Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | 22nd Floor, 20 Queen Street West, Toronto ON M5H 3S8 | 22e étage, 20, rue queen ouest, Toronto ON M5H 3S8

IN THE MATTER OF
THERALASE TECHNOLOGIES INC. and ROGER DUMOULIN-WHITE

SETTLEMENT AGREEMENT

PART I - INTRODUCTION

1. Requirements for timely, accurate and efficient disclosure of information, be it forward-looking or about historical events, are a primary means for achieving the purposes of the *Securities Act*. This matter concerns failures by a TSX-Venture-listed issuer, Theralase Technologies Inc. ("Theralase" or the "Company"), and its President and Chief Executive Officer, Roger Dumoulin-White ("Dumoulin-White" and, together with Theralase, the "Respondents"), to provide accurate and complete disclosure about the development of one of Theralase's lead products, the TLC-2000 therapeutic laser. The disclosure issues concern: (a) forward-looking information about anticipated milestones and expected revenues; (b) the absence of updates to that information, including why targets were not achieved; and (c) historical information about the status of the device's regulatory approvals.

2. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing (the "Notice of Hearing") to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, RSO 1990, c S.5 (the "Act"), it is in the public interest for the

Commission to make certain orders against Theralase and Dumoulin-White in respect of the conduct described herein.

PART II - JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission ("Staff") recommend settlement of the proceeding (the "Proceeding") against the Respondents commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this Agreement. The Respondents consent to the making of an order (the "Order") in the form attached as Schedule A to this Agreement based on the facts set out herein.

4. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts set out in Part III of this Agreement and the conclusions in Part IV of this Agreement.

PART III - AGREED FACTS

A. INTRODUCTION

(1) Overview

5. The conduct at issue relates to Theralase's disclosure about its TLC-2000 therapeutic laser (the "TLC-2000") between November 3, 2006 and August 29, 2017 (the "Material Time"). The Company disclosed expected launch dates, revenue projections and growth targets for the TLC-2000 in a manner contrary to National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") and the public interest. The conduct at issue also relates to Theralase's disclosure regarding regulatory applications and approvals in respect of the TLC-2000's biofeedback or Cell Sensing technology from Health Canada and the U.S. Food and Drug Administration (the "FDA").

6. This matter does not concern the accuracy of Theralase's financial reporting in its quarterly and annual financial statements filed with the Canadian Securities Administrators (the "CSA") on the System for Electronic Document Analysis and Retrieval ("SEDAR").

7. During the Material Time, Theralase did not have a Disclosure Committee and Dumoulin-White's wife acted as Theralase's Chief Financial Officer. Dumoulin-White,

Theralase's founder, President, Chief Executive Officer and the Chair of its Board of Directors (the "Board"), accepts primary responsibility for the disclosure at issue.

8. With respect to that disclosure, Theralase has provided or will provide clarifying disclosure. Theralase has issued corrective disclosure regarding the forward-looking information ("FLI"). As part of this settlement, Theralase will issue additional corrective disclosure regarding the status of the TLC-2000's regulatory approvals.

(2) The Law

9. Requirements for timely, accurate and efficient disclosure of information, be it forward-looking or about historical events, are a primary means for achieving the purposes of the Act.

10. Disclosure of FLI by a reporting issuer—whether in a news release filed on SEDAR, in an offering memoranda provided to prospective private placement investors or on social media available to the general public—is subject to the provisions of NI 51-102.

11. NI 51-102 requires a reporting issuer to supplement certain FLI it discloses with additional disclosure ("FLI Required Disclosure"). Section 4A.3 mandates that material FLI be accompanied by disclosure that states the material factors or assumptions used to develop it, cautions that actual results may vary and identifies material risk factors that could cause material variations. Part 4B sets out additional requirements for financial outlooks, such as revenue guidance and growth targets. In addition to the disclosure required by section 4A.3, section 4B.3 requires financial outlooks to be accompanied by disclosure that explains their purpose and cautions that the information may not be appropriate for other purposes.

12. To assist reporting issuers in complying with their obligations, the CSA and the Commission have issued guidance regarding FLI Required Disclosure.[1] The guidance emphasizes the importance of presenting detailed factors and assumptions specific to the issuer's business to enable the reader to understand the FLI.[2] General "boilerplate" disclosure does not

[1] See e.g. Companion Policy 51-102CP *Continuous Disclosure Obligations* and CSA Staff Notice 51-330 *Guidance Regarding the Application of Forward-looking Information Requirements under NI 51-102 Continuous Disclosure Obligations*.
[2] See e.g. CSA Staff Notice 51-341 *Continuous Disclosure Review Program Activities for the Fiscal Year Ended March 31, 2014*.

adequately describe the key assumptions used and how primary risks may impact future performance. As noted in OSC Staff Notice 51-721 *Forward-Looking Information Disclosure*, general risk factors and assumptions provide investors with limited information and do not provide insight on how they relate to and impact the FLI being disclosed.

