

Request ID: 010423070  
Demande n°:  
Transaction ID: 035737345  
Transaction n°:  
Category ID: CT  
Catégorie:

Province of Ontario  
Province de l'Ontario  
Ministry of Consumer and Business Services  
Ministère des Services aux consommateurs et aux entreprises  
Companies and Personal Property Security Branch  
Direction des compagnies et des sûretés mobilières

Date Report Produced: 2008/06/13  
Document produit le:  
Time Report Produced: 10:52:25  
Imprimé à:

# Certificate of Incorporation Certificat de constitution

This is to certify that

Ceci certifie que

**PROFOUND MEDICAL INC.**

Ontario Corporation No.

Numéro matricule de la personne morale en  
Ontario

**002176155**

is a corporation incorporated,  
under the laws of the Province of Ontario.

est une société constituée aux termes  
des lois de la province de l'Ontario.

These articles of incorporation  
are effective on

Les présents statuts constitutifs  
entrent en vigueur le

**JUNE 13 JUIN, 2008**



Director/Directrice  
Business Corporations Act/Loi sur les sociétés par actions

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

FORM 1

FORMULE NUMÉRO 1

BUSINESS CORPORATIONS ACT

/

LOI SUR LES COMPAGNIES

ARTICLES OF INCORPORATION  
STATUTS CONSTITUTIFS

1. The name of the corporation is: *Dénomination sociale de la compagnie:*

PROFOUND MEDICAL INC.

2. The address of the registered office is: *Adresse du siège social:*

200 FRONT STREET WEST Suite 3004

(Street & Number, or R.R. Number & if Multi-Office Building give Room No.)  
(Rue et numéro, ou numéro de la R.R. et, s'il s'agit édifice à bureau, numéro du bureau)

TORONTO  
CANADA

ONTARIO  
M5V 3K2

(Name of Municipality or Post Office)  
(Nom de la municipalité ou du bureau de poste)

(Postal Code/Code postal)

3. Number (or minimum and maximum number) of directors is:

Minimum 1

*Nombre (ou nombres minimal et maximal) d'administrateurs:*

Maximum 10

4. The first director(s) is/are:

*Premier(s) administrateur(s):*

First name, initials and surname  
*Prénom, initiales et nom de famille*

Resident Canadian State Yes or No  
*Résident Canadien Oui/Non*

Address for service, giving Street & No. or R.R. No., Municipality and Postal Code

*Domicile élu, y compris la rue et le numéro, le numéro de la R.R., ou le nom de la municipalité et le code postal*

\* PAUL  
CHIPPERTON

YES

200 FRONT STREET WEST Suite 3004

TORONTO ONTARIO  
CANADA M5V 3K2

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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5. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
*Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la compagnie.*

None.

6. The classes and any maximum number of shares that the corporation is authorized to issue:  
*Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre:*

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Class A Preferred Shares.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

PART 1: COMMON SHARES

The rights, privileges, restrictions and conditions of the Common Shares are as set out below.

1. Voting Rights

(a) Each holder of Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote at such meetings, except meetings at which only holders of a specified class of shares (other than Common Shares) or specified series of shares are entitled to vote.

(b) At all meetings of which notice must be given to the holders of the Common Shares, each holder of Common Shares is entitled to one vote in respect of each Common Share held by such holder.

(c) The holders of Common Shares are not entitled to vote separately as a class upon, are not entitled to dissent in respect of, any proposal to amend the articles of the Corporation to:

(i) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class; or

(ii) create a new class or series of shares equal or superior to the shares of such class.

2. Dividends

The holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, to receive dividends if, as and when declared by the board of directors of the Corporation.

3. Liquidation, Dissolution or Winding-up

The holders of the Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, to receive the remaining property of the Corporation on a liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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PART 2: CLASS A PREFERRED SHARES

The rights, privileges, restrictions and conditions of the Class A Preferred Shares are as set out below.

