

## SUBSCRIPTION AGREEMENT

~~THIS AGREEMENT~~ made effective as of the 16th day of May, 2011 (the "**Effective Date**")

BETWEEN:

**PACIFIC THERAPEUTICS LTD.**, a corporation incorporated under the laws of British Columbia having a place of business at 409 Granville Street, Suite 1023, Vancouver, British Columbia V6C 1T2

(the "**Corporation**")

AND:

**THE PARTIES NAMED AND SIGNING  
AS PURCHASERS ON SCHEDULE "A"**

(the "**Purchasers**")

WHEREAS:

A. Subject to the terms and conditions hereinafter set forth, the Purchasers hereby irrevocably agree to purchase and the Corporation hereby irrevocably agrees, subject to the making of Draw Downs (as hereinafter defined), to issue and sell from time to time up to an aggregate amount of \$200,000 worth of Class "A" Common shares in the capital of the Corporation (the "**Securities**") at a price that is the greater of \$0.10 and the closing market price of the Securities on the day prior to the dissemination of a news release announcing the allotment less the maximum discount prescribed by the Canadian National Stock Exchange ("**CNSX**") Policy 6 (the "**Issue Price**"), as set by the board of directors of the Corporation (the "**Board**");

B. It is the intention of the parties to this agreement (the "**Agreement**") that this investment will be made pursuant to appropriate exemptions (the "**Exemptions**") from the registration and prospectus or equivalent requirements of all rules, policies, notices, orders and legislation of any kind whatsoever (collectively, the "**Securities Rules**") of all jurisdictions applicable to this investment; and

C. The Purchasers have agreed to enter into this Agreement with the Corporation to set forth the terms and conditions relating to the Draw Downs and the issuance of the Securities upon the completion of each Draw Down.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained, the receipt of which is hereby acknowledged, the parties covenant and agree with each other as follows:

### 1. **Commitment for the Purchase and Sale of Securities**

1.1 Subject to the terms and conditions set forth herein, the Corporation may from time to time until termination of this Agreement issue and sell to the Purchasers, and the

Purchasers shall acquire from the Corporation, for a maximum aggregate consideration of \$200,000 (the “**Investment Amount**”), Securities based on Draw Downs hereunder.

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2. **Representations and Warranties of the Purchaser**

2.1 The Purchaser represents and warrants to the Corporation, and acknowledges that the Corporation is relying on these representations and warranties to, among other things, ensure that it is complying with all of the applicable Securities Rules, that:

- (a) the Purchaser is purchasing the Securities as principal for its own account and not for the benefit of any other person;
- (b) the Purchaser is:
  - (i) a director, officer, employee, “founder” (as that term is defined in National Instrument 45-106 *Prospectus and Registration Exemptions* (“NI 45-106”) and set out in Schedule “B” to this Agreement) or “control person” (as that term is defined in the *Securities Act* (British Columbia) and set out in Schedule “B” to this Agreement) of the Corporation; **OR**
  - (ii) a spouse, parent, grandparent, brother, sister or child of a director, “executive officer” (as that term is defined in NI 45-106 and set out in Schedule “B” to this Agreement), founder or control person of the Corporation; **OR**
  - (iii) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer, founder or control person of the Corporation; **OR**
  - (iv) a close personal friend of a director, executive officer, founder or control person of the Corporation; **OR**
  - (v) a close business associate of a director, executive officer, founder or control person of the Corporation; **OR**
  - (vi) a security holder of the Corporation; **OR**
  - (vii) an “accredited investor” (as that term is defined in NI 45-106 and set out in Schedule “B” to this Agreement); **OR**
  - (viii) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in subparagraphs (i) to (vii) above; **OR**
  - (ix) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in subparagraphs (i) to (vii); **OR**
  - (x) a person that is not the public;