13. NI 51-102 also requires a reporting issuer to update certain previously disclosed FLI. Its Management's Discussion & Analysis ("MD&A") must discuss events and circumstances that are reasonably likely to cause actual results to differ materially from material FLI, as well as the expected differences, unless the issuer has already disclosed that information in a news release. Regardless of any previous disclosure, MD&A must discuss material differences between actual results and any previously disclosed financial outlooks.

14. Ontario securities law also requires issuers to prepare, disseminate and file specific disclosure documents, depending on their activities in the capital markets. For example, reporting issuers are subject to continuous disclosure obligations, including in respect of their MD&A and Annual Information Forms ("AIFs"). An issuer that wishes to offer securities to the public must do so under a prospectus. While the forms setting out disclosure required to be included in a prospectus are more extensive for a long form prospectus than for a short form prospectus, such as a base shelf prospectus, a short form prospectus is also required to incorporate by reference certain disclosure documents of the reporting issuer.

B. DETAILED FACTS

(1) Respondents

15. Theralase is a medical devices company, the registered and head office of which is located in Toronto, Ontario. It is a reporting issuer in Ontario, the common shares ("Shares") of which are listed on the TSX Venture Exchange under the trading symbol "TLT". The Shares also trade on the OTCQX Best Market under the trading symbol "TLTFF". Share purchase warrants and stock options of Theralase are also outstanding.

16. Dumoulin-White is Theralase's founder, President, Chief Executive Officer and the Chair of its Board. He is resident in Toronto, Ontario.

(2) Theralase's Business

17. Theralase has two main divisions: the Photo Dynamic Therapy division (the "PDT Division") and the Therapeutic Laser Technology division (the "TLT Division"). According to a news release of Theralase dated November 29, 2017:

(a) the PDT Division researches and develops specially designed molecules called Photo Dynamic Compounds, which are able to localize to cancer cells and then when laser light activated, effectively destroy them; and

(b) the TLT Division designs, manufactures, markets and distributes patented super-pulsed laser technology indicated for the treatment of chronic knee pain, and in off-label use, the elimination of pain, reduction of inflammation and acceleration of tissue healing for numerous nerve, muscle, tendon, ligament, joint and wound conditions.

18. The PDT Division is in early stages, presently engaged in clinical trials led by Princess Margaret Cancer Centre, University Health Network and not expected to produce revenues in the near future. Theralase's revenue-generating unit is the TLT Division, the principal products of which are the TLC-1000 and TLC-2000 therapeutic lasers. Theralase has indicated that it expects the TLC-2000 to displace the TLC-1000 as its lead product, once the former is successfully launched. While Theralase continues to work on successfully commercializing the TLC-2000, it is also actively developing its PDT Division.

(3) Launch Dates, Revenue Projections and Growth Targets

19. On November 3, 2006, Theralase disclosed the anticipated launch of laser biofeedback technology in 2007. In its subsequent MD&A,[3] it specified that commercialization of the biofeedback technology was slated to commence in the first quarter of 2007. On March 6, 2007, Theralase indicated that the biofeedback technology had been housed in the TLC-2000.

20. Over the next eight and a half years, Theralase made various statements in its public disclosure (including news releases and MD&A filed on SEDAR and marketing materials posted

[3] Dated November 20, 2006.

on the Theralase website and elsewhere on the Internet) in which it rolled forward the launch date of the TLC-2000 in 30-day to five quarter increments (collectively, the "Launch Date FLI"). Sales of the TLC-2000 did not commence until December 15, 2015, following the issuance of regulatory approvals from Health Canada and the FDA.

21. On July 11, 2014, Theralase granted Dumoulin-White 1,000,000 stock options (the "2014 Options"). According to Theralase's news release, the 2014 Option grants had been made "as a means of rewarding directors and officers for future services to be provided to the Corporation, including: the launch of the patented TLC-2000 biofeedback therapeutic laser system in 4Q2014 and the commencement of FDA Phase I / IIa human clinical studies in bladder cancer for its patented and patent pending anti-cancer Photo Dynamic Compound (PDC) technology in 1Q2015."

22. On May 28, 2015, Theralase granted Dumoulin-White an additional 3,000,000 stock options (the "2015 Options" and, together with the 2014 Options, the "Future Services Options"). The related news release explained that they had been "granted as a means of rewarding directors and officers for future service to the Corporation, including: (1) Launch of the patented TLC-2000 biofeedback therapeutic laser system with Cell Sensing^{TM} technology in 2Q2015 and (2) Commencement of the Health Canada Phase Ib human clinical study for the treatment of Non-Muscle Invasive Bladder Cancer with its patented and patent pending anti-cancer Photo Dynamic Therapy in 4Q2015."