ARTICLE 1  
INTERPRETATION

1.1 Definitions

For purposes of these Class A Preferred Share provisions:

- (a) "Aggregate Consideration" means:
- (i) in respect of the issuance of Common Shares, an amount equal to the total consideration received by the Corporation for the issuance of such Common Shares; and
- (ii) in respect of the issuance of Derivative Securities, an amount equal to the total consideration received by the Corporation for the issuance of such Derivative Securities plus the minimum amount of any additional consideration payable to the Corporation upon exercise, conversion or exchange of such Derivative Securities.
- (b) "Board of Directors" means the board of directors of the Corporation.
- (c) "Class A Liquidation Amount" has the meaning given in Section 4.1.
- (d) "Class A Shares" means the Class A preferred shares in the capital of the Corporation.
- (e) "Class A Return" means, as at the relevant time, an amount calculated from the later of (a) the Issuance Date and (b) the date, if any, upon which the Class A Liquidation Amount was previously paid to the Holders, representing eight percent (8%) per annum, compounded annually, on the amount of the Initial Price.
- (f) "Common Shares" means common shares in the capital of the Corporation.
- (g) "Consideration Per Share" means:
- (i) in respect of the issuance of Common Shares, the Aggregate

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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Consideration divided by the number of Common Shares issued; and

(ii) in respect of the issuance of Derivative Securities, the Aggregate Consideration divided by the maximum number of Common Shares that would be issued if all such Derivative Securities were fully exercised, converted or exchanged for Common Shares.

(h) "Conversion Date" means the date on which the documentation set out in Section 5.6(a) is received by the Corporation.

(i) "Conversion Price" means the amount determined in accordance with Article 6.

(j) "Corporation" means Profound Medical Inc.

(k) "Derivative Securities" means:

(i) all shares and other securities that are directly or indirectly convertible into or exchangeable for Common Shares (including the Class A Shares); and

(ii) all options, warrants and other rights to acquire Common Shares or securities directly or indirectly convertible into or exchangeable for Common Shares.

(l) "Fair Market Value" means, in respect of assets other than securities, their fair market value as determined in good faith by the Board of Directors, and in respect of securities:

(i) if such securities are not subject to any statutory hold periods or contractual restrictions on transfer:

(A) if traded on one or more securities exchanges or markets, the weighted average of the closing prices of such securities on the exchange or market on which the securities are primarily traded over the 30-day period ending three days prior to the relevant date;

(B) if actively traded over-the-counter, the weighted average of the closing bid or sale prices (whichever are applicable) over the 30-day period ending three days prior to the relevant date; or

(C) if there is no active public market, the fair market value of such securities as determined in good faith by the Board of Directors, but no discount or premium is to be applied to their valuation on the basis of the

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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securities constituting a minority block or a majority block of securities;  
or

(ii) if such securities are subject to statutory hold periods or contractual restrictions on transfer, or both, the fair market value of such securities as determined by applying an appropriate discount, as determined in good faith by the Board of Directors, to the value as calculated in accordance with section 1.1(1)(i),

but if the Majority Holders object to any determination by the Board of Directors and notify the Board of Directors of such objection within ten days of receiving notice of such determination, the Corporation and the Holders will, within ten days following such ten-day period, jointly appoint a valuator that is a nationally recognized independent investment banking firm or business valuation firm to determine the fair market value. If the Corporation and the Holders cannot agree on the valuator within such time period, then the Corporation and the Holders will, within the next 10 days, jointly select an arbitrator to appoint such valuator, failing which an arbitrator may be appointed in accordance with Section 10 of the Arbitration Act, 1991 (Ontario), and such arbitrator will select the valuator who will determine the fair market value. The determination of the valuator of the fair market value is final and binding on the Holders and the Corporation, absent manifest error.

(m) "Holders" means, at any time, the holders of all outstanding Class A Shares.

(n) "Initial Price" means Cdn \$1.00 (as adjusted to reflect the issuance of any Class A Shares as a dividend or other distribution on the outstanding Class A Shares, or any subdivision or consolidation of the outstanding Class A Shares).

(o) "Liquidation Event" means:

(i) a voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Corporation;

(ii) the amalgamation or merger of the Corporation with another corporation, or an arrangement, pursuant to which the holders of voting securities of the Corporation immediately prior to the transaction hold, immediately after such transaction, directly or indirectly, less than 50% of the voting power to elect directors of the corporation resulting from the transaction; or

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

(iii) a sale of all or substantially all of the assets of the Corporation.

