



COURT FILE NUMBER B-200191
VANCOUVER REGISTRY
ESTATE NO. 11-2636060

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF TRUE LEAF BRANDS INC., TRUE LEAF CANNABIS INC., TRUE LEAF
INVESTMENTS CORP. AND TRUE LEAF PET INC.**

FIRST REPORT OF THE PROPOSAL TRUSTEE

APRIL 30, 2020

INTRODUCTION

1. This report (“**First Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the Trustee (the “**Proposal Trustee**”) under Notices of Intention to File a Proposal (“**NOI**”) signed by True Leaf Brands Inc. (“**True Leaf**”), True Leaf Cannabis Inc. (“**TLC**”), True Leaf Investments Corp. (“**TLI**”) and True Leaf Pet Inc. (“**TLP**”) (collectively the “**Companies**”) as of April 1, 2020 and filed with the Superintendent of Bankruptcy on April 2, 2020 pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. TLC (formerly known as True Leaf Medicine Inc.) was incorporated under the Business Corporations Act of British Columbia (the “**BCABC**”) on July 4, 2013. TLC’s parent company, True Leaf (formerly known as True Leaf Medicine International Ltd.) was incorporated under the BCABC on June 9, 2014.
3. TLC was established to hold a federal cannabis license that was applied for in 2013.
4. In 2015, True Leaf became a publicly traded company by completing a statutory plan of arrangement through a share exchange with Noor Energy Corporation.
5. Since its inception, True Leaf has raised approximately \$25 million which provided the funding for acquiring 40 acres of land in Lumby, BC on which True Leaf constructed an 18,000 square foot facility for its operations.
6. In late 2015 True Leaf pivoted into the pet industry by launching a line of hemp supplements through its wholly owned TLP subsidiary.
7. TLP developed ‘soft chew’ and ‘oil’ product formulations with hemp seed and other active ingredients to support calming, joint-pain relief and omega 3 supplementation, then marketed these products to the specialty pet industry in Canada, the USA and over 17 countries in Europe.
8. TLP’s 2019 revenues reached \$2.3 million with its products being sold in 3,500 stores globally.

9. In February 2019, True Leaf raised \$4.5 million through the issuance of a convertible, secured note (the “Notes”) with the intention of re-branding its pet business and completing the construction of its cannabis facility.
10. In anticipation of a growth trajectory, True Leaf bolstered its executive suite and sales staff.
11. TLC’s cannabis facility was completed in late 2019, however the Companies’ sales did not meet expectation and it began to experience liquidity issues.
12. True Leaf’s first payment on the Notes was due on March 23, 2020.
13. As a result of its lack of liquidity, True Leaf was unable to make the payment and accordingly the holder of the Notes threatened to call its loan if True Leaf did not remedy its default.
14. With the onset of the COVID-19 pandemic and its implications on global trade in conjunction with its Note default, True Leaf’s management and board decided to seek a stay of proceedings to allow it the time necessary to refinance and/or restructure its debts.
15. As a result, on April 1, 2020, the Companies signed NOI’s which were filed by the Proposal Trustee with the Office of the Superintendent of Bankruptcy (the “OSB”) and accepted on April 2, 2020.
16. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee’s website at <http://cfcanada.fticonsulting.com/TrueLeaf/>.

PURPOSE

17. The purpose of the First Report is to provide this Honourable Court with an update on the following:
- (a) The activities of the Companies since the filing of their NOI's;
 - (b) The Companies' efforts to secure funding for its ongoing costs during this proceeding;
 - (c) An analysis of the Companies' actual cash receipts and disbursements to April 24, 2020, compared to the forecast filed on April 9, 2020 (the "**April 9 Forecast**");
 - (d) The Companies' cash flow projection for the period from April 25, 2020 to June 19, 2020;
 - (e) The rationale for the proposed Professional Charge over the Companies' assets to secure the professional fees and disbursements in relation to these proceedings; and
 - (f) The Companies' request for an extension of the current stay of proceedings under the NOI from May 2, 2020 to June 16, 2020.

TERMS OF REFERENCE

18. In preparing this report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Companies' books and records and discussions with various parties (collectively, the "**Information**").
19. Except as described in this report:
 - (a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
20. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
21. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

UPDATE ON THE COMPANIES' ACTIVITIES

22. Subsequent to filing the NOI, the Companies' management worked with the Proposal Trustee to prepare the initial notice to creditors (attached as Appendix A). The notices were mailed out to all known creditors on April 7, 2020.
23. In addition, the Companies' representatives worked with the Proposal Trustee to prepare a cash flow statement for the expected period of the NOI proceedings. The April 9 Forecast was filed with the OSB on April 9, 2020.
24. Prior to filing the NOI, the Companies' management were in discussions with several parties regarding potential refinancing or sale transactions. Those discussions have continued subsequent to the filing of the NOI with parties being advised that a sale process would likely be commenced in the near term.
25. The cash flow indicated a cash need of approximately \$700,000, to maintain the Companies' operations in the normal course hile it explored alternatives to either refinance or restructure True Leaf.
26. The funding to finance this cash need was anticipated to come from debtor-in-possession financing ("**DIP**"). Prior to filing its NOI, the Proposal Trustee in conjunction with the Companies' management contacted several parties to solicit interest in providing the DIP.
27. The Companies' legal counsel contacted counsel for its senior secured lender (the "**Secured Lender**") to inform it of the Companies' plan to restructure its balance sheet and avail itself of the provisions of the BIA. The Secured Lender was supportive of the Companies' plan and indicated its willingness to provide a DIP to assist with the process.
28. Two term sheets for DIP were received from third party lenders and a third term sheet was received from the Secured Lender.

29. After a series of discussions and negotiations with the Secured Lender, the Companies decided to accept its DIP Credit Facility (the “**DIP Loan**”).
30. A summary of the principal terms of the DIP Loan are as follows:
- (a) A maximum amount of \$700,000 is to be provided commencing with an initial advance of \$250,000;
 - (b) Subsequent weekly draws of a maximum of \$50,000 may be requested by the Companies with a four week rolling maximum of \$200,000;
 - (c) A facility fee of \$14,000 and a due diligence fee of \$5,000 which will be earned upon approval by this Honourable Court and which is to be paid from the initial advance;
 - (d) The maturity date of the DIP Loan is the earlier of:
 - (a) August 15, 2020;
 - (b) The date of closing a Court approved sale of substantially all of the Companies’ assets;
 - (c) The date on which an event of default occurs; or
 - (d) The day the stay of proceedings expires.
 - (e) Interest is to accrue at the rate of 10% per annum; and
 - (f) The Companies are responsible for the repayment of all legal and other costs associated with the DIP Loan.
31. The DIP Loan is conditional upon approval by this Honourable Court and the granting of a first ranking priority charge against all of the Companies’ assets.

32. The DIP Loan also requires the Companies to seek the approval of this Honourable Court prior to May 14, 2020 for a sale process providing for the separate marketing and sale of the Companies' pet business and its land and building.
33. A copy of the DIP Loan is attached as Appendix B.
34. The Proposal Trustee has reviewed the DIP Loan and its terms and conditions. The Proposal Trustee is of the opinion that the terms and conditions are reasonable and consistent with DIP's approved in other similar BIA or *Companies' Creditors' Arrangement Act* proceedings.
35. In deciding whether to make an order, the BIA directs the court to consider, among other things,
- (a) the period during which the debtor is expected to be subject to proceedings under this Act;
 - (b) how the debtor's business and financial affairs are to be managed during the proceedings;
 - (c) whether the debtor's management has the confidence of its major creditors;
 - (d) whether the loan would enhance the prospects of a viable proposal being made in respect of the debtor;
 - (e) the nature and value of the debtor's property;
 - (f) whether any creditor would be materially prejudiced as a result of the security or charge; and
 - (g) the trustee's report referred to in paragraph 50(6)(b) or 50.4(2)(b), as the case may be.

36. The Proposal Trustee makes the following observations with respect to the factors as outlined above:
- (a) The Companies, in consultation with the Secured Lender anticipate a timeline of having them exit the NOI proceedings in a period not extending beyond August 15, 2020;
 - (b) The Companies cash flow budget has been prepared on the basis of an organization with a significantly reduced payroll cost and reduced overhead costs that more appropriately align with its current revenue base;
 - (c) The Companies have had an ongoing dialogue since the initiation of these NOI proceedings with its Secured Lender who is supportive of the Companies efforts to restructure or sell the businesses in a manner that maximizes the value for its stakeholders;
 - (d) Absent the DIP Loan, the Companies would have no ability to continue their operations and would likely be subject to a liquidation sale potentially resulting in substantially lower values for creditors;
 - (e) The pet business is an operating business and its value would be enhanced by selling it as a going concern;
 - (f) The Proposal Trustee is of the view that there would not be material prejudice to any creditor as the DIP Loan will allow the Companies to seek an orderly sale and thereby enhance the value for the stakeholders; and
 - (g) The Proposal Trustee reviewed with the Companies' management the assumptions underlying the cash flow filed pursuant to section 50.4(2)(b) of the BIA and signed and filed with the OSB the Trustee's Report on Cash Flow Statement along with the April 9 Forecast.