23. Sales of the TLC-2000 did not commence until the fourth quarter of 2015. Dumoulin-White did not forfeit his Future Services Options.

24. Between 2006 and 2016, Theralase also disclosed revenue projections for the TLC-2000 (the "Revenue Projections"). The financial outlooks appeared in offering memoranda and other marketing materials provided to prospective investors and posted on the Internet, as well as in a post on Theralase's Twitter feed. They ranged from $2.5 million to $10 million in the first year of launch to $50 million to $60 million in the fifth year following launch of the TLC-2000.

25. Theralase also referred to five-year outlooks in its SEDAR filings (the "Growth Targets"). For example, in a news release dated August 16, 2012, Dumoulin-White stated that

one aspect of the Company's mandate was to build the TLT Division into a "$50 million annual recurring revenue model within the next 5 to 7 years." Theralase's AIF dated September 24, 2014 provided that "Theralase's corporate mandate is to capture at least 1% of the therapeutic laser market, thus achieving annual revenues of >$50 million . . . within five years of launch" of the TLC-2000.

26. The financial outlooks were not achieved. By way of example, Theralase's revenues in 2016 were approximately $1.9 million. On June 30, 2017, at Staff's request, Theralase issued a news release in which it stated that it did not expect to achieve any of the forward-looking targets with respect to revenues that it had previously provided.

27. When Theralase provided the Launch Date FLI, Revenue Projections and Growth Targets, it did not accompany them with FLI Required Disclosure. For example, while some of the FLI was accompanied by a general "boilerplate", forward-looking statement disclaimer, Theralase did not identify the material risk factors that could cause actual results to differ, such as the effect that the regulatory approval process could have on the Launch Date FLI, or the quantitative and qualitative assumptions underlying the Revenue Projections or Growth Targets.

28. Theralase also did not update the FLI in accordance with NI 51-102. For instance, while its news releases and MD&A disclosed new launch dates for the TLC-2000, they did not reference the previous ones or explain why they had not been met.

29. Theralase has explained to Staff that it relied on its financial filings (including its annual and interim financial statements and related MD&A) filed in the ordinary course on SEDAR to update its disclosure record.

(4) Regulatory Approval of Biofeedback or Cell Sensing Technology

30. Since 2003, Theralase's SEDAR filings have referred to the development of its patented, biofeedback technology, which would eventually be housed in the TLC-2000. The purpose of the biofeedback technology is to sense and target the injured tissue at depth and calibrate the laser's energy dose accordingly. Theralase consistently described this biofeedback feature as an advance that distinguished the TLC-2000 from its competition. In 2015, Theralase trademarked the term "Cell Sensing" to refer to it.

31. On February 9, 2015, Theralase announced that it had applied for Health Canada approval of the TLC-2000 and expected to do the same with respect to the FDA in March 2015. The news release described the TLC-2000 as a biofeedback therapeutic laser possessing Cell Sensing technology. Theralase had not applied to Health Canada for approval of the biofeedback or Cell Sensing technology and did not seek approval of it from the FDA until February 2017.

32. In its prospectus supplement to its base shelf prospectus dated February 25, 2015 (the "2015 Prospectus"), Theralase stated that it had filed for Health Canada approval of the TLC-2000. The two MD&A,[4] AIF and marketing materials incorporated by reference into the 2015 Prospectus described the TLC-2000 as having biofeedback or Cell Sensing technology.

33. In five subsequent news releases[5] and four MD&A,[6] Theralase indicated that it was awaiting Health Canada and/or the FDA approval to launch the TLC-2000. In the same news releases and MD&A, Theralase described the TLC-2000 as having biofeedback or Cell Sensing technology. For example, according to MD&A: "The TLC-2000 Biofeedback Therapeutic Laser System is currently being reviewed by . . . Health Canada and is expected to be approved for commercial distribution in Canada in early Q2 2015. Approval of the TLC-2000 Biofeedback Therapeutic Laser System by the Food and Drug Administration ("FDA") is expected in 4Q2015 for commercial distribution in the United States . . ."

34. On November 25, 2015 and December 14, 2015, respectively, Theralase announced that it had obtained regulatory approval for the TLC-2000 from the FDA and Health Canada. In nine subsequent MD&A[7] and its AIF dated November 7, 2016 (the "2016 AIF"), Theralase referred to approval or clearance by Health Canada or the FDA of the TLC-2000. It also described the TLC-2000 as having biofeedback or Cell Sensing technology. For example, according to Theralase's MD&A dated November 3, 2016 and the 2016 AIF: "The TLC-2000 Biofeedback Therapeutic Laser System . . . has a Health Canada approved Medical Device License (Class III)."

[4] Dated April 29, 2014 and November 27, 2014.
[5] Dated May 1, 2015, May 29, 2015, June 10, 2015, June 11, 2015 and July 17, 2015.
[6] Dated April 30, 2015, May 29, 2015, August 28, 2015 and November 27, 2015.
[7] Dated November 27, 2015, April 29, 2016, May 27, 2016, August 29, 2016, November 3, 2016, November 29, 2016, May 1, 2017, May 30, 2017 and August 29, 2017.