(p) "Majority Holders" means, as of the relevant time of reference, one or more Holders of record who hold, in aggregate, more than 66.67% of the outstanding Class A Shares.

(q) "Original Class A Issue Date" means the first date on which Class A Shares were issued.

(r) "Qualified IPO" means a firmly underwritten public offering of Common Shares in which:

(i) the aggregate gross proceeds to the Corporation and any selling shareholders is equal to or greater than Cdn \$20 million; and

(ii) immediately following the closing, the Common Shares are listed for trading on the Toronto Stock Exchange or are quoted on the Nasdaq National Market or the New York Stock Exchange.

(s) "Redemption Trigger Date" means the fifth anniversary of the Original Class A Issue Date or, if any of the Class A Shares were issued after that date, then the date that is the fifth anniversary of the most recent date on which Class A Shares were issued.

(t) "Redemption Request" has the meaning given to it in Section 7.1.

(u) "Redemption Price" has the meaning given to it in Section 7.2.

(v) "Share Split" means:

(i) the issuance of Common Shares as a dividend or other distribution on outstanding Common Shares;

(ii) the subdivision of outstanding Common Shares into a greater number of Common Shares; or

(iii) the consolidation of outstanding Common Shares into a smaller number of Common Shares.

1.2 Consent of Holders

For purposes of these Class A Share provisions, where an action is to be taken by the Majority Holders, in addition to the requirements of



Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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applicable law, if any, such action may be taken if the Majority Holders:

- (a) agree in writing; or
- (b) pass a resolution to such effect at a duly constituted meeting of Holders, voting as a single class.

ARTICLE 2  
VOTING RIGHTS

2.1 Entitlement to Vote

Each holder of Class A Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote at such meetings, except meetings at which only holders of a specified class of shares (other than Class A Shares) or specified series of shares are entitled to vote.

2.2 Number of Votes

Each Class A Share entitles the Holder to the number of votes per share equal to the number of Common Shares into which such Class A Share is convertible pursuant to these Class A Share provisions as of the record date for the determination of shareholders entitled to vote on such matter, or if no record date is established, the date such vote is taken or any written consent of shareholders is solicited.

2.3 Single Class

Except as provided by law or by the other provisions of the articles of the Corporation, holders of Class A Shares shall vote together with the holders of Common Shares as a single class; provided that: (i) any addition to, change to or removal of any right, privilege, restriction or condition attaching to the Class A Shares; or (ii) any change to the maximum number of authorized Class A Shares, shall only require approval of the holders of Class A Shares.

ARTICLE 3  
DIVIDENDS

3.1 Entitlement to Dividends

The Holders are entitled to receive, for each Class A Share, if, as and when declared by the Board of Directors and out of the funds legally

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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available for the payment of dividends, an annual, cumulative, preferential dividend equal to 8% of the Initial Price, compounded quarterly, in accordance with Section 3.3.

### 3.2 Priority of Dividends

No dividend or other distribution (other than a stock dividend giving rise to an adjustment under Section 6.6) will be paid, declared or set apart for payment in respect of any Common Shares or shares of any other class ranking junior to the Class A Shares in respect of dividends unless:

- (a) the Holders have been paid in full all accrued but unpaid dividends to which they are entitled; and
- (b) a dividend is paid or declared and set apart for payment in respect of each outstanding Class A Share in an amount equal to the product of:
  - (i) the amount of dividends paid, declared or set apart for each share of any other class (calculated on an as-converted to Common Shares basis); and
  - (ii) the number of Common Shares into which each Class A Share is then convertible.

### 3.3 Accrual of Dividends

The dividends to which the Holders are entitled accrue daily as of the date of issuance of such Class A Shares. Dividends accrue whether or not they are declared by the Board of Directors.