- (c) the Purchaser is not a "U.S. Person" (as defined under Regulation S made under the United States Securities Act of 1933, which definition includes an individual resident in the United States and an estate or trust of which any executor or administrator or trustee, respectively, is a U. S. Person) and the Purchaser understands and acknowledges that the Securities have not and will not be registered under the United States Securities Act of 1933, and, subject to certain exceptions, the Securities may not be offered or sold within the United States;
- (d) the Purchaser:
  - (i) is not engaged in the business of trading in securities or exchange contracts as a principal or agent; and
  - (ii) does not hold himself, herself or itself out as engaging in the business of trading in securities or exchange contracts as a principal or agent,  
or is otherwise duly registered under or exempt from any requirements to be registered as a dealer under National Instrument 31-103 - *Registration Requirements and Exemptions*; and
- (e) the Purchaser acknowledges that because this subscription is being made pursuant to the Exemptions:
  - (i) the Purchaser is restricted from using certain of the civil remedies available under the applicable Securities Rules;
  - (ii) the Purchaser may not receive information that might otherwise be required to be provided to the Purchaser under the applicable Securities Rules if the Exemptions were not being used;
  - (iii) the Corporation is relieved from certain obligations that would otherwise apply under the applicable Securities Rules if the Exemptions were not being used.

2.2 The Corporation represents and warrants to the Purchaser, and acknowledges that the Purchaser is relying on these representations and warranties in entering into this Agreement, that:

- (a) the Corporation is a valid and subsisting company duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated;
- (b) the Corporation has good and sufficient right and authority to enter into this Agreement and complete its transactions contemplated under this Agreement on the terms and conditions set forth herein; and
- (c) to the best of its knowledge, the execution and delivery of this Agreement, the performance of its obligations under this Agreement and the completion of its transactions contemplated under this Agreement will not conflict with, or result in the breach of or the acceleration of any indebtedness under, or constitute default

under, the constating documents of the Corporation or any indenture, mortgage, agreement, lease, license or other instrument of any kind whatsoever to which the Corporation is a party or by which it is bound, or any judgment or order of any kind whatsoever of any Court or administrative body of any kind whatsoever by which it is bound.

3. **Subscription**

3.1 The Purchasers hereby subscribe the Investment Amount for that number of Securities of the Corporation, at the Issue Price set from time to time by the Board, as are issued pursuant to the Draw Down Terms set out in section 5 below.

3.2 The Purchasers will deliver the Investment Amount to Fasken Martineau DuMoulin LLP (the "**Escrow Agent**") in the form of cash, solicitor's trust cheque, certified cheque, bank draft, money order or wire transfer payable to "Fasken Martineau DuMoulin LLP, in trust", or in any other form approved by the Corporation, to be held in accordance with the terms of an escrow agreement dated the date hereof between the Corporation, the Purchasers and the Escrow Agent.

3.3 A standby fee of 1% per month on the amount held by the Escrow Agent on the last day of each month, being the Investment Amount less any Draw Down Amounts (as defined below), will be paid in quarterly instalments to the Purchasers by the Corporation in the form of cash, certified cheque, bank draft, money order or wire transfer during the term of this Agreement.

4. **Covenants, Agreements and Acknowledgments**

4.1 Concurrent with the execution of this Agreement, the Purchasers will fully complete Schedule "A" to this Agreement. The Purchasers acknowledge that the Corporation is relying on the Exemptions in order to complete the trade and distribution of the Securities and the Purchasers are aware of the criteria of the Exemptions to be met by the Purchasers, including the representations contained in Schedule "A". The Purchasers acknowledge and agree that they will provide immediate notice to the Corporation if the Corporation can no longer rely on the Exemptions to be met by the Purchasers because the representations contained in Schedule "A" are no longer true.

4.2 The Purchasers acknowledge and agree that the Securities will be subject to such trade restrictions as may be imposed by operation of applicable Securities Rules and that the Corporation may be required to legend the certificates representing such Securities with those restrictions.

4.3 The Purchasers acknowledge that no securities commission has evaluated or endorsed the merits of these Securities and that the person selling these Securities has no duty to tell the Purchasers whether these Securities are a suitable investment. The Purchasers further acknowledge that each are investing in the Corporation entirely at their own risk and they may lose all of the Investment Amount.