35. Two of these MD&A[8] and the 2016 AIF were incorporated by reference into Theralase's prospectus supplement dated November 7, 2016.

36. As part of this settlement, Theralase will issue corrective disclosure regarding the status of the regulatory approvals of the Cell Sensing technology.

C. MITIGATING FACTORS

37. The Respondents request that the panel presiding at the Settlement Hearing (as defined below) consider the following mitigating circumstances. Staff do not object to the mitigating circumstances set out by the Respondents below.

38. Dumoulin-White represents and warrants to Staff and the Commission that:

(a) he has never sold a Share; and

(b) he believed that the Revenue Projections and Growth Targets were reasonable and achievable when they were made.

39. In connection with Staff's review, Theralase has introduced policies and procedures relating to disclosure.

40. Theralase has sought to reach an early resolution of this matter that would enhance its corporate governance and disclosure practices going forward.

PART IV - NON-COMPLIANCE WITH ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

41. The Respondents acknowledge and admit that, during the Material Time:

(a) Theralase did not provide FLI Required Disclosure with, or update, its Launch Date FLI, Revenue Projections or Growth Targets, contrary to sections 4A.3, 4B.3 and 5.8 of NI 51-102 (with respect to FLI disclosed on or after December 31, 2007, when these provisions came into force) and contrary to the public interest (with respect to the other FLI at issue);

[8] Dated April 29, 2016 and November 3, 2016.

(b) Dumoulin-White, a director and officer of Theralase, authorized, permitted or acquiesced in Theralase's non-compliance with Ontario securities law, as set out in subparagraph (a) above, and is deemed not to have complied with Ontario securities law under section 129.2 of the Act;

(c) certain of Theralase's disclosure may have conveyed that the regulatory approvals obtained with respect to the TLC-2000 extended to the biofeedback or Cell Sensing technology, when they did not, contrary to the public interest; and

(d) as set out in subparagraphs (a) through (c) above, the Respondents engaged in conduct contrary to the public interest.

PART V - TERMS OF SETTLEMENT

42. The Respondents agree to the terms of settlement set forth below.

43. The Respondents consent to the Order, pursuant to which it is ordered that:

(a) this Agreement be approved;

(b) Theralase:

(i) submit to a review by Peterson McVicar LLP (the "Consultant") of: (A) Theralase's corporate governance framework, including the composition of its Board and Disclosure Committee; (B) Theralase's disclosure policies; and (C) the policies, processes, reports and systems related to Theralase's disclosure controls and procedures; and

(ii) institute such changes as may be recommended by the Consultant and accepted by Staff in accordance with the process set forth in Annex I to the Order,

pursuant to paragraph 4 of subsection 127(1) of the Act;

(c) the Respondents be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;

(d) Dumoulin-White immediately resign any position that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;

(e) Dumoulin-White be prohibited from becoming or acting as a director or officer of a reporting issuer or any related entity[9] for a period of five years commencing on the date of the Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

(f) Dumoulin-White be prohibited from becoming or acting as a director or officer of a non-reporting issuer, other than a related entity of a reporting issuer,[10] for a period of three years commencing on the date of the Order, pursuant to paragraph 8 of subsection 127(1) of the Act; and

(g) Dumoulin-White pay an administrative penalty in an amount equal to $250,000 less the costs of the Consultant paid by Dumoulin-White (which will not exceed $150,000 and will be confirmed by the Consultant as set forth in Annex I to the Order), pursuant to paragraph 9 of subsection 127(1) of the Act, which administrative penalty amount be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act and be paid in full by certified cheque or bank draft within two months of the date the first MD&A specified in paragraph 8 of Annex I to the Order is required to be filed (the "Report Disclosure Date").

44. $100,000 of the administrative penalty shall be paid by certified cheque or bank draft prior to the issuance of the Order.

45. Theralase has given an undertaking (the "Theralase Undertaking") to the Commission in the form attached as Annex II to the Order, under which Theralase undertakes to:

(a) appoint Arkady Mandel ("Mandel"), Theralase's Chief Scientific Officer, to act as Theralase's Interim Chief Executive Officer for a period of no more than one year commencing on the date of the Order;

[9] As defined in Division 4 of National Instrument 45-106 *Prospectus Exemptions*.
[10] Under paragraph 43(e), Dumoulin-White is prohibited from becoming or acting as a director or officer of a related entity of a reporting issuer for a period of five years commencing on the date of the Order.