## ARTICLE 4 LIQUIDATION PREFERENCE

### 4.1 Payment on Liquidation Event

Upon the occurrence of a Liquidation Event, the Holders are entitled, in preference to the rights of holders of the Common Shares or any shares of a class ranking junior to the Class A Shares, but subject to the rights of holders of any class of shares ranking senior to the Class A Shares, to be paid out of the assets of the Corporation available for distribution to holders of shares in the capital of the Corporation (which, in the case of a merger, amalgamation or arrangement, consists of the assets distributed to holders of shares in the capital of the Corporation in exchange for their shares in the capital of in the Corporation, or the assets into which

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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such shares are converted), an amount per share equal to the Initial Price for each Class A Share held by them plus (A) the amount, if any, by which the Class A Return exceeds the amount of any dividends declared and paid in respect of a Class A Share that were not also declared and paid in respect of the Common Shares plus (B) the amount of any declared but unpaid dividends in respect of a Class A Share (collectively, the "Class A Liquidation Amount"). For greater certainty, no payment, distribution or issuance of shares upon a Liquidation Event or upon the conversion of any Class A Share shall be considered to be the payment of a dividend for the purposes of determining the Class A Liquidation Amount.

#### 4.2 Insufficient Assets

If all of the assets of the Corporation are insufficient to permit the payment in full to the Holders of all amounts to be distributed to them, then the assets of the Corporation available for such distribution are to be distributed rateably among the Holders, *pari passu*, in proportion to the full Class A Liquidation Amount each such Holder is otherwise entitled to receive.

#### 4.3 Remaining Assets

After the payment referred to in Section 4.1 has been made in full to the Holders, or funds necessary for such payment have been set aside by the Corporation in trust for the exclusive benefit of such Holders so as to be available for such payment, any assets remaining available for distribution are to be distributed, subject to the rights, if any, of holders of any other class of shares to receive a portion of such remaining assets, rateably among the holders of Common Shares and the Holders, with the Holders deemed to hold that number of shares equal to the number of Common Shares into which such Class A Shares are then convertible.

#### 4.4 No Preference Following Conversion

After conversion of any Class A Shares into Common Shares, the holder of such shares participates rateably in any distribution of the assets of the Corporation among the holders of Common Shares.

#### 4.5 Distribution Other than Cash

If a Liquidation Event occurs, and assets other than cash are available for satisfaction of the payments to which the Holders are entitled upon such Liquidation Event, the value of such assets for this purpose is their Fair Market Value.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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4.6 Notice

At least 30 days before the proposed date of a Liquidation Event (or such shorter period as determined by the Majority Holders), the Corporation will deliver to the Holders written notice of the proposed Liquidation Event stating an estimated payment date, an estimate of the amount to which the Holders are entitled and the place where such payments are payable.

4.7 Escrowed Amounts on Liquidation Event

Upon a Liquidation Event referred to in Section 4.1, if any portion of the consideration payable to the shareholders of the Corporation is placed into escrow or is payable to the shareholders of the Corporation subject to contingencies, the agreement effecting such Liquidation Event must provide that:

(a) the portion of such consideration that is not placed in escrow and not subject to any contingencies (the "Initial Consideration") is to be allocated among the holders of shares of the Corporation in accordance with Sections 4.1, 4.2 and 4.3 as if the Initial Consideration were the only consideration payable in connection with such Liquidation Event; and

(b) any additional consideration that becomes payable to the shareholders of the Corporation upon release from escrow or satisfaction of contingencies is to be allocated among the holders of shares of the Corporation in accordance with Sections 4.1, 4.2 and 4.3 after taking into account the previous payment of the Initial Consideration as part of the same transaction.

ARTICLE 5  
CONVERSION

5.1 Optional Conversion Rights

The Class A Shares are convertible, at any time and from time to time, at the option of the Holder and without payment of additional consideration, into Common Shares.

5.2 Automatic Conversion

The Class A Shares automatically convert into Common Shares upon the earlier of:

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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- (a) the closing of a Qualified IPO; or
- (b) the approval of the Majority Holders.

5.3 Conversion Rate

(a) Upon any conversion of Class A Shares into Common Shares at any particular time (the "Conversion Time"), the number of Common Shares issuable in respect of each Class A Share so converted shall be the aggregate of (i) the quotient obtained by dividing the Initial Price at the Conversion Time by the Conversion Price at the Conversion Time (as adjusted in accordance with Article 6), plus (ii) such number of additional Common Shares as have a value equal to the amount, if any, by which the Class A Return exceeds the amount of any dividends declared and paid in respect of such Class A Share that were not also declared and paid in respect of the Common Shares; provided that, in determining the number of such additional Common Shares referred to in (ii), each such Common Share shall be valued at the Fair Market Value of a Common Share at the Conversion Time.