4.4 The Purchasers acknowledge that they are irrevocably committed to purchase the Securities pursuant to duly and validly delivered Draw Down Notices on the terms and



conditions set forth herein notwithstanding any changes in circumstances or other factors affecting the Corporation.

## 5. **Draw Down Terms**

5.1 Subject to the satisfaction of the conditions and subject to the limitations set forth in this Agreement:

- (a) The Corporation will be entitled, in its sole discretion, to exercise a draw down (a "**Draw Down**") in increments of \$50,000 per Draw Down (the "**Draw Down Amount**") and issue a draw down notice, in the form of Schedule "C" hereto (a "**Draw Down Notice**"), which Draw Down the Purchasers will be obligated to accept during the twenty-four months following the Effective Date;
- (b) Upon receipt of a Draw Down Notice, the Purchasers shall be irrevocably bound to purchase the Securities pursuant to such Draw Down Notice in accordance with the terms and conditions of this Agreement. The number of Securities to be purchased by the Purchasers with respect to a Draw Down shall be determined by dividing the numerator (being the Draw Down Amount) by the denominator (being the Issue Price for the relevant Draw Down);
- (c) The Corporation shall concurrently provide a duly executed copy of the Draw Down Notice to the Escrow Agent to direct the Escrow Agent to release the Draw Down Amount to the Corporation; and
- (d) Provided that the Corporation has received all prior regulatory and corporate approvals required, upon receiving the Draw Down Amount from the Escrow Agent, the Corporation shall issue and deliver the Securities registered as directed by the Purchasers.

5.2 In connection with any Draw Down hereunder, the Corporation shall not be required to issue fractions of Securities or cause the issuance of certificates which evidence fractional Securities. With respect to any fraction of a Security called for in connection with any Draw Down hereunder, the Corporation shall be entitled to round-down the number of Securities due pursuant to the applicable Draw Down.

## 6. **Termination**

6.1 This Agreement shall terminate on receipt by the Corporation of Draw Down Amounts equivalent to the full Investment Amount in respect of the purchase of Securities pursuant to the terms hereof.

6.2 The Corporation may, without the payment of any fee or penalty, save and except for the settlement of any Draw Down and the return of any remaining portions of the Investment Amount plus interest accrued thereon to the Purchasers, terminate this Agreement at any time on written notice to the Purchasers.

6.3 In the event that the Securities are not listed on the CNSX by June 30, 2011, the Purchasers have the option to terminate this Agreement and the return of any remaining portions of the Investment Amount plus interest accrued thereon to the Purchasers.

7. **General**

7.1 For the purposes of this Agreement, time is of the essence.

7.2 The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as may, either before or after the execution of this Agreement, be reasonably required to carry out the full intent and meaning of this Agreement.

7.3 The Purchasers hereby authorize the Corporation to correct any minor errors in, or complete any minor information missing from, any document which has been executed by the Purchasers and delivered to the Corporation with respect to this subscription.

7.4 This Agreement shall be subject to, governed by and construed in accordance with the laws of British Columbia and the laws of Canada applicable therein.


7.5 This Agreement may not be assigned by the Purchasers without the prior written consent of the Corporation.

7.6 This Agreement may be signed by the parties in counterpart and by fax or electronic means.

IN WITNESS WHEREOF the parties have executed this written Agreement effective as of the Effective Date.