(b) use best efforts to recruit a Chief Executive Officer to replace Mandel as soon as practicable. The replacement Chief Executive Officer will not be a director, officer, employee or consultant of Theralase on the date of the Order;

(c) establish a Disclosure Committee to oversee and approve its disclosure, as follows:

(i) the Disclosure Committee will be composed of at least three members;

(ii) all of the members will be independent directors;

(iii) the initial Chair will be Guy Anderson; and

(iv) all Theralase's disclosure will be approved by a majority vote of the Disclosure Committee;

(d) cause each of its directors and officers to complete a corporate governance course on disclosure issues satisfactory to Staff, the costs of which course will not exceed $2,500;

(e) for a period of five years commencing on the date of the Order, ensure that Dumoulin-White not engage, directly or indirectly, in any disclosure activities or significant investor relations activities in respect of Theralase and that any of Dumoulin-White's activities in respect of the raising of financing by, or the solicitation of investments in, Theralase are supervised by Theralase's Chief Executive Officer or a member of its Disclosure Committee, all in accordance with the undertakings of Dumoulin-White set forth in subparagraph 46(a);

(f) cancel Dumoulin-White's Future Services Options[11] and not effect any transactions to replace them; and

[11] The 2014 Options have an exercise price of $0.50 and expire on July 11, 2019. As of January 19, 2018, a Black Scholes valuation methodology resulted in fair values for the 2014 Options such as $7,477.76 (based on monthly volatility over the previous year) and $123,130.30 (based on quarterly volatility over the previous year).

(g) disseminate and file a news release acceptable to Staff regarding this Agreement, including the matters set out under Part III.

46. Dumoulin-White has given an undertaking (the "Dumoulin-White Undertaking" and, together with the Theralase Undertaking, the "Undertakings") to the Commission in the form attached as Annex III to the Order, under which Dumoulin-White undertakes to:

(a) for a period of five years commencing on the date of the Order:

(i) not to engage, directly or indirectly, in any disclosure activities, being:

1. preparing any disclosure document, including any document disclosing information about an issuer used in soliciting investments in the issuer on a private placement basis; or

2. participating in any discussions, or making any recommendations or otherwise influencing or attempting to influence an issuer, in respect of the preparation of any disclosure document;

except in respect of any disclosure describing Dumoulin-White personally or his relationship with the issuer or as may be required by law;

(ii) not to engage, directly or indirectly, in any significant investor relations activities; and

(iii) ensure that any of his activities in respect of the raising of financing by, or the solicitation of investments in, Theralase be supervised by its Chief Executive Officer or a member of its Disclosure Committee;

(b) before engaging in any disclosure activities, investor relations activities or the financing or solicitation activities described in subparagraph (a) above, engage in a full day of one-on-one training with the Consultant regarding disclosure issues;

The 2015 Options have an exercise price of $0.50 and expire on May 28, 2020. As of January 19, 2018, a Black Scholes valuation methodology resulted in fair values for the 2015 Options such as $51,616.57 (based on monthly volatility over the previous year) and $476,694.87 (based on quarterly volatility over the previous year).

(c) before becoming a director or officer of an issuer, complete an education program, satisfactory to Staff, relating to the obligations of directors and officers;

(d) not dispose of any of his securities of Theralase until the day following the Report Disclosure Date;

(e) pay the costs of Consultant's review, which will not exceed $150,000, as set forth in Annex I to the Order;

(f) surrender for cancellation the Future Services Options; and

(g) pay all of the amounts payable by him under this Agreement, the Order and the Dumoulin-White Undertaking either from his personal assets, without recourse to any insurance, indemnification or similar provision or, if such a provision is relied on, at no cost to Theralase, including in the form of increased insurance premiums.

47. Dumoulin-White acknowledges that, in addition to any proceedings referred to in paragraphs 50 and 51, failure to pay in full any monetary sanctions and/or costs ordered will result in Dumoulin-White's name being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the Commission's website.

48. Dumoulin-White consents to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in subparagraphs 43(c), 43(d), 43(e) and 43(f). These sanctions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

49. The Respondents acknowledge that this Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of certain Canadian jurisdictions allow orders made in this matter to take effect in them automatically, without further notice to the Respondents. The Respondents should contact the securities regulator of any other jurisdiction in which the Respondents intend to engage in any securities-related activities, prior to undertaking such activities.

PART VI - FURTHER PROCEEDINGS

50. If the Commission approves this Agreement, Staff will not commence or continue any proceeding against the Respondents under Ontario securities law based on the misconduct described in Part III of this Agreement, unless the Respondents fail to comply with any term in this Agreement or their respective Undertakings. In that case, Staff may bring proceedings under Ontario securities law against the Respondents that may be based on, among other things, the facts set out in Part III of this Agreement as well as the breach of this Agreement or applicable Undertaking.

51. Dumoulin-White acknowledges that, if the Commission approves this Agreement and Dumoulin-White fails to comply with any term in it or in the Dumoulin-White Undertaking, the Commission is entitled to bring any proceedings necessary to recover the amounts set out in subparagraph 43(g).