(b) If the Holder indicates in the notice of conversion delivered to the Corporation that such Holder elects to receive a cash payment in respect of the Class A Return upon conversion of the Class A Shares referred to in such notice of conversion, then, immediately after the Conversion Time, the Holder shall sell to the Corporation, and the Corporation shall purchase for cancellation, that number of Common Shares that were issued in accordance with Section 5.3(a)(iii) on such conversion. The purchase price therefor shall be an amount per share equal to the Fair Market Value of a Common Share at the Conversion Time and such purchase price shall be payable by the Corporation to the Holder, in cash, immediately after the Conversion Time (but subject to the provisions noted at Section 7.3).

5.4 Time of Conversion

Conversion is deemed to be effected:

- (a) in the case of an optional conversion, immediately prior to the close of business on the Conversion Date;
- (b) in the case of automatic conversion pursuant to Section 5.2(a), immediately prior to the closing of the Qualified IPO; and
- (c) in the case of automatic conversion pursuant to Section 5.2(b), immediately following the approval of the Majority Holders.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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5.5 Effect of Conversion

Upon conversion of the Class A Shares:

- (a) the rights of a Holder as a holder of the converted Class A Shares cease; and
- (b) each person in whose name any certificate for Common Shares is issuable upon such conversion is deemed to have become the holder of record of such Common Shares.

5.6 Mechanics of Optional Conversion

- (a) To exercise optional conversion rights under Section 5.1, a Holder must:
  - (i) give written notice to the Corporation at its principal office or the office of any transfer agent for the Common Shares:
    - (A) stating that the Holder elects to convert such shares; and
    - (B) providing the name or names (with address or addresses) in which the certificate or certificates for Common Shares issuable upon such conversion are to be issued;
  - (ii) surrender the certificate or certificates representing the shares being converted to the Corporation at its principal office or the office of any transfer agent for the Common Shares; and
  - (iii) where the Common Shares are to be registered in the name of a person other than the Holder, provide evidence to the Corporation of proper assignment and transfer of the surrendered certificates to the Corporation, including evidence of compliance with applicable Canadian and United States securities laws and any applicable shareholder agreement.

- (b) Within 10 days after the Conversion Date, the Corporation will issue and deliver to the Holder a certificate or certificates in such denominations as such Holder requests for the number of full Common Shares issuable upon the conversion of such Class A Shares, together with cash in respect of any fractional Common Shares issuable upon such conversion.

5.7 Mechanics of Automatic Conversion

- (a) Upon the automatic conversion of any Class A Shares into Common

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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Shares, each Holder must surrender the certificate or certificates formerly representing that Holder's Class A Shares at the principal office of the Corporation or the office of any transfer agent for the Common Shares.

(b) Upon receipt by the Corporation of the certificate or certificates, the Corporation will issue and deliver to such Holder, promptly at the office and in the name shown on the surrendered certificate or certificates, a certificate or certificates for the number of Common Shares into which such Class A Shares are converted, together with cash in respect of any fractional Common Shares issuable upon such conversion.

(c) The Corporation is not required to issue certificates evidencing the Common Shares issuable upon conversion until certificates formerly evidencing the converted Class A Shares are either delivered to the Corporation or its transfer agent, or the Holder notifies the Corporation or such transfer agent that such certificates have been lost, stolen or destroyed, and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection with the loss, theft or destruction.

#### 5.8 Fractional Shares

No fractional Common Shares will be issued upon conversion of Class A Shares. Instead of any fractional Common Shares that would otherwise be issuable upon conversion of Class A Shares, the Corporation will pay to the Holder a cash adjustment in respect of such fraction in an amount equal to the same fraction of the market price per Common Share (as determined in a manner reasonably prescribed by the Board of Directors) at the time of conversion.

#### 5.9 Partial Conversion

If some but not all of the Class A Shares represented by a certificate or certificates surrendered by a Holder are converted, the Corporation will execute and deliver to or on the order of the Holder, at the expense of the Corporation, a new certificate representing the number of Class A Shares that were not converted.

### ARTICLE 6 CONVERSION PRICE

#### 6.1 Initial Conversion Price

The initial Conversion Price is equal to the Initial Price and remains in

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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effect until adjusted in accordance with the provisions of this Article 6.