37. The Proposal Trustee would therefore support the Companies in seeking approval of the DIP Loan and the granting of a priority charge to the Secured Lender.
38. During the DIP Loan negotiations, it was noted that the payroll in the budget was significant and included four executive salaries.
39. The Secured Lender discussed with the Proposal Trustee the imbalance of the costs as compared to the Companies' current revenue. The Proposal Trustee indicated that it shared the same concern and conveyed that feedback to the Companies' management.
40. The Companies' management and board had differing opinions of the appropriate executive team to lead the Companies through the NOI proceedings and ultimately the board decided to relieve True Leaf's CEO of his duties and have Allen Fujimoto appointed as the Chief Restructuring Officer.
41. In addition, certain of the executive team agreed to accept reductions in their compensation during the NOI proceedings.
42. As a result, the Companies' expenses are now more aligned with its revenue and fit within the expense expectations of the Secured Lender. Accordingly, the Proposal Trustee is supportive of these decisions.

ASSETS OF THE COMPANIES

43. As indicated previously, True Leaf has two primary businesses.
44. The pet business is operated through True Leaf's wholly owned subsidiary, TLP while the cannabis facility and license are held by TLC.
45. TLC's cannabis facility was appraised by Colliers International as of April 17, 2020 for a value in excess of the Secured Lender's debt. The Proposal Trustee has not attached a copy of the appraisal to its report over concerns that it may impact the values achieved in a subsequent sale process.
46. However, the Companies' legal counsel has been provided with a copy and can share with this Honourable Court if it wishes to review the report. The Proposal Trustee understands that the appraisal has been provided to the Secured Lender.
47. Prior to any advances being made pursuant to the DIP Loan, the Secured Lender is owed approximately \$5.8 million.

COMPARISON OF FORECAST TO ACTUAL

48. The following table indicates the actual cash receipts and disbursements for the period from April 4, 2020 to April 24, 2020 as compared to the April 9 Forecast.

True Leaf Brands Inc. et al Summary of Actual versus Forecast Cash Flow For the 3-Week Period from April 4th, 2020 to April 24, 2020

Prepared on a Consolidated Basis

<i>(CAD \$)</i>	Forecast	Actual	Variance
Operating Receipts			
Collections on AR	56,239	41,335	(14,904)
Total - Operating Receipts	56,239	41,335	(14,904)
Operating Disbursements			
Payroll	(27,504)	(28,406)	(902)
Payroll taxes	(36,847)	(26,377)	10,470
Inventory replenish	(60,000)	-	60,000
Software costs	(1,500)	(4,711)	(3,211)
Selling and Marketing	(17,000)	(12,297)	4,703
Utilities	(2,690)	(1,533)	1,157
Consultants & Sales Rep groups	(6,750)	(10,780)	(4,030)
Maintenance	(125)	-	125
Rent	-	(3,553)	(3,553)
Shipping	(6,000)	(4,437)	1,563
Insurance	(4,673)	(4,673)	-
TLP Europe	(61,000)	-	61,000
IR & Pubco costs	(5,000)	(3,675)	1,325
Legal & Professional Fees	(4,100)	(5,700)	(1,600)
Other	(8,550)	(18,050)	(9,500)
Total - Operating Disbursements	(241,739)	(124,192)	117,547
Net Operating Cash Flow	(185,500)	(82,857)	102,643
Non-Operating Disbursements			
Professional fees	(50,000)	(24,780)	25,220
DIP financing	200,000	-	(200,000)
DIP financing fees	(20,812)	-	20,812
Total Net Cash Flow	(56,312)	(107,637)	(51,325)
Opening Cash Balance	276,757	281,864	5,107
Ending cash (Canadian Dollar)	220,445	174,227	(46,218)

49. Explanations for the significant variances in actual receipts and disbursements as compared to the April 9 Forecast are as follows:
- (a) Collection of AR is approximately \$15,000 lower than forecast as there has been delays in the timing of the anticipated date of collection. Management expects that this is a timing difference that will reverse in subsequent periods;
 - (b) The estimate used for payroll taxes included certain employees who have subsequently resigned or were terminated;
 - (c) Management plans to replenish its inventory during the NOI proceedings in line with anticipated sales. However, the initial timing of those purchases has been pushed back as the Companies finalize their DIP financing;
 - (d) True Leaf has been funding its European subsidiary with the expectation that it will be self-sustaining in the near term. This payment has not been made pending finalization of the DIP Loan and the consent of the Secured Lender; and
 - (e) Other payments include costs related to preparing the Lumby Property for sale which were incurred earlier than forecast and therefore expected to reverse in subsequent periods.
50. The other minor variances are primarily due to timing and expected to reverse in subsequent weeks.

CASH FLOW PROJECTION

51. The Companies prepared an updated Cash Flow Statement for the period from April 25, 2020 to June 19, 2020 (attached as Appendix C).
52. On the assumption that the DIP Loan is approved by this Honourable Court, the Cash Flow Statement indicates a cash need of approximately \$450,000 for the extension period being sought which will be financed by draws against the DIP Loan.

ADMINISTRATIVE CHARGE

53. The Companies are seeking an Administrative Charge in the amount of \$150,000 in respect of the fees and expenses of the Proposal Trustee and its counsel as well as the Companies' legal counsel, Clark Wilson LLP, and any other professionals whose services may be retained by the Proposal Trustee in these proceedings (the "**Professional Charge**").
54. Given the value that may result from an orderly restructuring process and the lack of liquidity in the Companies, the Proposal Trustee is of the view that a Professional Charge is appropriate to ensure the continued support of the professionals in this process.

COMPANIES' REQUEST FOR AN EXTENSION

55. The Companies are seeking an extension of the stay of proceedings from May 2, 2020 to June 16, 2020. The Companies are seeking an extension for the following reasons:

- (a) To provide the Companies with the time required to pursue a refinancing, recapitalization, sale or investment transaction that would allow the Companies to restructure its balance sheet and formulate a proposal to its unsecured creditors; and
 - (b) In this regard, the Companies intend to work with the Proposal Trustee in formulating a Sale and Investor Solicitation Process with the expectation to be back before this Honourable Court within the next few weeks seeking its approval.
56. The Proposal Trustee supports the Companies' request for an extension of its stay of proceedings based on the following:
- (a) The Companies are acting in good faith and with due diligence;
 - (b) The Secured Lender is supportive of the Companies' efforts and is providing a DIP Loan to fund the post-filing costs associated with this proceeding as projected in the Cash Flow Statement; and
 - (c) Subject to further evaluation, there appears to be value for the unsecured creditors and some time is required to explore alternatives to maximize the value for all stakeholders and secure the continuation of the business.

All of which is respectfully submitted this 30th day of April, 2020.

FTI Consulting Canada Inc.,
in its capacity as Proposal Trustee under a NOI
filed by True Leaf Brands Inc., True Leaf
Cannabis Inc., True Investments Corp. and True
Leaf Pet Inc.



Name: Craig Munro
Title: Managing Director,
FTI Consulting Canada Inc.

APPENDIX A



Corporate Finance
Pacific Centre
701 West Georgia Street
Suite 1450
P.O. Box 10089
Vancouver, BC V7Y 1B6

fticonsulting.com

April 3, 2020

To the creditors of True Leaf Brands Inc. (the “Company”)

On April 2, 2020 the Company filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*. FTI Consulting Canada Inc. (“**FTI**”) consented to act as the Trustee in this matter.

We enclose herewith the following:

1. A copy of the NOI;
2. A list of creditors and the amounts owing per the Company’s records; and
3. Certificate of filing of the NOI.

Further information with respect to this matter is available on the Trustee’s web-site: www.cfcanada/fticonsulting.com/trueleaf.

Should you have any queries in the interim, please do not hesitate to contact a representative of the Trustee, Ben Chiu at (403) 454-0794.

Yours truly,

FTI CONSULTING CANADA INC.