52. Each Respondent waives any defences to a proceeding referenced in paragraphs 50 and 51 that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Agreement or applicable Undertaking.

PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT

53. The parties will seek approval of this Agreement at a public hearing (the "Settlement Hearing") before the Commission, which will be held on a date determined by the Secretary to the Commission in accordance with this Agreement and the Commission's *Rules of Procedure* (2017), 40 OSCB 8988.

54. Dumoulin-White, in his personal capacity, and Mandel, on behalf of Theralase, will attend the Settlement Hearing in person.

55. The parties confirm that this Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

56. If the Commission approves this Agreement:

(a) each Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and

(b) none of the parties will make any public statement that is inconsistent with this Agreement or with any additional agreed facts submitted at the Settlement Hearing.

57. Whether or not the Commission approves this Agreement, no Respondent will use, in any proceeding, this Agreement or the negotiation or process of approval of this Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

58. If the Commission does not make the Order:

(a) this Agreement and all discussions and negotiations between Staff and the Respondents before the Settlement Hearing will be without prejudice to Staff and the Respondents; and

(b) Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Agreement, or by any discussions or negotiations relating to this Agreement.

59. The parties will keep the terms of this Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

60. This Agreement may be signed in one or more counterparts which together constitute a binding agreement.

61. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at Toronto, Ontario as of the 16th day of February, 2018.

THERALASE TECHNOLOGIES INC.

By: ***"Matthew Perraton"***
Matthew Perraton
Director

By: ***"Randy Bruder"***
Randy Bruder
Director

"Guy Anderson"
Witness: Guy Anderson

"Roger Dumoulin-White"
ROGER DUMOULIN-WHITE

DATED at Toronto, Ontario as of the 16th day of February, 2018.

ONTARIO SECURITIES COMMISSION

By: ***"Jeff Kehoe"***
Jeff Kehoe
Director, Enforcement Branch

SCHEDULE A

FORM OF ORDER

Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | 22nd Floor, 20 Queen Street West, Toronto ON M5H 3S8 | 22e étage, 20, rue queen ouest, Toronto ON M5H 3S8

IN THE MATTER OF
THERALASE TECHNOLOGIES INC. and ROGER DUMOULIN-WHITE

File No. [#]

[Name of Chair of Panel], Chair of the Panel
[Name of Commissioner], Commissioner
[Name of Commissioner], Commissioner

[Day and date Order made]

ORDER
(Subsection 127(1) of the
***Securities Act*, RSO 1990, c S.5)**

WHEREAS on **[date]**, the Ontario Securities Commission (the "Commission") held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider an application made jointly by Theralase Technologies Inc. ("Theralase"), Roger Dumoulin-White ("Dumoulin-White" and, together with Theralase, the "Respondents") and Staff ("Staff") of the Commission for approval of a settlement agreement dated as of February 16, 2018 (the "Agreement");

ON READING the Statement of Allegations dated **[date]** and the Joint Application Record for a Settlement Hearing dated **[date]**, including the Agreement, the terms of consultant review

(attached as Annex I to this Order) and undertakings of each of the Respondents (attached as Annexes II and III to this Order, respectively);

AND ON HEARING the submissions of counsel for the Respondents and Staff, including that $100,000 of the administrative penalty payable by Dumoulin-White has been received by the Commission in accordance with the terms of the Agreement;

IT IS ORDERED THAT:

1. the Agreement be approved;

2. Theralase:

   (a) submit to a review by Peterson McVicar LLP (the "Consultant") of: (A) Theralase's corporate governance framework, including the composition of its Board of Directors and Disclosure Committee; (B) Theralase's disclosure policies; and (C) the policies, processes, reports and systems related to Theralase's disclosure controls and procedures; and

   (b) institute such changes as may be recommended by the Consultant and accepted by Staff in accordance with the process set forth in Annex I to this Order,

   pursuant to paragraph 4 of subsection 127(1) of the Act;

3. the Respondents be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;

4. Dumoulin-White immediately resign any position that he holds as a director or officer of an issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;

5. Dumoulin-White be prohibited from becoming or acting as a director or officer of a reporting issuer or any related entity[1] for a period of five years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act;

6. Dumoulin-White be prohibited from becoming or acting as a director or officer of a non-reporting issuer, other than a related entity of a reporting issuer,[2] for a period of three years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act; and

7. Dumoulin-White pay an administrative penalty in an amount equal to $250,000 less the costs of the Consultant paid by Dumoulin-White (which will not exceed $150,000 and will be confirmed by the Consultant as set forth in Annex I to this Order), pursuant to paragraph 9 of subsection 127(1) of the Act, which administrative penalty amount be designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b) of the Act and be paid in full by certified cheque or bank draft within two months of the date the first Management's Discussion & Analysis specified in paragraph 8 of Annex I to this Order is required to be filed.