#### 6.2 Adjustments for Dilution

If, following the Original Class A Issue Date, the Corporation issues any Common Shares or Derivative Securities for Consideration Per Share that is less than the Conversion Price in effect immediately prior to such issuance, then the Conversion Price is adjusted by multiplying it by a fraction:

(a) the numerator of which is the sum of:

(i) the number of Common Shares outstanding immediately prior to such issuance; and

(ii) the number of Common Shares that the Aggregate Consideration in respect of such issuance would purchase at a price equal to the Conversion Price in effect immediately prior to such issuance; and

(b) the denominator of which is the sum of:

(i) the number of Common Shares outstanding immediately prior to such issuance; and

(ii) the number of additional Common Shares or Derivative Securities (calculated on an "as-converted" to Common Shares basis) issued. For purposes of the above calculation, the number of Common Shares outstanding immediately prior to such issuance is calculated on a fully-diluted basis, as if all Derivative Securities had been fully converted, exercised or exchanged for Common Shares immediately prior to such issuance. An example of the calculation described in this Section 6.3 is attached as Appendix "A".

#### 6.3 Additional Provisions Regarding Dilution

For purposes of Section 6.3:

(a) if a part or all of the consideration received by the Corporation in connection with the issuance of additional Common Shares or Derivative Securities consists of property other than cash, such consideration is deemed to have a value equal to its Fair Market Value;

(b) no adjustment of the Conversion Price is to be made upon the issuance of any Derivative Securities or additional Common Shares that are issued upon the exercise, conversion or exchange of any Derivative



Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

Securities if any such adjustment was previously made upon the original issuance of such Derivative Securities;

(c) any adjustment of the Conversion Price is to be disregarded if, and to the extent that, the Derivative Securities that gave rise to such adjustment expire or are cancelled without having been exercised, converted or exchanged, so that the Conversion Price effective immediately upon such cancellation or expiration is equal to the Conversion Price that otherwise would have been in effect immediately prior to the time of the issuance of the expired or cancelled Derivative Securities, with any additional adjustments as subsequently would have been made to that Conversion Price had the expired or cancelled Derivative Securities not been issued;

(d) if the terms of any Derivative Securities previously issued by the Corporation are changed (whether by their terms or for any other reason) so as to raise or lower the Consideration Per Share payable with respect to such Derivative Securities (whether or not the issuance of such Derivative Securities originally gave rise to an adjustment of the Conversion Price), the Conversion Price is adjusted as of the date of such change, so that the Conversion Price is equal to the Conversion Price at the time of the issuance of the Derivative Securities, adjusted for the issuance of such Derivative Securities after giving effect to the change, and with any additional adjustments as would subsequently have been made had the Derivative Securities been issued on the changed terms;

(e) the Aggregate Consideration received by the Corporation in respect of Derivative Securities is determined in each instance:

(i) as of the date of issuance of Derivative Securities without giving effect to any possible future price adjustments or rate adjustments that might be applicable with respect to such Derivative Securities and that are contingent upon future events; and

(ii) in the case of an adjustment to be made as a result of a change in terms of any Derivative Securities, as of the date of such change; and

(f) no adjustment to the Conversion Price is to be made in any case in which such adjustment would otherwise result in the Conversion Price being greater than the Initial Price.

#### 6.4 Excluded Transactions

No adjustment to the Conversion Price is to be made upon the issuance of:

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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- (a) Common Shares in connection with a Qualified IPO;
- (b) Common Shares pursuant to a Share Split (other than the adjustment set out in Section 6.6);
- (c) Common Shares upon exercise, conversion or exchange of Derivative Securities; or
- (d) options to acquire Common Shares (and Common Shares issuable upon exercise of such options) issued in accordance with any incentive stock option plan, or any amendment to a stock option plan, of the Corporation.

#### 6.5 Adjustments for Share Splits

After the Original Class A Issue Date, the Conversion Price is adjusted upon a Share Split, automatically and simultaneously with the Share Split, such that the Conversion Price is equal to the product obtained by multiplying the Conversion Price immediately before the Share Split by a fraction:

- (a) the numerator of which is the number of Common Shares issued and outstanding immediately before the Share Split; and
- (b) the denominator of which is the number of Common Shares issued and outstanding immediately after the Share Split.