SIGNED, SEALED AND DELIVERED BY:  
**PACIFIC THERAPEUTICS LTD.**

Per:

  
\_\_\_\_\_  
Authorized Signatory

**SCHEDULE "A"**

**TO BE COMPLETED BY THE PURCHASER:**

- A. Name and Address (Note: Cannot be a U.S. Address).** The name and address (to establish the Purchaser's jurisdiction of residence for the purpose of determining the applicable Securities Rules) of the Purchaser is as follows:

[REDACTED]  
Name

[REDACTED]  
Street Address

[REDACTED]  
City, Province, Country, Postal Code

Email: [REDACTED]

Phone: [REDACTED] Fax: [REDACTED]

- B. Registration Instructions (Note: Cannot be a U.S. Address).** The name and address of the person in whose name the Purchaser's securities are to be registered is as follows (if the name and address is the same as was inserted in paragraph B above, then insert "see B above"):

[REDACTED]  
Name

[REDACTED]  
Street Address

[REDACTED]  
City, Province, Country, Postal Code

- C. Delivery Instructions (Note: Cannot be a U.S. Address).** The name and address of the person to whom the certificates representing the Purchaser's securities referred to in paragraph B above are to be delivered is as follows (if the name and address is the same as was inserted in paragraph B or C above, then insert "see B above" or "see C above", as the case may be):

see B above

Name

Street Address

City, Province, Country, Postal Code

**D. Exemption Relied Upon.** The Purchaser represents to the Corporation that the Purchaser is (tick one or more of the following boxes):

(i) a director, officer, employee, founder\* or control person\* of the Corporation:

(ii) a spouse, parent, grandparent, brother, sister or child of a director, executive officer\*, founder\* or control person\* of the Corporation, being \_\_\_\_\_:

(iii) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer, founder\* or control person\* of the Corporation, being \_\_\_\_\_:

(iv) a close personal friend\* of a director, executive officer\*, founder\* or control person\* of the Corporation, being \_\_\_\_\_ (complete (1) below):

(v) a close business associate\* of a director, executive officer\*, founder\* or control person\* of the Corporation, being \_\_\_\_\_ (complete (1) below):

(vi) a security holder of the Corporation:

(vii) an accredited investor\* (complete (2) below):

(viii) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in subparagraphs (i) to (vii), being \_\_\_\_\_:

(ix) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in subparagraphs (i) to (vii), being \_\_\_\_\_:



(x) a person that is not the public:

\*See the definitions in Schedule "B" to this Agreement.

(1) If you are a close personal friend or close business associate of a director, executive officer, founder or control person of the Corporation, please indicate how long you have known the individual and describe the nature of your relationship, including how you are in a position to assess the capabilities and trustworthiness of the individual.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2) If you are an accredited investor, please describe how you qualify based on the definition in Schedule "B" to this Agreement.

Paragraph 

Description of Qualifications:


**TO BE COMPLETED AND SIGNED BY THE PURCHASER:**

SIGNED, SEALED AND DELIVERED BY:



Name of "Purchaser" – use the name inserted in paragraph B above.

Per: 

Signature of Purchaser  
Title (if applicable):

## SCHEDULE "B"

### Definitions

"accredited investor" means:

- (a) a Canadian financial institution, or a Schedule III bank,
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada),
- (c) a subsidiary of any person referred to in paragraphs (a) or (b) if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,
- (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador),
- (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),
- (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,
- (g) a municipality, public board or commission in Canada, and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- (i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada,
- (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds Cdn.\$1,000,000,
- (k) an individual whose net income before taxes exceeded Cdn.\$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded Cdn.\$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,
- (l) an individual who, either alone or with a spouse, has net assets of at least Cdn.\$5,000,000,
- (m) a person, other than an individual or investment fund, that has net assets of at least Cdn.\$5,000,000 as shown on its most recently prepared financial statements, and was not created and is not used solely to purchase or hold securities as an accredited investor,
- (n) an investment fund that distributes or has distributed its securities only to:
  - (i) a person that is or was an accredited investor at the time of distribution,

- (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10, or 2.19 of NI 45-106, or
  - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 of NI 45-106,
- 
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt,
  - (p) a trust corporation or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust corporation or trust corporation, as the case may be,
  - (q) a person acting on behalf of a fully managed account managed by that person, if that person
    - (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and
    - (ii) in Ontario, is purchasing a security that is not a security of an investment fund,
  - (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser, as defined in NI 45-106 or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,
  - (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or (i) in form and function,
  - (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,
  - (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser, or
  - (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor.