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[Name of Chair of Panel]

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[Name of Commissioner]

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[Name of Commissioner]

[1] As defined in Division 4 of National Instrument 45-106 *Prospectus Exemptions*.
[2] Under paragraph 5, Dumoulin-White is prohibited from becoming or acting as a director or officer of a related entity of a reporting issuer for a period of five years commencing on the date of this Order.

ANNEX I

TERMS OF CONSULTANT REVIEW

IN THE MATTER OF
THERALASE TECHNOLOGIES INC. and ROGER DUMOULIN-WHITE

CONSULTANT'S TERMS OF REVIEW

All terms will have the same meanings herein as in the settlement agreement dated as of February 16, 2018 between Theralase Technologies Inc., Roger Dumoulin-White and Staff of the Ontario Securities Commission.

A. Consultant's Mandate

1. To conduct a review of, and to deliver reports addressing: (a) Theralase's corporate governance framework, including the composition of its Board and Disclosure Committee; (b) Theralase's disclosure policies; and (c) the policies, processes, reports and systems related to Theralase's disclosure controls and procedures.

B. Consultant's and Theralase's Obligations

2. The Consultant will issue a report to Theralase's Board, Audit Committee and Disclosure Committee and Staff within three months of the date of the Order, provided that the Consultant may seek to extend the review period for one additional three-month term by requesting an extension from Staff. Staff, after consultation with Theralase, may grant the extension if Staff deem it reasonable and warranted.

3. The Consultant's report will address the Consultant's review of the areas specified in Part A and will include a description of the review performed, the conclusions reached, the Consultant's recommendations for any changes or improvements as the Consultant reasonably

deems necessary to conform to the law and best practices and a procedure for implementing the recommended changes or improvements.

4. Theralase will adopt all recommendations in the Consultant's report, provided that within 30 days of receipt of the report, it may in writing advise the Consultant and Staff of any recommendation it considers unnecessary or inappropriate. Theralase need not adopt that recommendation, but will propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.

5. Theralase and the Consultant will attempt in good faith to reach an agreement on the recommendations Theralase has notified the Consultant of its disagreement with in accordance with paragraph 4. In the event Theralase and the Consultant are unable to agree on an alternative proposal within 60 days of the issuance of the Consultant's report, Theralase will abide by the Consultant's determination.

6. Theralase will retain the Consultant for a period of 12 months from the date of the Order. After the Consultant's recommendations become final pursuant to paragraph 4 or 5 above, the Consultant will oversee the implementation of the recommendations.

7. Twelve months after the date of the Order, the Consultant will provide a report to Theralase's Board, Audit Committee and Disclosure Committee and Staff concerning the progress of the implementation. If not all of the Consultant's recommendations have been implemented in a manner satisfactory to Staff for at least two successive fiscal quarters, Theralase will extend the Consultant's term of appointment until such time as all recommendations have been implemented in a manner satisfactory to Staff for at least two successive fiscal quarters.

8. At the conclusion of the 12-month period specified in paragraph 7, in addition to any requirements under applicable securities laws requiring disclosure related to this matter, Theralase will disclose in each of its next interim and annual MD&A (and its next interim and annual MD&A once any extended period contemplated in paragraph 7 is complete) a summary of:

(a) the Consultant's report specified in paragraph 2;

(b) if Theralase disagreed with any recommendations in the Consultant's report, the nature of the disagreement and its resolution, including the policy, procedure or system that was implemented; and

(c) the implementation of the balance of the Consultant's recommendations.

9. In addition to the reports identified above, the Consultant will provide Theralase's Board, Audit Committee and Disclosure Committee and Staff with such documents or other information concerning the areas specified in Part A as any of them may request during the pendency or at the conclusion of the review.

C. Terms of Consultant's Retainer

10. The Consultant will have reasonable access to all of Theralase's books and records and may meet privately with its personnel. Theralase will instruct and otherwise encourage its directors, officers, employees and consultants to cooperate fully with the Consultant and inform its directors, officers, employees and consultants that failure to do so may be grounds for disciplinary action, dismissal or other appropriate actions.

11. The Consultant will make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of its responsibilities, and require all persons and firms retained to assist the Consultant to do so as well. The Consultant will provide Staff with such notes and documents as Staff may request during the pendency or at the conclusion of the review.

12. The Consultant will have the right, as reasonable and necessary in its judgment, to retain lawyers, accountants or other persons or firms, other than directors, officers, employees and consultants of Theralase, to assist in the discharge of its obligations. The fees and expenses of any persons or firms retained by the Consultant will be borne by the Consultant.

13. Within one month of the date the first MD&A specified in paragraph 8 is required to be filed (the "Report Disclosure Date"), the Consultant will provide the Board, Dumoulin-White and Staff with a final account of the costs in respect of its retainer (the "Costs"), including its fees, disbursements, any fees or expenses incurred pursuant to paragraph 12 and any applicable

taxes. The Costs shall be payable by Dumoulin-White, subject to a cap of $150,000. For greater certainty, if the Costs exceed $150,000, the Consultant shall complete the balance of the work specified in this Annex I at its own expense.

