this Proposal will commence as of the Effective Date. All terms of this Proposal will take effect as of the Court Approval Date. All obligations of the Corporation under this Proposal will be fully performed for the purposes only of section 65.3 of the Act upon the Corporation having made the payments to Creditors provided for in this Proposal.

Binding Effect

36. The provisions of this Proposal will be binding on the Creditors and the Corporation, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Final Order after all appeal periods have expired. Notwithstanding the foregoing, this Proposal shall not be binding on Her Majesty in right of Canada if at the time of filing the Proposal, the Corporation, or any person acting on its behalf, did not disclose all relevant information relating to the assets, liabilities or any aspect of the business of the Corporation which should have been disclosed to all Creditors.

Compromise Effective for all Purposes

37. The payment, compromise or other satisfaction of any Claim under this Proposal will be binding upon such Creditor, its heirs, executors, administrators, successors and assigns, for all purposes and to such extent will also be effective to relieve any third party directly or indirectly liable for that indebtedness, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise. Notwithstanding the foregoing, should the Corporation fail to comply with any provision of this Proposal and is declared a bankrupt, the Corporation agrees that Her Majesty in right of Canada shall be entitled to prove the full amount of all debts originally proved in the Proposal in the subsequent bankruptcy of the Corporation net of any payments or dividends received prior to the Corporation becoming bankrupt.

**PART XIII
ANNULMENT OF PROPOSAL**

Annulment

38. If this Proposal is annulled by an order of the Court, all security documents, agreements and other arrangements with Secured Creditors, Unsecured Creditors and Preferred Creditors that existed before approval of this Proposal, will be deemed to continue in full force and effect, as if the Proposal had been rejected at the initial meetings of Creditors, such that none of the amendments to those agreements provided in this Proposal if any will be in effect; provided, however, that all payments on account of Claims made under the terms of this Proposal will reduce the Claims of Creditors. In addition, the provisions of section 63 of the Act will apply to any annulment of this Proposal.

Dated this 17th day of November, 2015.

BIOSENTA INC.

By: _____

Dene Rogers
President and CEO

A handwritten signature in black ink, appearing to read "Dene Rogers", is written over a horizontal line. The signature is stylized and cursive.