**“control person”** means:

- (w) a person who holds a sufficient number of the voting rights attached to all outstanding voting securities of the Corporation to affect materially the control of the Corporation, or
- (x) each person in a combination of persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of the Corporation to affect materially the control of the issuer,

and, if a person or combination of persons holds more than 20% of the voting rights attached to all outstanding voting securities of the Corporation, the person or combination of persons is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the Corporation.

**“director”** means:

- (a) a member of the board of directors of a corporation or an individual who performs similar functions for a corporation, and

- (b) with respect to a person that is not a corporation, an individual who performs functions similar to those of a director of a corporation.

“**executive officer**” means, for an issuer, an individual who is:

- (a) a chair, vice-chair or president,
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
- (c) an officer of the issuer or any of its subsidiaries and who performs a policy-making function in respect of the issuer, or
- (d) performing a policy-making function in respect of the issuer.

“**financial assets**” means:

- (a) cash,
- (b) securities, or
- (c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purpose of securities legislation.

“**founder**” means, in respect of an issuer, a person who:

- (a) acting alone, in conjunction, or in concert with one or more persons directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
- (b) at the time of the trade is actively involved in the business of the issuer.

“**person**” includes:

- (a) an individual,
- (b) a corporation,
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (d) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative.

“**related liabilities**” means:

- (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- (b) liabilities that are secured by financial assets.



## SCHEDULE "C"

### Form of Draw Down Notice

Please deliver this Draw Down Notice by mail or facsimile with a follow-up phone call to the Purchasers at their respective addresses, as set out in Schedule "B" hereto.

### DRAW DOWN NOTICE

Made in relation to the Subscription Agreement among Pacific Therapeutics Ltd. and the Purchasers dated May 16, 2011 (the "Agreement")

*Words and expressions defined in the Agreement shall bear the same meanings in this notice and the terms and conditions contained in the Agreement are hereby incorporated by reference into, and deemed to be a part of, this notice.*

1. In accordance with the terms and conditions of the Agreement, the undersigned hereby notifies you that it wishes to make a Draw Down against the Investment Amount and will require you to purchase Securities as follows:

(a) Draw Down Amount	\$
(b) Market Price applicable to this Notice	\$
(c) Number of Securities to be issued	Class A Common shares

2. We hereby confirm that the conditions required to issue this Draw Down Notice as set forth in the Agreement have been satisfied on or before the date of this notice or have been waived.

3. We confirm that we have concurrently delivered a duly executed copy of this Draw Down Notice to the Escrow Agent and directed the Escrow Agent to release the Draw Down Amount as set forth in section 1(a) of this Draw Down Notice to us by way of a certified cheque, bank draft or wire transfer.

4. We confirm that this Draw Down should be processed on the basis set out in the Agreement and that certificates have been issued to you as set forth in section 1(c) of this Notice and will be delivered to you in accordance with the delivery instructions set forth in Schedule A to the Subscription Agreement.

**PACIFIC THERAPEUTICS LTD.**

Per: \_\_\_\_\_

Authorized Signatory

## SUBSCRIPTION AGREEMENT

THIS AGREEMENT made effective as of the 16th day of May, 2011 (the "**Effective Date**")

BETWEEN:

**PACIFIC THERAPEUTICS LTD.**, a corporation incorporated under the laws of British Columbia having a place of business at 409 Granville Street, Suite 1023, Vancouver, British Columbia V6C 1T2

(the "**Corporation**")

AND:

**THE PARTIES NAMED AND SIGNING  
AS PURCHASERS ON SCHEDULE "A"**

(the "**Purchasers**")

WHEREAS:

A. Subject to the terms and conditions hereinafter set forth, the Purchasers hereby irrevocably agree to purchase and the Corporation hereby irrevocably agrees, subject to the making of Draw Downs (as hereinafter defined), to issue and sell from time to time up to an aggregate amount of \$200,000 worth of Class "A" Common shares in the capital of the Corporation (the "**Securities**") at a price that is the greater of \$0.10 and the closing market price of the Securities on the day prior to the dissemination of a news release announcing the allotment less the maximum discount prescribed by the Canadian National Stock Exchange ("**CNSX**") Policy 6 (the "**Issue Price**"), as set by the board of directors of the Corporation (the "**Board**");

B. It is the intention of the parties to this agreement (the "**Agreement**") that this investment will be made pursuant to appropriate exemptions (the "**Exemptions**") from the registration and prospectus or equivalent requirements of all rules, policies, notices, orders and legislation of any kind whatsoever (collectively, the "**Securities Rules**") of all jurisdictions applicable to this investment; and

C. The Purchasers have agreed to enter into this Agreement with the Corporation to set forth the terms and conditions relating to the Draw Downs and the issuance of the Securities upon the completion of each Draw Down.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained, the receipt of which is hereby acknowledged, the parties covenant and agree with each other as follows:

### 1. **Commitment for the Purchase and Sale of Securities**

1.1 Subject to the terms and conditions set forth herein, the Corporation may from time to time until termination of this Agreement issue and sell to the Purchasers, and the

Purchasers shall acquire from the Corporation, for a maximum aggregate consideration of \$200,000 (the “**Investment Amount**”), Securities based on Draw Downs hereunder.

2. **Representations and Warranties of the Purchaser**

2.1 The Purchaser represents and warrants to the Corporation, and acknowledges that the Corporation is relying on these representations and warranties to, among other things, ensure that it is complying with all of the applicable Securities Rules, that:

- (a) the Purchaser is purchasing the Securities as principal for its own account and not for the benefit of any other person;
- (b) the Purchaser is:
  - (i) a director, officer, employee, “founder” (as that term is defined in National Instrument 45-106 *Prospectus and Registration Exemptions* (“NI 45-106”) and set out in Schedule “B” to this Agreement) or “control person” (as that term is defined in the *Securities Act* (British Columbia) and set out in Schedule “B” to this Agreement) of the Corporation; **OR**
  - (ii) a spouse, parent, grandparent, brother, sister or child of a director, “executive officer” (as that term is defined in NI 45-106 and set out in Schedule “B” to this Agreement), founder or control person of the Corporation; **OR**
  - (iii) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer, founder or control person of the Corporation; **OR**
  - (iv) a close personal friend of a director, executive officer, founder or control person of the Corporation; **OR**
  - (v) a close business associate of a director, executive officer, founder or control person of the Corporation; **OR**
  - (vi) a security holder of the Corporation; **OR**
  - (vii) an “accredited investor” (as that term is defined in NI 45-106 and set out in Schedule “B” to this Agreement); **OR**
  - (viii) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in subparagraphs (i) to (vii) above; **OR**
  - (ix) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in subparagraphs (i) to (vii); **OR**
  - (x) a person that is not the public;

- (c) the Purchaser is not a "U.S. Person" (as defined under Regulation S made under the United States Securities Act of 1933, which definition includes an individual resident in the United States and an estate or trust of which any executor or administrator or trustee, respectively, is a U. S. Person) and the Purchaser understands and acknowledges that the Securities have not and will not be registered under the United States Securities Act of 1933; and, subject to certain exceptions, the Securities may not be offered or sold within the United States;
- (d) the Purchaser:
  - (i) is not engaged in the business of trading in securities or exchange contracts as a principal or agent; and
  - (ii) does not hold himself, herself or itself out as engaging in the business of trading in securities or exchange contracts as a principal or agent,or is otherwise duly registered under or exempt from any requirements to be registered as a dealer under National Instrument 31-103 – *Registration Requirements and Exemptions*; and
- (e) the Purchaser acknowledges that because this subscription is being made pursuant to the Exemptions:
  - (i) the Purchaser is restricted from using certain of the civil remedies available under the applicable Securities Rules;
  - (ii) the Purchaser may not receive information that might otherwise be required to be provided to the Purchaser under the applicable Securities Rules if the Exemptions were not being used;
  - (iii) the Corporation is relieved from certain obligations that would otherwise apply under the applicable Securities Rules if the Exemptions were not being used.