14. Within two months of the Report Disclosure Date, the Consultant will advise the Board and Staff in writing of the amount of the Costs that have been paid to it by Dumoulin-White.

ANNEX II

UNDERTAKING OF THERALASE

IN THE MATTER OF
THERALASE TECHNOLOGIES INC. and ROGER DUMOULIN-WHITE

UNDERTAKING OF THERALASE TECHNOLOGIES INC.
TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated as of February 16, 2018 between Theralase Technologies Inc., Roger Dumoulin-White and Staff of the Ontario Securities Commission (the "Agreement"). All terms will have the same meanings in this Undertaking as in the Agreement.

2. Theralase undertakes to the Commission to:

   (a) appoint Arkady Mandel ("Mandel"), Theralase's Chief Scientific Officer, to act as Theralase's Interim Chief Executive Officer for a period of no more than one year commencing on the date of the Order;

   (b) use best efforts to recruit a Chief Executive Officer to replace Mandel as soon as practicable. The replacement Chief Executive Officer will not be a director, officer, employee or consultant of Theralase on the date of the Order;

   (c) establish a Disclosure Committee to oversee and approve its disclosure, as follows:

      (i) the Disclosure Committee will be composed of at least three members;

      (ii) all of the members will be independent directors;

      (iii) the initial Chair will be Guy Anderson; and

(iv) all Theralase's disclosure will be approved by a majority vote of the Disclosure Committee;

(d) cause each of its directors and officers to complete a corporate governance course on disclosure issues satisfactory to Staff, the costs of which course will not exceed $2,500;

(e) for a period of five years commencing on the date of the Order, ensure that Dumoulin-White not engage, directly or indirectly, in any disclosure activities or significant investor relations activities in respect of Theralase and that any of Dumoulin-White's activities in respect of the raising of financing by, or the solicitation of investments in, Theralase are supervised by Theralase's Chief Executive Officer or a member of its Disclosure Committee, all in accordance with the undertakings of Dumoulin-White set forth in subparagraph 46(a) of the Agreement;

(f) cancel Dumoulin-White's Future Services Options and not effect any transactions to replace them; and

(g) disseminate and file a news release acceptable to Staff regarding this Agreement, including the matters set out under Part III of the Agreement.

DATED at Toronto, Ontario as of the • day of •, 2018.

THERALASE TECHNOLOGIES INC.

By: _____
[Name]
Director

By: _____
[Name]
Director

ANNEX III

UNDERTAKING OF DUMOULIN-WHITE

IN THE MATTER OF
THERALASE TECHNOLOGIES INC. and ROGER DUMOULIN-WHITE

UNDERTAKING OF ROGER DUMOULIN-WHITE
TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated as of February 16, 2018 between Theralase Technologies Inc., Roger Dumoulin-White and Staff of the Ontario Securities Commission (the "Agreement"). All terms will have the same meanings in this Undertaking as in the Agreement.

2. Dumoulin-White undertakes to the Commission to:

(a) for a period of five years commencing on the date of the Order:

(i) not to engage, directly or indirectly, in any disclosure activities, being:

1. preparing any disclosure document, including any document disclosing information about an issuer used in soliciting investments in the issuer on a private placement basis; or

2. participating in any discussions, or making any recommendations or otherwise influencing or attempting to influence an issuer, in respect of the preparation of any disclosure document;

except in respect of any disclosure describing Dumoulin-White personally or his relationship with the issuer or as may be required by law;

(ii) not to engage, directly or indirectly, in any significant investor relations activities; and

(iii) ensure that any of his activities in respect of the raising of financing by, or the solicitation of investments in, Theralase be supervised by its Chief Executive Officer or a member of its Disclosure Committee;

(b) before engaging in any disclosure activities, investor relations activities or the financing or solicitation activities described in subparagraph (a) above, engage in a full day of one-on-one training with the Consultant regarding disclosure issues;

(c) before becoming a director or officer of an issuer, complete an education program, satisfactory to Staff, relating to the obligations of directors and officers;

(d) not dispose of any of his securities of Theralase until the day following the date the first MD&A specified in paragraph 8 of Annex I to the Order is required to be filed;

(e) pay the costs of Consultant's review, which will not exceed $150,000, as set forth in Annex I to the Order;

(f) surrender for cancellation the Future Services Options; and

(g) pay all of the amounts payable by him under this Agreement, the Order and the Dumoulin-White Undertaking either from his personal assets, without recourse to any insurance, indemnification or similar provision or, if such a provision is relied on, at no cost to Theralase, including in the form of increased insurance premiums.

DATED at Toronto, Ontario as of the • day of •, 2018.

Witness: **ROGER DUMOULIN-WHITE**