#### 6.6 Adjustments for Capital Reorganizations

If, following the Original Class A Issue Date, the Common Shares are changed into the same or a different number of shares of any class or series, whether by capital reorganization, reclassification or otherwise (other than in connection with a Liquidation Event), the Corporation will provide each Holder with the right to convert each Class A Share into the kind and amount of shares, other securities and property receivable upon such change that a holder of a number of Common Shares equal to the number of Common Shares into which such Class A Share was convertible immediately prior to the change is entitled to receive upon such change.

#### 6.7 No Impairment

The Corporation will not, by amendment of its articles or through any reorganization, recapitalization, transfer of assets, consolidation, amalgamation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

any of the terms to be observed or performed under this Article 6, but will at all times in good faith assist in the carrying out of all the provisions of Article 5 and this Article 6 and in the taking of any action necessary or appropriate in order to protect the conversion rights of the Holders against impairment.

6.8 Certificate as to Adjustments

In each case of an adjustment or readjustment of the Conversion Price, the Corporation will promptly furnish each Holder with a certificate, prepared by the Corporation's accountants, showing such adjustment or readjustment, and stating in reasonable detail the facts upon which such adjustment or readjustment is based.

6.9 Further Adjustment Provisions

If, at any time as a result of an adjustment made pursuant to this Article 6, a Holder becomes entitled to receive any shares or other securities of the Corporation other than Common Shares upon surrendering Class A Shares for conversion, the Conversion Price in respect of such other shares or securities will be adjusted after that time, and will be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Class A Shares contained in this Article 6, and the remaining provisions of these Class A Share provisions apply on the same or similar terms to any such other shares or securities.

ARTICLE 7  
REDEMPTION

7.1 Mandatory Redemption

If the Corporation receives a written request (the "Redemption Request") on or after the Redemption Trigger Date, from the Majority Holders requesting the redemption of Class A Shares held by them, the Corporation will, subject to Section 7.3, redeem all the Class A Shares.

7.2 Redemption Price

The price payable to the Holders upon a redemption of each Class A Share (the "Redemption Price") is equal to the greater of:

- (a) the Fair Market Value of a Class A Share on the date the Corporation receives the Redemption Request; and

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

(b) the Initial Price together with all dividends accrued on the Class A Shares, whether declared or not (except any dividends previously declared and paid).

#### 7.3 Insufficient Funds

If the funds of the Corporation legally available for redemption of the Class A Shares are insufficient to redeem the total number of Class A Shares subject to redemption, those funds that are legally available will be used to redeem the maximum possible number of whole shares rateably among the Holders. The Class A Shares not redeemed remain outstanding and remain entitled to all rights and preferences otherwise provided in these Class A Shares provisions. As and when funds legally available for redemption of Class A Shares subsequently become available (as determined every three months after the date the Redemption Request is received by the Corporation), those funds will be used to redeem the maximum possible number of whole shares rateably among the Holders.

#### 7.4 Redemption Mechanics

(a) Within 20 days following the date the Corporation receives the Redemption Request, the Corporation will deliver to each Holder a written notice that a Redemption Request has been received, which notice must specify the Fair Market Value of the Class A Shares as determined by the Board of Directors for purposes of determining the Redemption Price.

(b) Within 20 days following the delivery of the Corporation's notice (or, if a valuator is appointed pursuant to Section 1.1(1), within 20 days following the determination of the Fair Market Value of the Class A Shares by such valuator), and every three months following the date the Redemption Request is received by the Corporation for so long as Class A Shares remain outstanding, the Corporation will deliver to each Holder:

(i) a further notice setting out the Redemption Price, the aggregate funds legally available for redemption of the Class A Shares, and the number of Class A Shares of the Holder that the Corporation may redeem with such legally available funds, and including a statement that such number of Class A Shares that may be redeemed with such legally available funds are, by such notice, redeemed by the Corporation; and

(ii) a certified cheque in an amount equal to the aggregate Redemption Price for the Class A Shares redeemed from such Holder.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

---

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(c) Upon receipt by a Holder of the notice and the certified cheque referred to in Section 7.4(b), the number of Class A Shares redeemed pursuant to the notice are deemed to be immediately redeemed by the Corporation and, as of such time, the Holder is deemed no longer to be the holder of such redeemed Class A Shares.