In its capacity as Trustee under a Proposal of
True Leaf Brands Inc.
and not in its personal capacity

A handwritten signature in black ink, appearing to read "Craig Munro".

Per:

Craig Munro, CA, CIRP

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No.

FORM 33
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
TRUE LEAF BRANDS INC.
of the city of Vancouver, in the municipality of Vancouver
in the Province of British Columbia

Take notice that:

1. I, TRUE LEAF BRANDS INC., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. FTI Consulting Canada Inc. of 1450 – 701W. Georgia, Vancouver, BC, V7Y 1B6, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the city of Vancouver in the Province of British Columbia, this 1st day of April 2020.



TRUE LEAF BRANDS INC.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

In the Matter of the Notice of Intention to File a Proposal of True Leaf Brands, Inc.

List of Creditors owing \$250 or more

Creditor's Name	Address	Total Amount Owning
Alliance Global Partners	590 Madison Avenue, 36th Floor New York, NY 10022	25,000.00
Break Through Communication	1380 - 1100 Melville Street Vancouver, BC V6E 4A6	28,087.00
Deloitte LLP	8621 - 201st Street, Suite 600 Langley, BC V2Y 0G9	164,855.10
Equisolve	2455 E Sunrise Blvd, Suite 1201 Fort Lauderdale, FL 33054	1,197.00
Harris Bricken	Suite 1200 600 Stewart Street Seattle, WA 98101	2,525.00
Jodi Watson	2726 Shelter Island Dr. #319 San Diego, CA 92106	4,000.00
KPMG LLP	T4348, PO Box 4348, Station A Toronto, ON M5W 7A6	17,358.08
Lind Asset Management XV, LLC	Suite 1900 370 Lexington Avenue New York NY 10017 USA	5,840,000.00
McCarthy Tetrault	Suite 2400 - 745 Thurlow Street Vancouver, BC V6E 0C5	23,433.23
MNP LLP	Suite 2200 MNP Tower, 1021 West Hastings Street Vancouver, BC V6E 4W5	31,760.82
Osler, Hoskin & Harcourt LLP	1000 Rue De La Gauchetiere Ouest, Bureau 2100 Montreal, QC H3B 4W5	64,246.35
OTC Market Group	PO Box 29959 New York, NY 10087-9959	10,000.00
Richards Buell Sutton LLP	700 - 401 West Georgia St. Vancouver, BC V6B 5A1	9,472.29
SAP Concur	CO 913190, PO Box 4090 STN A Toronto, ON M5W 0E9	520.40
Solium Capital, ULC	Suite 1500 600 3rd Avenue SW Calgary, AB T2P 0G5	7,353.68
Toutant, Sylvain	900 Route 343 Ste-Marcielline de Kildare, QC J0K 2Y0	2,000.00
Venture Liquidity Providers, Inc.	618-688 West Hastings Street Vancouver, BC V6B 1P1	22,600.00
Total		6,254,408.95

Note:

The creditor list has been compiled based on the Company's books and records as at the date of the NOI. The Company's books and records may not be complete and accurate. Accordingly the above amounts may differ from the creditor's books and records. Please note that there is no need to contact the Proposal Trustee at this time as there will be a claims process in the near future whereby any discrepancies can be reconciled.

APPENDIX B

DIP CREDIT FACILITY AGREEMENT

THIS AGREEMENT made as April 29, 2020

BETWEEN:

LIND ASSET MANAGEMENT XV, LLC
(the “**DIP Lender**”)

– and –

TRUE LEAF BRANDS INC.
(the “**Borrower**”)

– and –

TRUE LEAF PET INC.
TRUE LEAF CANNABIS INC.
TRUE LEAF INVESTMENTS CORP.

(collectively, the “**Guarantors**”, and each, a “**Guarantor**”).

WHEREAS:

- A. The Borrower has requested the DIP Lender to provide it with financing to fund certain of the Borrower’s cash requirements during the pendency of its proceedings (the “**BIA Proceedings**”) under the proposal provisions of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) overseen by the Supreme Court of British Columbia (the “**Court**”) in accordance with the terms and conditions set out herein.
- B. The DIP Lender has agreed to provide interim financing in order to fund certain obligations of the Borrower in accordance with the terms and conditions set out herein.
- C. FTI Consulting Inc. is the Court-appointed Proposal Trustee (the “**Trustee**”) in connection with the BIA Proceedings.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements contained herein (and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged), the Borrower, the DIP Lender and the Guarantors (collectively, the “**Parties**”) agree as follows:

- 1. **DEFINED TERMS:** Capitalized terms not defined in the body of this Agreement have the meaning ascribed to them in Section 36 below.

2. **DIP FACILITY AND MAXIMUM AMOUNT:** The DIP Lender will provide to the Borrower a secured super-priority debtor-in-possession non-revolving credit facility (the “**DIP Facility**”) of up to \$700,000 (the “**Maximum DIP Credit Amount**”) subject to the terms and conditions contained herein.
3. **CLOSING DATE OF INITIAL ADVANCE** The Borrower will make an initial draw of \$250,000 under the DIP Facility (the “**Initial Advance**”) five (5) days following the date on which the conditions precedent in Section 5 below have been satisfied or waived (the “**Closing Date**”), provided that if the conditions precedent in Section 5 below applicable to the Initial Advance have not been satisfied or waived by May 14, 2020 or such later date as the DIP Lender may in its sole discretion agree to in writing, the DIP Facility will be terminated and the DIP Lender will be under no obligation to make any DIP Advance.
4. **REPAYMENT:** The aggregate principal amount owing under the DIP Facility, together with all accrued and unpaid interest, fees and prepayment obligations, if applicable, and all fees, expenses and other amounts incurred by or owing to the DIP Lender under or in connection with the DIP Facility and the Loan Documents (the “**DIP Obligations**”) will be due and payable on the earliest of (such earliest date, the “**Maturity Date**”):
- (a) August 15, 2020;
 - (b) the date on which an Event of Default (as hereinafter defined) occurs hereunder;
 - (c) the date on which the sale of all, or substantially all, of the assets of the Borrower approved by an order of the Court closes; or
 - (d) the date on which (i) the Borrower or any Guarantor is deemed to be bankrupt under the BIA, or (ii) a proposal under the BIA is filed by or on behalf of the Borrower or Guarantor without the prior written consent of the DIP Lender.

The commitment in respect of the DIP Facility will expire on the Maturity Date and all DIP Obligations must be repaid in full no later than the Maturity Date, without the DIP Lender being required to make demand upon the Borrower.

All payments received by the DIP Lender will be applied first to any fees and expenses due hereunder, then to prepayment obligations, if applicable, then to accrued and unpaid interest and then after all such amounts are paid in full, to principal.

5. **AVAILABILITY
UNDER DIP
FACILITY:**

The Borrower may request advances under the DIP Facility (each, a “**DIP Advance**”) by delivery to the DIP Lender of a drawdown request in the form attached as Schedule “A” hereto (the “**Drawdown Request**”) no more frequently than once per week and not less than five (5) Business Days prior to the requested advance date.

Each DIP Advance after the Initial Advance must be for (i) a maximum amount of \$50,000 per week, and (ii) a maximum amount of \$200,000 in the aggregate for any four-week period.

Availability under the DIP Facility is limited to the Maximum DIP Credit Amount and is subject to the other conditions described herein. Any Drawdown Request that is not materially consistent with the Agreed Budget must be acceptable to and approved in writing by the DIP Lender.

The aggregate borrowings under the DIP Facility during any week must not exceed the forecasted expenditures set forth in the Agreed Budget, unless acceptable to and approved in writing by the DIP Lender.