2.2 The Corporation represents and warrants to the Purchaser, and acknowledges that the Purchaser is relying on these representations and warranties in entering into this Agreement, that:

- (a) the Corporation is a valid and subsisting company duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated;
- (b) the Corporation has good and sufficient right and authority to enter into this Agreement and complete its transactions contemplated under this Agreement on the terms and conditions set forth herein; and
- (c) to the best of its knowledge, the execution and delivery of this Agreement, the performance of its obligations under this Agreement and the completion of its transactions contemplated under this Agreement will not conflict with, or result in the breach of or the acceleration of any indebtedness under, or constitute default



under, the constating documents of the Corporation or any indenture, mortgage, agreement, lease, license or other instrument of any kind whatsoever to which the Corporation is a party or by which it is bound, or any judgment or order of any kind whatsoever of any Court or administrative body of any kind whatsoever by which it is bound.

### 3. **Subscription**

3.1 The Purchasers hereby subscribe the Investment Amount for that number of Securities of the Corporation, at the Issue Price set from time to time by the Board, as are issued pursuant to the Draw Down Terms set out in section 5 below.

3.2 The Purchasers will deliver the Investment Amount to Fasken Martineau DuMoulin LLP (the "**Escrow Agent**") in the form of cash, solicitor's trust cheque, certified cheque, bank draft, money order or wire transfer payable to "Fasken Martineau DuMoulin LLP, in trust", or in any other form approved by the Corporation, to be held in accordance with the terms of an escrow agreement dated the date hereof between the Corporation, the Purchasers and the Escrow Agent.

3.3 A standby fee of 1% per month on the amount held by the Escrow Agent on the last day of each month, being the Investment Amount less any Draw Down Amounts (as defined below), will be paid in quarterly instalments to the Purchasers by the Corporation in the form of cash, certified cheque, bank draft, money order or wire transfer during the term of this Agreement.

### 4. **Covenants, Agreements and Acknowledgments**

4.1 Concurrent with the execution of this Agreement, the Purchasers will fully complete Schedule "A" to this Agreement. The Purchasers acknowledge that the Corporation is relying on the Exemptions in order to complete the trade and distribution of the Securities and the Purchasers are aware of the criteria of the Exemptions to be met by the Purchasers, including the representations contained in Schedule "A". The Purchasers acknowledge and agree that they will provide immediate notice to the Corporation if the Corporation can no longer rely on the Exemptions to be met by the Purchasers because the representations contained in Schedule "A" are no longer true.

4.2 The Purchasers acknowledge and agree that the Securities will be subject to such trade restrictions as may be imposed by operation of applicable Securities Rules and that the Corporation may be required to legend the certificates representing such Securities with those restrictions.

4.3 The Purchasers acknowledge that no securities commission has evaluated or endorsed the merits of these Securities and that the person selling these Securities has no duty to tell the Purchasers whether these Securities are a suitable investment. The Purchasers further acknowledge that each are investing in the Corporation entirely at their own risk and they may lose all of the Investment Amount.

4.4 The Purchasers acknowledge that they are irrevocably committed to purchase the Securities pursuant to duly and validly delivered Draw Down Notices on the terms and

conditions set forth herein notwithstanding any changes in circumstances or other factors affecting the Corporation.