APPENDIX "A"

Sample of Adjustment to Conversion Price  
of Class A Shares under Section 6.2

Assumptions

Immediately prior to issuance of additional Common Shares or Derivative Securities:

- the Conversion Price is equal to \$1.00
- the number of Common Shares of the Corporation (calculated on a Fully Diluted Basis) which are outstanding is 10,000,000
- 1,000,000 additional Common Shares (or Derivative Securities) will be issued for \$0.50 per share for aggregate proceeds of \$500,000

Calculation of Adjustment

Adjusted Conversion Price = Conversion Price (immediately prior to the issuance of the one million additional Common Shares (or Derivative Securities)) multiplied by  $(A + B) / (A + C)$ , where:

"A" is the number of Common Shares (calculated on a basis which assumes that any shares convertible into, exercisable for or exchangeable for Common Shares have been so converted, exercised or exchanged) outstanding immediately prior to the issuance of additional Common Shares (or Derivative Securities);

"B" is the number that is the result of dividing (i) the aggregate amount of consideration received by the Corporation on such issuance of such additional Common Shares (or Derivative Securities), by (ii) the Conversion Price; and

"C" is the number of the additional Common Shares (or Derivative Securities) (calculated on an "as-converted" to Common Shares basis) to be issued.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

Adjusted Conversion Price = 1.00 multiplied by (10,000,000 + 500,000) /  
(10,000,000 + 1,000,000)  
= 1.00 multiplied by (10,500,000 / 11,000,000)  
= \$0.95 (as rounded to nearest cent)

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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8. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:

*L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:*

The transfer of shares in the capital of the Corporation shall be restricted in the manner provided in Section 9(a) of these articles.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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9. Other provisions, (if any, are):  
*Autres dispositions, s'il y a lieu:*

(a) The right to transfer securities (including for greater certainty shares) other than non-convertible debt securities of the Corporation, shall be restricted in that no such securities shall be transferred without either: (a) the consent of the directors of the Corporation, expressed by a resolution passed by the directors or by an instrument or instruments in writing signed by a majority of the directors, which consent of the holder or holders either prior or subsequent to the time of transfer of such securities; or (b) the consent of the holder or holders of shares of the Corporation to which are attached at least a majority of the votes attaching to all shares of shares of the Corporation for the time being outstanding carrying a voting right either under all circumstances or under some circumstances that have occurred and are continuing, expressed by a resolution passed by such holder or holders or by an instrument or instruments in writing signed by such holder or holders, which consent may be given either prior or subsequent to the time of transfer of such securities.

(b) The board of directors may from time to time, without authorization of the shareholders:

(i) borrow money upon the credit of the Corporation;

(ii) issue, reissue, sell or pledge debt obligations of the Corporation;

(iii) subject to the Business Corporations Act (Ontario), give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and

(iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

Nothing in this subparagraph (b) limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

The board of directors may from time to time by resolution delegate to such one or more of the directors and officers of the Corporation as may be designated by the board any or all of the powers conferred on the board of directors above to such extent and in such manner as the board shall determine at the time of such delegation.

(c) For greater certainty, but without in any way limiting the powers



Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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9. Other provisions, (if any, are):  
*Autres dispositions, s'il y a lieu:*

conferred on the board of directors hereunder, for the purpose of clause (iv) of subparagraph (b) above, "property" shall include and be deemed to include, without limitation, both moveable and immoveable property.

Request ID / Demande n°

Ontario Corporation Number  
Numéro de la compagnie en Ontario

10423070

2176155

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10. The names and addresses of the incorporators are  
*Nom et adresse des fondateurs*

First name, initials and last name  
or corporate name

*Prénom, initiale et nom de  
famille ou dénomination sociale*

Full address for service or address of registered office or of principal place of business  
giving street & No. or R.R. No., municipality and postal code

*Domicile élu, adresse du siège social au adresse de l'établissement principal, y compris  
la rue et le numéro, le numéro de la R.R., le nom de la municipalité et le code postal*

\* PAUL CHIPPERTON

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