The following conditions precedent must be satisfied, or waived by the DIP Lender in its sole discretion, prior to each DIP Advance hereunder:

- (a) this Agreement, the other Loan Documents required by the DIP Lender pursuant to Section 14 to such date and all other documentation relating to the DIP Facility have been executed and delivered and remain in full force and effect;
- (b) the DIP Lender shall have received documentation satisfactory to it confirming that it has a perfected security interest in the collateral of the Borrower and Guarantors in accordance with the terms of this Agreement and the Loan Documents, together with such supporting corporate resolutions, promissory notes, certificates, financing statements and other documents as the DIP Lender may require in its sole discretion;
- (c) all governmental and third-party consents and approvals necessary or required in connection with the DIP Facility and its effectiveness shall have been obtained and shall remain in full force and effect;
- (d) the Court has issued the DIP Order, in form and substance satisfactory to the DIP Lender and DIP

- Lender's counsel in their sole discretion (i) approving the DIP Facility and (ii) granting the DIP Charge;
- (e) no appeal, notice of appeal or application for leave to appeal in respect of the DIP Order has been made or threatened;
 - (f) no motion to amend, vary or stay the DIP Order has been made or threatened;
 - (g) the Borrower has paid or will pay from the proceeds of the Initial Advance all fees and other amounts payable to the DIP Lender hereunder, including, without limitation, the Facility Fee, Diligence Fee, and legal fees of DIP Lender's counsel;
 - (h) there are no encumbrances on any Collateral ranking in priority to or *pari passu* with the DIP Security other than as permitted by the terms hereof;
 - (i) the DIP Lender has received evidence satisfactory to it that the bank account designated by the Borrower in which the DIP Advance is to be made is not a blocked account or subject to a blocked account agreement;
 - (j) the DIP Lender has received title insurance or a title opinion relating to all real property owned by the Borrower, in form and content satisfactory to the DIP Lender in its discretion, and such insurance or opinion remains in full force and effect;
 - (k) the DIP Lender has been named as an additional insured on all Borrower and Guarantors' liability insurance, and first loss payee on the Borrower's property and casualty insurance policies, including insurance with respect to any real property forming part of the Security (which must include a standard mortgage clause), and such insurance remains in full force and effect;
 - (l) the DIP Advance (together with all previous DIP Advances) must be no greater than the amount shown on the Agreed Budget, must not result in the Borrower having a cash position greater than \$100,000, and in the aggregate must not exceed the Maximum DIP Credit Amount;
 - (m) the delivery to the DIP Lender (with a copy to the Trustee) of a Drawdown Request, duly executed by an officer on behalf of the Borrower in the time period specified in this Agreement;

- (n) no Material Adverse Effect has occurred since the date of the DIP Order;
- (o) there is no Default or Event of Default which has occurred and is continuing, nor will any Default or Event of Default occur as a result of the DIP Advance;
- (p) there are no pending appeals, injunctions or other legal impediments relating to the DIP Facility, or pending litigation seeking to restrain or prohibit the DIP Advance or DIP Facility;
- (q) the Agreed Budget is satisfactory to the DIP Lender in its sole discretion;
- (r) the DIP Lender shall have received a list of the key individuals designated by the Borrower as of the date of the DIP Order pursuant to the *Cannabis Act* (Canada) (the “**Cannabis Act**”), including, without limitation, the Responsible Person, the Head of Security, the Master Grower and the Quality Assurance Person (as such terms are defined in the Cannabis Act), as well as any and all designated alternates (collectively, the “**Key Individuals**”);
- (s) the Borrower and Guarantors shall have paid all statutory liens, trust and other claims of any Governmental Authority including, without limitation, source deductions and taxes of any nature and kind, except, in each case, for any such amounts that are not yet due and payable or which are in dispute in which case appropriate reserves have been made;
- (t) the DIP Lender shall have received a list of assets and liabilities of the Borrower and Guarantors, in form and substance satisfactory to the DIP Lender, acting reasonably;
- (u) the DIP Lender shall have completed its due diligence of the Borrower and Guarantor to its satisfaction;
- (v) the DIP Lender shall have received approval of its credit committee to make payment of the DIP Advance to the Borrower; and
- (w) each of the representations and warranties made by the Borrower and/or the Guarantor, as applicable, in this Agreement and each other Loan Document is true and correct in all material respects as of the date made or deemed made and as of the date of the DIP Advance.

6. **USE OF PROCEEDS:** DIP Advances may only be used by the Borrower to pay:
- (a) expenditures provided for in the Agreed Budget;
 - (b) fees and expenses associated with the DIP Facility; and
 - (c) such other expenditures as the DIP Lender has consented to in writing.

The proceeds of each DIP Advance will be paid into a bank account of the Borrower, designated by it in writing to the DIP Lender prior to the DIP Advance.

7. **DIP CHARGE AND DIP SECURITY:** To secure the payment and performance by the Borrower and Guarantors of all of their obligations under this Agreement, the other Loan Documents and all ancillary documents related thereto including, without limitation, all of the DIP Obligations, the Borrower and Guarantors will:
- (a) obtain for the DIP Lender a Court-ordered super-priority charge (the “**DIP Charge**”), and
 - (b) grant to the DIP Lender such security interests, assignments, mortgages and charges as may be required by it pursuant to Loan Documents required in accordance with Section 14 (collectively, with the DIP Charge, the “**DIP Security**”),

in each case on all of the existing and after-acquired real and personal, movable and immovable, tangible and intangible, corporeal and incorporeal, property, assets and undertaking of the Borrower and Guarantors, including, without limitation, all cash, cash equivalents, bank accounts, accounts, rents, other receivables, chattel paper, contract rights, inventory, instruments, documents, securities (whether or not marketable), equipment, fixtures, real property interests, franchise rights, patents, trade names, trademarks, copyrights, intellectual property, intangibles, capital stock, supporting obligations, letter of credit rights, commercial tort claims, causes of action and all substitutions, accessions and proceeds of the foregoing, of whatever nature and wherever located, including insurance or other proceeds thereof (collectively, the “**Collateral**”).

The DIP Security will rank senior in priority to all other creditors, interest holders, lien holders and claimants of any kind whatsoever, other than a Court-ordered administration charge to secure payment of the professional fees of the Trustee, the Trustee’s counsel and the Borrower’s counsel, in a principal amount not to exceed \$150,000 (the “**Administration Charge**”).

8. **AGREED BUDGET, REVISED BUDGETS.**

The Borrower has delivered, and the DIP Lender has accepted, on the date hereof a current weekly line item budget covering the period of at least 60 days following the date of this Agreement (together with all updates thereto approved by the DIP Lender in its sole and absolute discretion, including the Revised Budget, the “**Agreed Budget**”). The Agreed Budget sets forth expected receipts and the expected operating and other expenditures to be made during each calendar week and in the aggregate for the period of time covered by the Agreed Budget.

On Wednesday of each week by 5:00 p.m. (Toronto time), commencing on the Wednesday of the calendar week following the date of the DIP Order, the Borrower shall deliver to the DIP Lender: (a) a report showing actual cash receipts and actual expenditures for each line item in the Agreed Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Agreed Budget for such line item during such one week period, and (b) a one week roll-forward of the Agreed Budget (the “**Revised Budget**”), which shall reflect the Borrower’s good faith projections and be in form and detail consistent with the

initial Agreed Budget and subject to the approval of the DIP Lender in its sole discretion.

9. **PERMITTED ENCUMBRANCES AND PRIORITY:**

All Collateral will be free and clear of liens, encumbrances and claims other than the DIP Security, except (a) any existing mortgage, hypothec, lien, security interest, pledge, charge, prior claim or encumbrance of any kind in respect of the Collateral in favour of the DIP Lender granted prior to the date hereof, as more particularly described in Schedule "B", and (b) any other liens or encumbrances which are acceptable to, and consented to in writing by, the DIP Lender, acting reasonably, including, for greater certainty, the Administration Charge (collectively, the "**Permitted Encumbrances**"). The Permitted Encumbrances will be subordinate to the DIP Security except for the Administration Charge or as otherwise expressly agreed in writing by the DIP Lender in its discretion.

10. **INTEREST:**

The outstanding principal amount of all DIP Advances will bear interest at the rate of ten per cent (10%) per annum. Such interest shall accrue daily, compounded monthly, and shall be payable in arrears in full on the Maturity Date.

Interest on all outstanding DIP Advances will accrue on the basis of a year of three hundred and sixty-five (365) or three hundred and sixty-six (366) days. For the purposes of the *Interest Act* (Canada), the annual rates of interest or fees to which the rates calculated in accordance with this DIP Facility are equivalent to the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by three hundred and sixty-five (365).

If any provision of this Agreement or any ancillary document in connection with this Agreement would obligate the Borrower or any Guarantor to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the DIP Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate will be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the DIP Lender of interest at a criminal rate and any such amounts actually paid by the Borrower or Guarantor, as applicable, in excess of the adjusted amount will

be forthwith refunded to the Borrower or Guarantor, as applicable.

Upon the occurrence of an Event of Default that is continuing, all amounts owing under or in respect of the DIP Facility will bear interest at the applicable interest rate plus two percent (2.0%) per annum.

11. FACILITY FEE AND DILIGENCE FEE

The Borrower will pay to the DIP Lender a facility fee in an amount equal to \$14,000 (the “**Facility Fee**”) and a diligence fee in an amount equal to \$5,000 (the “**Diligence Fee**”). Each of the Facility Fee and Diligence Fee shall be paid from the Initial Advance. Each of the Facility Fee and Diligence Fee is fully earned and is non-refundable.