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5. **Draw Down Terms**

5.1 Subject to the satisfaction of the conditions and subject to the limitations set forth in this Agreement:

- (a) The Corporation will be entitled, in its sole discretion, to exercise a draw down (a "**Draw Down**") in increments of \$50,000 per Draw Down (the "**Draw Down Amount**") and issue a draw down notice, in the form of Schedule "C" hereto (a "**Draw Down Notice**"), which Draw Down the Purchasers will be obligated to accept during the twenty-four months following the Effective Date;
- (b) Upon receipt of a Draw Down Notice, the Purchasers shall be irrevocably bound to purchase the Securities pursuant to such Draw Down Notice in accordance with the terms and conditions of this Agreement. The number of Securities to be purchased by the Purchasers with respect to a Draw Down shall be determined by dividing the numerator (being the Draw Down Amount) by the denominator (being the Issue Price for the relevant Draw Down);
- (c) The Corporation shall concurrently provide a duly executed copy of the Draw Down Notice to the Escrow Agent to direct the Escrow Agent to release the Draw Down Amount to the Corporation; and
- (d) Provided that the Corporation has received all prior regulatory and corporate approvals required, upon receiving the Draw Down Amount from the Escrow Agent, the Corporation shall issue and deliver the Securities registered as directed by the Purchasers.

5.2 In connection with any Draw Down hereunder, the Corporation shall not be required to issue fractions of Securities or cause the issuance of certificates which evidence fractional Securities. With respect to any fraction of a Security called for in connection with any Draw Down hereunder, the Corporation shall be entitled to round-down the number of Securities due pursuant to the applicable Draw Down.

6. **Termination**

6.1 This Agreement shall terminate on receipt by the Corporation of Draw Down Amounts equivalent to the full Investment Amount in respect of the purchase of Securities pursuant to the terms hereof.

6.2 The Corporation may, without the payment of any fee or penalty, save and except for the settlement of any Draw Down and the return of any remaining portions of the Investment Amount plus interest accrued thereon to the Purchasers, terminate this Agreement at any time on written notice to the Purchasers.

6.3 In the event that the Securities are not listed on the CNSX by June 30, 2011, the Purchasers have the option to terminate this Agreement and the return of any remaining portions of the Investment Amount plus interest accrued thereon to the Purchasers.

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**7. General**

7.1 For the purposes of this Agreement, time is of the essence.

7.2 The parties hereto shall execute and deliver all such further documents and instruments and do all such acts and things as may, either before or after the execution of this Agreement, be reasonably required to carry out the full intent and meaning of this Agreement.

7.3 The Purchasers hereby authorize the Corporation to correct any minor errors in, or complete any minor information missing from, any document which has been executed by the Purchasers and delivered to the Corporation with respect to this subscription.

7.4 This Agreement shall be subject to, governed by and construed in accordance with the laws of British Columbia and the laws of Canada applicable therein.

7.5 This Agreement may not be assigned by the Purchasers without the prior written consent of the Corporation.

7.6 This Agreement may be signed by the parties in counterpart and by fax or electronic means.

IN WITNESS WHEREOF the parties have executed this written Agreement effective as of the Effective Date.

SIGNED, SEALED AND DELIVERED BY:  
**PACIFIC THERAPEUTICS LTD.**

Per: 

\_\_\_\_\_  
Authorized Signatory

**SCHEDULE "A"**

**TO BE COMPLETED BY THE PURCHASER:**

- A. Name and Address (Note: Cannot be a U.S. Address).** The name and address (to establish the Purchaser's jurisdiction of residence for the purpose of determining the applicable Securities Rules) of the Purchaser is as follows:

[REDACTED]

Name

[REDACTED]

Street Address

[REDACTED]

City, Province, Country, Postal Code

Email: [REDACTED]

Phone: [REDACTED] Fax: \_\_\_\_\_

- B. Registration Instructions (Note: Cannot be a U.S. Address).** The name and address of the person in whose name the Purchaser's securities are to be registered is as follows (if the name and address is the same as was inserted in paragraph B above, then insert "see B above"):

[REDACTED]

Name

[REDACTED]

Street Address

[REDACTED]

City, Province, Country, Postal Code

- C. Delivery Instructions (Note: Cannot be a U.S. Address).** The name and address of the person to whom the certificates representing the Purchaser's securities referred to in paragraph B above are to be delivered is as follows (if the name and address is the same as was inserted in paragraph B or C above, then insert "see B above" or "see C above", as the case may be):