12. PREPAYMENT OPTION:

The Borrower shall have the option to prepay the aggregate amount of all DIP Advances outstanding and interest accrued thereon prior to the Maturity Date without any fee or penalty.

13. MANDATORY REPAYMENTS:

Subject to the Administration Charge, the Borrower and Guarantors are required to pay all proceeds arising from:

- (a) any disposition of assets or other transaction involving their assets, including, without limitation, any refinancing or sale and lease back agreement, but excluding any disposition of personal property assets that are obsolete or otherwise of no material value or that are surplus to their business requirements; and
 - (b) net insurance proceeds in respect of any of their assets,
- as repayment of the DIP Obligations and any such repayment will reduce the Maximum DIP Credit Amount.

The Borrower will immediately make any payments required to eliminate any amount by which the principal amount outstanding at any time under the DIP Facility exceeds the Maximum DIP Credit Amount.

Amounts repaid may not be re-advanced.

14. LOAN DOCUMENTS AND ADDITIONAL DOCUMENTATION:

The Borrower and Guarantors will execute and deliver, or cause to be executed and delivered, as applicable, the Guarantees, the Security and such promissory notes, acknowledgements, certificates, security agreements, mortgages, assignments, acknowledgements, financing statements, registrations and other documents, security instruments and information, in form and substance satisfactory to the DIP Lender, as the DIP Lender may reasonably require (collectively, the “**Loan Documents**”).

All Loan Documents and other documentation relating to the DIP Facility must be in form and substance satisfactory to the DIP Lender in its discretion.

15. **REPRESENTATIONS AND WARRANTIES:** Each of the Guarantors and the Borrower jointly and severally represents and warrants (subject to obtaining the DIP Order where applicable) to the DIP Lender, upon which the DIP Lender relies in entering into this Agreement, that:
- (a) it is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary;
 - (b) it has all requisite corporate power and authority to (i) own and operate its properties and assets and to develop, own and operate its business and (ii) to enter into and perform its obligations under this Agreement and the other Loan Documents to which it is a party;
 - (c) the execution and delivery by it of this Agreement and the other Loan Documents to which it is a party and the performance by it of its respective obligations hereunder and thereunder have been duly authorized by all necessary corporate action and no authorization under any applicable law, and no registration, qualification, designation, declaration or filing with any Governmental Authority, is or was necessary therefor, other than filings which may be made to register or otherwise record the DIP Security;
 - (d) this Agreement and each of the other Loan Documents to which it is a party has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally and (ii) the discretion that a court may exercise in the granting of equitable remedies;
 - (e) it has retained and continues to employ, if applicable, sufficient number of the Key Individuals identified as of the date of the DIP Order as are necessary to maintain Health Canada Licenses in good standing, or such alternates as are necessary to maintain the Health

Canada Licenses in good standing and which are approved by the Minister of Health from time to time;

- (f) it has obtained and maintained in good standing each of the material Licenses required from the Governmental Authorities, including, without limitation, pursuant to the Cannabis Act, the *Excise Act*, and the Health Canada Licenses, which are necessary to conduct its business.
- (g) its assets (i) are legally and beneficially owned by or leased or licensed to it and are only located at the locations disclosed in writing to the DIP Lender, (ii) have not been sold, leased or otherwise disposed of, and (iii) are not subject to any rights of any person or entity other than Permitted Encumbrances;
- (h) the execution and delivery by it of this Agreement and the other Loan Documents to which it is a party and the performance by it of its obligations hereunder and thereunder and compliance with the terms, conditions and provisions hereof and thereof, will not conflict with or result in a breach of (i) its constating documents or by-laws; (ii) the material contracts to which it is party or (iii) any applicable law;
- (i) all statements (whether financial or otherwise), information, reports, budgets, forecasts and projections made available by it or anyone on its behalf to the DIP Lender are true, complete and accurate in all material respects and do not omit any information necessary to make them true, complete and accurate in all material respects;
- (j) its business operations have been and will continue to be conducted in compliance with all laws of each jurisdiction in which business has been or is being carried on;
- (k) it is not aware of any person with a secured claim against it or its assets except for the Permitted Encumbrances and it is not aware of any unpaid deductions at source or other amounts owing to the relevant tax authorities that have not been remitted or paid when due;
- (l) all representations and warranties made by it in this Agreement and each of the other Loan Documents to which it is a party are true and correct in all material

respects as of the date such representations and warranties are made or deemed to be made;

- (m) it has filed or caused to be filed all tax returns and reports which are required to have been filed and has paid or caused to be paid all taxes required to have been paid by it, except taxes that are being contested in good faith by appropriate proceedings and for which adequate cash reserves are being maintained;
- (n) other than the BIA Proceedings, there are no material actions, suits or proceedings (including any tax-related matter and excluding any environmental-related matters which are dealt with in paragraph (o) below) by or before any arbitrator or Governmental Authority or by any other person pending against or, to its knowledge, threatened against or affecting it;
- (o) (i) it is and has been in material compliance with all applicable environmental laws, including obtaining, maintaining and complying with all permits required by any applicable environmental law, (ii) it is not party to, and no real property currently or previously owned, leased or otherwise occupied by or for it is subject to or the subject of, any contractual obligation or any pending or, to its knowledge, threatened order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice under or pursuant to any environmental law which could reasonably be expected to result in a remedial obligation having a Material Adverse Effect, (iii) no encumbrance in favour of any Governmental Authority securing, in whole or in part, environmental liabilities has attached to any of its property and no facts, circumstances or conditions exist that could reasonably be expected to result in any such encumbrance attaching to any such property, (iv) it has not caused or suffered to occur a release of any hazardous substances or conditions creating any potential for such a release at, to or from any real property other than in compliance with environmental laws and except when failure to do so could not reasonably be expected to have a Material Adverse Effect, (v) it has not engaged in operations that, and no facts, circumstances or conditions exist that, in the aggregate, would have a reasonable likelihood of resulting in material environmental liabilities, and (vi) it has made available to the DIP Lender copies of all

existing environmental reports, reviews and audits and all documents pertaining to actual or potential environmental liabilities, in each case to the extent such reports, reviews, audits and documents are in its possession, custody or control;

- (p) the Agreed Budget is reasonable and prepared in good faith;
- (q) no Event of Default has occurred and is continuing;
- (r) it maintains insurance policies and coverage which (i) are sufficient for compliance with law and all material agreements to which it is a party and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to its assets and operations; and
- (s) all factual information provided by or on its behalf to the DIP Lender for the purposes of or in connection with this Agreement, the other Loan Documents or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.

16. AFFIRMATIVE COVENANTS:

Each of the Guarantors and Borrower jointly and severally covenants and agrees, from the date of execution of this Agreement and while any DIP Obligations remain outstanding, to:

- (a) subject to the terms of the DIP Order, comply with all laws, rules, regulations and orders applicable to it or its property, including, without limitation, environmental laws and regulations and including payment on a timely basis of all municipal taxes, utility charges or other amounts in relation to the collateral charted by the DIP Security where the non-payment of same could give rise to a lien, charge or other encumbrance ranking prior to or *pari passu* with the DIP Security and immediately notify the DIP Lender of any action, claim, lawsuit, demand, investigation or proceeding

pending, or to the knowledge of the Borrower, threatened, against the Borrower, before any court, Governmental Authority, regulatory authority, arbitrator or tribunal;

- (b) maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Borrower and Guarantors or as otherwise may be required by the DIP Lender;
- (c) consult in advance with the DIP Lender in connection with any plan of compromise or arrangement and any such plan must be satisfactory to and subject to the approval of the DIP Lender, acting reasonably;
- (d) consult in advance with the DIP Lender in connection with any sale of any assets of the Borrower or Guarantors and any such sale will be subject to the approval of the DIP Lender;
- (e) except where a stay of proceedings applies and subject to the terms of the DIP Order, pay when due all statutory liens, trust and other Crown claims including employee source deductions, HST and workplace safety and insurance premiums;
- (f) comply with the provisions of any Court orders made in connection with the BIA Proceedings;
- (g) pay when due, all principal, prepayment obligations, interest, fees and other amounts payable by the Borrower under this Agreement and under any other Loan Document;
- (h) preserve, renew and keep in full force its respective corporate existences and its respective material licenses, permits and approvals required in respect of its business, properties, assets or any activities or operations carried out therein;
- (i) conduct all activities in accordance with the Agreed Budget;
- (j) forthwith notify the DIP Lender and Trustee of the occurrence of any Default, Event of Default or Material Adverse Effect;
- (k) forthwith notify the DIP Lender and the Trustee of the commencement of any action, suit, investigation, litigation or proceeding before any court or Governmental Authority;

- (l) provide to the DIP Lender at least four (4) Business Days in advance of the earlier of service or filing, copies or drafts of all petitions, pleadings, motions, affidavits, reports, applications, judicial information, financial information and other documents to be filed by or on behalf of the Borrower with the Court which may affect the DIP Lender, the DIP Obligations, the DIP Security, the Collateral or any sale process, provided if it is not practicable to provide such documents at least four (4) Business Days prior to the earlier of service or filing then as promptly as possible after such documents are available prior to their service or filing;
- (m) permit the DIP Lender, its representatives and agents, to have access, at any reasonable time and upon prior written notice, to the books, records, property and premises of the Borrower and cause management thereof to fully co-operate with any directors, officers, employees, agents, advisors and representatives of the DIP Lender;
- (n) obtain Court approval of a sales process providing for the marketing and sale of (A) the pet food business, and (B) the land and building, separately, in form and substance (including milestones) acceptable to the DIP Lender, by no later than May 14, 2020;
- (o) provide the DIP Lender with certified purchase orders in respect of all inventory replenishment expenses and outlays;
- (p) obtain the prior written approval of the DIP Lender, acting reasonably, prior to (i) accepting any binding offer, or entering into any agreement of purchase and sale, for any of the Borrower's or Guarantors' assets (and the Borrower agrees that it will be reasonable for the DIP Lender to refuse its approval for any such offer or agreement if it does not provide for the repayment of the entire amount of the DIP Obligations in cash at closing and on or prior to the Maturity Date); and (ii) seeking approval of any meeting order or preparing, filing or implementing any plan of compromise or arrangement, proposal to creditors, or other form of compromise or arrangement of any of the material obligations of the Borrower (and the Borrower agrees that it will be reasonable for the DIP

Lender to refuse its approval of any such plan, proposal or other form of compromise or arrangement if it does not provide for the repayment of the entire amount of the DIP Obligations in cash upon implementation and on or prior to the Maturity Date); and

- (q) preserve and maintain the security of all regulated inventory (including cannabis) in accordance with the requirements of the Health Canada Licenses, the *Cannabis Act*, the *Excise Act* and other applicable laws.

17. REPORTING COVENANTS:

In addition to the Agreed Budget and Revised Budget, the Borrower will deliver to the DIP Lender:

- (a) on a bi-weekly basis, actual to forecast cash flow statements from the Trustee, including statements of cash collections from sales;
- (b) on a bi-weekly basis, bank account statements;
- (c) within five (5) Business Days following the end of each calendar month, management prepared consolidating financial statements of the Borrower and Guarantors;
- (d) within five (5) Business Days following the end of each calendar month, statements of accounts receivable and accounts payable of the Borrower and Guarantors;
- (e) on a bi-weekly basis, a schedule of anticipated accounts payables and cash outflows by line item for a forward looking fourteen (14) day period;
- (f) anytime during a week where the bi-weekly reports under (a), (b) or (c) are not provided to the DIP Lender, notice by electronic mail in accordance with Section 25 of any expenditures of \$3,000 or greater by any of the Borrower or Guarantors; and
- (g) such further reports and information as the DIP Lender may request from time to time.

18. NEGATIVE COVENANTS:

The Borrower and Guarantors, jointly and severally, covenant and agree not to do the following from the date of execution of this Agreement and while any DIP Obligations remain outstanding, other than in each case with the prior written consent of the DIP Lender:

- (a) except as permitted by the DIP Order or further order of the Court, make any payment of principal or interest

in respect of any indebtedness outstanding as of the Filing Date;

- (b) permit any new liens to exist on any of its properties or assets, other than Permitted Encumbrances and the liens and charges in favour of the DIP Lender, as contemplated by this Agreement;
- (c) disclaim, resiliate or terminate any material contract without the prior written consent of the DIP Lender;
- (d) enter into, amend, terminate or accept the surrender of any lease without the prior written consent of the DIP Lender;
- (e) change their name, merge, amalgamate, consolidate, reorganize, or sell any assets outside of the ordinary course of business;
- (f) make any acquisitions, investments or loans to any party or guarantee the obligations of any party;
- (g) incur or enter into any debts, liabilities or obligations, including, without limitation, guarantees and contingent obligations, except in the ordinary course of business;
- (h) make or permit any dividends or distributions (whether by reduction of capital or otherwise) with respect to its shares or directly or indirectly purchase, redeem or otherwise acquire or retire any of its shares;
- (i) conduct any business or engage in any transaction with an affiliate or party that is non-arm's length unless such business or transaction is on terms which would apply to an arm's length transaction;
- (j) (i) seek to lift the stay of proceedings in order to make an assignment in bankruptcy under the BIA,
(ii) consent to the issuance of a bankruptcy order in respect of the Borrower pursuant to the BIA,
(iii) consent to the appointment of a receiver or receiver and manager by any court of competent jurisdiction in respect of the Borrower, Guarantors or any of their assets, undertakings or properties;
- (k) enter into any agreement, initiate any process or put forward or participate in any plan or arrangement that contemplates any amendment or waiver of the DIP Lender's rights under this Agreement or any other Loan Document without the prior written consent of the DIP Lender;

- (l) cease (or threaten to cease) to carry on their business or activities as currently being conducted or modify or alter in any material manner the nature and type of their operations, business or the manner in which such business is conducted;
- (m) make, accrue or incur any payments or obligations to Trademark Packaging;
- (n) amend, replace or modify the Agreed Budget other than in accordance with the terms of this Agreement;
- (o) make any payment, transfer any funds or assign or direct any proceeds to True Leaf Pet Europe LLC SARL; or
- (p) commence, continue or seek court approval of any other restructuring transaction that will not repay the DIP Lender in full without the prior written consent of the DIP Lender, in its sole discretion.

19. **EVENTS OF DEFAULT:**

The occurrence of any one or more of the following events, without the prior written consent of the DIP Lender, will constitute an event of default (“**Event of Default**”) under this Agreement:

- (a) failure by the Borrower to pay any principal, interest, fees, prepayment obligations or any other amounts, in each case when due and owing hereunder;
- (b) any payment is made by the Borrower that is not contemplated by or in compliance with the Agreed Budget;
- (c) any representation or warranty made or deemed to be made by the Borrower or any Guarantor herein or in any other document in connection with this Agreement (including any Loan Document) proves to have been false in any material respect at the time made or deemed made;
- (d) the Borrower or any Guarantor defaults in the observance or performance of any other covenant or obligation hereunder or any other Loan Document which, if curable, is not cured within ten (10) days after written notice from the DIP Lender;
- (e) if a new Trustee is appointed in the BIA Proceedings without the DIP Lender’s prior written consent;

- (f) the issuance of an order terminating the BIA Proceedings or lifting the stay in the BIA Proceedings to permit the enforcement of any security against the Borrower or any Guarantor, or the appointment of a trustee or similar official or the making of a bankruptcy order against the Borrower or any Guarantor;
- (g) the issuance of an order granting a lien which is senior to or *pari passu* with the DIP Security, other than the Administration Charge;
- (h) the issuance of an order staying, reversing, vacating or otherwise modifying the DIP Charge or, any order in the BIA Proceedings in a manner which adversely impacts the rights and interests of the DIP Lender, provided, however, that any such order which provides for payment in full of all of the DIP Obligations and any other obligations owed to the Borrower, including under the DIP Facility will not constitute an Event of Default;
- (i) if (i) the DIP Order is varied without the consent of the DIP Lender in a manner adverse to the DIP Lender in the DIP Lender's sole opinion, or (ii) the stay of proceedings is terminated or is lifted to allow an action adverse to the DIP Lender;
- (j) a Court order is made, a liability arises or an event occurs, including any change in the business, assets, or conditions, financial or otherwise, of the Borrower or Guarantors, that causes or will cause a Material Adverse Effect;
- (k) any breach by the Borrower of any of the DIP Order or any other order of the Court made in the BIA Proceedings;
- (l) the failure of the Borrower or Guarantors, as applicable, to maintain in good standing each of the Health Canada Licenses;
- (m) the failure of the Borrower or Guarantors, as applicable to continue to employ the Key Individuals identified as of the date of the DIP Order on terms sufficient to maintain the Licenses in good standing, or to employ such alternate persons in the roles described the *Cannabis Act* as are necessary to maintain the Licenses in good standing and which are approved by the Minister of Health from time to time;

- (n) the failure of the Borrower or any Guarantor, as applicable, to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any environmental liabilities required by any Governmental Authority, except as set out in the Agreed Budget and such Default shall remain unremedied for a period of three (3) Business Days after such amount is due;
- (o) the DIP Lender in good faith and on commercially reasonable grounds believes the prospect of payment of the DIP Obligations or the performance of the Borrower's other obligations hereunder is impaired or that any of the assets, properties or undertaking of the Borrower or the Guarantor is or is about to be placed in jeopardy; or
- (p) in the DIP Lender's sole opinion there has been a Material Adverse Effect.

20. REMEDIES:

After the occurrence of an Event of Default which is continuing, any right of the Borrower to receive any DIP Advance or other accommodation of credit from the DIP Lender will be suspended without the requirement of any notice to the Borrower and any further advances made, if any, thereafter will be in the sole discretion of the DIP Lender. The DIP Lender will be entitled, in addition to all other remedies at law or equity or otherwise, and under any of the DIP Security or other agreement but subject to the DIP Order, to exercise its rights to notify and direct account debtors of the Borrower to pay accounts receivable directly to the DIP Lender.

In addition to the foregoing, after the occurrence of an Event of Default that is continuing, and subject to the DIP Order, the DIP Lender may take any or all of the following steps:

- (a) declare the DIP Obligations to be immediately due and payable and terminate the DIP Facility;
- (b) apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager of the undertaking, property and assets of the Borrower and Guarantors, or for the appointment of a trustee in bankruptcy of the Borrower and Guarantors;
- (c) apply to the court for an order, on terms satisfactory to the Trustee and the DIP Lender, providing the Trustee with the power, in the name of and on behalf of the Borrower and Guarantors, to take all necessary steps in the BIA Proceedings;

- (d) exercise its rights and remedies under the DIP Security and the powers and rights of a secured party under the *Personal Property Security Act* (British Columbia) and any legislation of similar effect; and
- (e) exercise all such other rights and remedies under the Loan Documents, the DIP Order and applicable law.

For greater certainty, nothing will prevent the DIP Lender from applying to the Court or any court in any relevant foreign jurisdiction on five (5) days' notice, or such shorter notice as the Court may permit, for such relief as the DIP Lender may determine is necessary or appropriate at any time.

For the avoidance of doubt, no failure or delay by the DIP Lender in exercising any of its rights hereunder, under any other Loan Document or at law will be deemed a waiver of any kind, and the DIP Lender will be entitled to exercise such rights in accordance with this Agreement at any time.

The DIP Order will provide that the DIP Lender is not prevented by the stay of proceedings in any order of the Court, as applicable, from exercising any or all of the rights, remedies and entitlements available to it hereunder, under the DIP Security and under any Loan Document, and that the DIP Obligations will not be compromised or otherwise affected in any plan filed by or on behalf of the Borrower.

21. LEGAL AND OTHER EXPENSES:

The Borrower will pay all of the DIP Lender's reasonable costs and expenses, including, without limitation, those incurred for due diligence, transportation, computers, copying, appraisals, inspections, audits, insurance, consultants, searches, filing and recording fees, collateral auditing fees and all other out-of-pocket costs and expenses incurred by the DIP Lender (including the reasonable fees and expenses of its legal counsel). The Borrower will also pay the reasonable costs and expenses of the DIP Lender in connection with this Agreement, the other Loan Documents, the transactions contemplated herein and the BIA Proceedings, as well as any enforcement of the terms of this Agreement, the DIP Security or the other Loan Documents or otherwise incurred in connection with the DIP Facility. All such fees and expenses will be paid by the Borrower on demand and, until paid, will be secured by the DIP Security.

For greater certainty, the Borrower will pay to the DIP Lender from the Initial Advance all of the DIP Lender's legal fees and expenses incurred in connection with this Agreement up to and including the date of payment of the Initial Advance, and

thereafter, in respect of any subsequent legal fees and expenses incurred by the DIP Lender on a bi-weekly basis.

22. **INDEMNITY AND RELEASE:**

The Borrower agrees to indemnify and hold harmless the DIP Lender, its affiliates and their officers, directors, employees, agents and advisors (each, an “**Indemnified Person**”) from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including reasonable legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under or in relation to the DIP Facility or the use of the proceeds thereof and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and any actions or failure to act in connection therewith including the taking of any enforcement actions by the DIP Lender and including any and all environmental liabilities and reasonable legal costs and expenses arising out of or incurred in connection with disputes between or among the Parties; provided that such indemnity will not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross or intentional fault of such Indemnified Person. All such indemnified amounts, if not immediately paid by the Borrower upon demand, will be secured by the DIP Security.

The indemnities granted under this Agreement will survive any termination or repayment of the DIP Facility.

23. **DIP LENDER APPROVALS:**

Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail, by the DIP Lender pursuant to the terms hereof.

24. **TAXES:**

All loan repayments and prepayments will be made free and clear of any taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively “**Taxes**”). If any Taxes are required by applicable law to be withheld (“**Withholding Taxes**”) from any amount payable to the DIP Lender under this Agreement, the amount so payable to the DIP Lender shall be increased to the extent necessary to yield to the DIP Lender on a net basis after

payment of all Withholding Taxes, the amount payable under this Agreement at the rate or in the amount specified herein and the Borrower shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.

If the Borrower or Guarantors pay an additional amount to the DIP Lender to account for any deduction or withholding, the DIP Lender shall reasonably cooperate with the Borrower or Guarantors, as applicable, to obtain a refund of the amounts so withheld, including filing income tax returns in applicable jurisdictions, claiming a refund of such tax and providing evidence of entitlement to the benefits of any applicable tax treaty. The amount of any refund so received, and interest paid by the tax authority with respect to any refund, shall be paid over by the DIP Lender to the Borrower or Guarantors, as applicable. If reasonably requested by the Borrower or any Guarantor, the DIP Lender shall apply to the relevant taxing authority to obtain a waiver from such withholding requirement, and the DIP Lender shall cooperate with the Borrower or Guarantor, as applicable, to minimize the amount of deductions or withholdings required.

The Borrower will reimburse the DIP Lender for any costs incurred by the DIP Lender in performing its obligations under the Loan Documents resulting from any change in law, including, without limitation, any reserve or special deposit requirements or any tax or capital requirements or any change in the compliance of the DIP Lender therewith that has the effect of increasing the cost of funding to the DIP Lender or reducing its effective rate of return on capital.

The Borrower, Guarantors, and DIP Lender acknowledge and agree that those fees and expenses of each of them and the Trustee incurred to the date hereof and those provided for in the Agreed Budget as of the date hereof are reasonable.

25. **NOTICES:**

Any notice, request or other communication hereunder to any of the Parties must be in writing and be sufficiently given if delivered personally or sent by fax or electronic mail to the attention of the person as set forth below:

(a) in the case of the Borrower and/or any Guarantor:

True Leaf Brands Inc.
c/o Clark Wilson LLP
900-885 West Georgia Street
Vancouver, BC V6C 3H1
Canada

Attention: Allen Fujimoto
Fax: (604) 687-6314
Email: allen@trueleaf.com

with a copy to the counsel to the Borrower and/or any Guarantor:

Clark Wilson LLP
900-885 West Georgia Street
Vancouver, BC V6C 3H1
Canada

Attention: Christopher Ramsay
Fax: (604) 687-6314
Email: cramsay@cwilson.com

with a copy to the Trustee:

FTI Consulting, Inc.
Suite 1450, PO Box 10089
701 West Georgia Street
Vancouver, BC V7Y 1B6
Canada

Attention: Craig Munro
Fax:
Email: craig.munro@fticonsulting.com

(b) in the case of the DIP Lender:
Lind Asset Management XV, LLC
c/o The Lind Partners, LLC
444 Madison Avenue, Floor 41
New York, NY 10022
USA
Attention: Phillip Valliere
Fax:
Email: notice@thelindpartners.com
with a copy to the counsel to the DIP Lender:

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9
Canada

Attention: Ashley Taylor
Fax: (416) 947-0866
Email: ataylor@stikeman.com

Any such notice must be deemed to be given and received, when received, unless received after 5:00 p.m. EST or on a day other than a Business Day, in which case the notice will be deemed to be received the next Business Day. Either party may request notices be sent to additional recipients so long as, in the case of notices to the DIP Lender, such recipient is subject to confidentiality obligations.

**26. GOVERNING LAW
AND
JURISDICTION:**

This Agreement will be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The Borrower and Guarantors irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia with respect to all matters arising under or in connection with this Agreement.

**27. AMENDMENTS,
WAIVERS, ETC.:**

No amendment or waiver of any provision of this Agreement will be effective unless it is in writing, and then the amendment, modification, waiver or consent will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given.

**28. FURTHER
ASSURANCES:**

The Borrower will from time to time promptly, upon the request of the DIP Lender, take or cause to take such action, and execute and deliver such further documents as may be

reasonably necessary or appropriate to give effect to the provisions and intent of this Agreement.

29. **LANGUAGE:** It is the express wish of the Parties that this Agreement and any related documents be drawn up and executed in English. *Les Parties conviennent que la présente convention et tous les documents s’y rattachant soient rédigés et signés en anglais.*
30. **ENTIRE AGREEMENT;
CONFLICT:** This Agreement, including the schedules hereto, and the Loan Documents constitute the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior agreements and understandings relating thereto.
31. **ASSIGNMENT:** The DIP Lender may assign this Agreement and its rights and obligations hereunder, in whole or in part, or grant a participation in its respective rights and obligations hereunder to any party acceptable to the DIP Lender in its sole and absolute discretion without notice to or consent from the Borrower or Guarantor (subject to providing the Trustee with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the DIP Lender hereunder). Neither this Agreement nor any right and obligation hereunder may be assigned by the Borrower or any Guarantor.
32. **SEVERABILITY:** Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.
33. **NO THIRD PARTY BENEFICIARY:** No person, other than the Borrower, the Guarantors and the DIP Lender are entitled to rely upon this Agreement and the Parties expressly agree that this Agreement does not confer rights upon any party not a signatory hereto.
34. **CURRENCY:** Unless otherwise stated, all monetary denominations (including CDN\$) will be in lawful currency of Canada.
35. **COUNTERPARTS AND FACSIMILE SIGNATURES:** This Agreement may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered will be deemed to be an original, and all of which when taken together will constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.
36. **DEFINITIONS:** Capitalized terms not otherwise defined herein will have the following meanings:
“**Business Day**” means any day that is not a Saturday, Sunday or other day on which commercial banks in Vancouver,

British Columbia and New York, New York are authorized or required by applicable law to remain closed.

“**Default**” means an event which, but for the requirement for the giving of notice, lapse of time, or both, would constitute an “Event of Default”.

“**DIP Order**” means an order of the Court, among other things, approving this Agreement and the DIP Facility and authorizing the Borrower to execute and carry out the terms of this Agreement and all agreements contemplated herein, granting the DIP Charge and establishing the priority of the DIP Security relative to other claims and encumbrances, which DIP Order must be (a) obtained after due notification of all secured creditors of the Borrower and other parties identified by the DIP Lender and (b) in form and content satisfactory to the DIP Lender in its sole discretion.

“**Filing Date**” means April 2, 2020.

“**Guarantee**” means a guarantee to be executed and delivered by each Guarantor in favour of the DIP Lender guaranteeing all of the obligations and indebtedness of the Borrower hereunder in form and substance satisfactory to the DIP Lender in its sole discretion.

“**Governmental Authority**” means any domestic or foreign (a) federal, provincial, state, municipal, local or other government, (b) any governmental or quasi-governmental authority of any nature, including any governmental ministry, agency, branch, department, court, commission, board, tribunal, bureau or instrumentality, or (c) any body exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power of any nature.

“**Health Canada Licenses**” means all material licenses related to cannabis and issued by Health Canada, including without limitation License No. LIC-ICNMH3T0MG-2019.

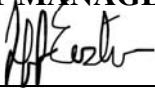
“**Licenses**” means all applications, licenses, certificates, permits, registrations and authorizations of any kind applicable to the Borrower and Guarantors’ business, including, for certainty, those issued to the Borrower and/or Guarantors under the *Cannabis Act* and *Excise Act, 2001* (Canada).”

“**Material Adverse Effect**” means: (a) any effect (other than the BIA Proceedings) which is, or could reasonably be expected to be, adverse on the: (i) status or conditions (financial or otherwise), properties, assets, ownership, capital, liabilities, obligations (whether absolute, accrued, conditional or otherwise), business operations or results of operations of

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

DIP Lender

LIND ASSET MANAGEMENT XV, LLC

By: 
Name: Jeff Easton
Title: Managing Director

Borrower

TRUE LEAF BRANDS INC.

By: _____
Name:
Title:

Guarantors:

TRUE LEAF PET INC.

By: _____
Name:
Title:

TRUE LEAF CANNABIS INC.

By: _____
Name:
Title:

TRUE LEAF INVESTMENTS CORP.

By: _____
Name:
Title:

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

DIP Lender

LIND ASSET MANAGEMENT XV, LLC

By: _____
Name:
Title:

Borrower

TRUE LEAF BRANDS INC.

By: Allen Fujimoto
Name: ALLEN FUJIMOTO
Title: Chief Restructuring Officer (CRO)

Guarantors:

TRUE LEAF PET INC.

By: Allen Fujimoto
Name: ALLEN FUJIMOTO
Title: CRO

TRUE LEAF CANNABIS INC.

By: Allen Fujimoto
Name: ALLEN FUJIMOTO
Title: CRO

TRUE LEAF INVESTMENTS CORP.

By: Allen Fujimoto
Name: ALLEN FUJIMOTO
Title: CRO

**SCHEDULE “A”
FORM OF DRAWDOWN REQUEST**

DRAWDOWN REQUEST

TO: LIND ASSET MANAGEMENT XV, LLC (the “**DIP Lender**”)

FROM: TRUE LEAF BRANDS INC. (the “**Borrower**”)

DATE: ●, 20●

Pursuant to the DIP credit facility agreement dated as of ●, 2020 (as amended, restated and otherwise modified from time to time, the “**Credit Agreement**”) between the DIP Lender, the Borrower and the Guarantors, the Borrower is required as a condition precedent to each DIP Advance to deliver this Drawdown Request to the DIP Lender. Unless otherwise defined herein, all capitalized terms used in this Drawdown Request will have the meanings given to such terms in the Credit Agreement.

The Borrower hereby certifies that:

- (a) the requested drawdown complies with the Agreed Budget;
- (b) the Borrower is in compliance with the DIP Order and every other order granted by the Court in the BIA Proceedings;
- (c) the representations and warranties set forth in Section 15 of the Credit Agreement are, and will be as of the date of the DIP Advance, true and accurate in all material respects and the Borrower and Guarantors are in compliance with the covenants set forth in Section 16, Section 17 and Section 18 therein;
- (d) no Default or Event of Default has occurred and is continuing nor will the making of the requested DIP Advance result in the occurrence of any such event; and
- (e) all conditions precedent to the requested DIP Advance pursuant to the Credit Agreement have been satisfied or waived and all supporting evidence required by the DIP Lender is attached hereto.

The Borrower hereby requests a DIP Advance as follows:

Date of DIP Advance [●]

Amount of DIP Advance: CDN\$[●]

Bank Account to which the [●]
DIP Advance is to be
made:

IN WITNESS WHEREOF the undersigned has executed this Drawdown Request on the date first above written.

TRUE LEAF BRANDS INC.

By: _____
Name:
Title:

Acknowledged and Confirmed

FTI CONSULTING INC., in its capacity
as Trustee and not in its personal capacity

By: _____
Name:
Title:

SCHEDULE "B"
EXISTING PERMITTED ENCUMBRANCES

PPSA financing statement #320721L dated February 15, 2019 in favor of Lind Asset Management XV, LLC registered against True Leaf Medicine International Ltd., True Leaf Pet Inc., True Leaf Investments Corp., True Leaf Medicine Inc., True Leaf Brands Inc. and True Leaf Cannabis Inc.

Mortgage with registration no. CA7351621 dated February 15, 2019 with Lind Asset Management XV, LLC as mortgagee registered against Lot 3 District Lot 18 Osoyoos Division Yale District Plan 14627 Except Plans 25260, 30965 and 31773; PID: 008-974-241.

APPENDIX C

True Leaf Brands Inc. et al

Cash Flow Statement for the period of April 25, 2020 to June 19, 2020

Week Ending	1-May-20	8-May-20	15-May-20	22-May-20	29-May-20	5-Jun-20	12-Jun-20	19-Jun-20	TOTAL	Notes
Opening Cash	174,227	126,091	227,365	204,290	177,910	186,465	154,308	140,083	174,227	1
Cash Receipts										
Collection of AR - Pet Supplements	6,626	1,512	9,000	10,000	9,000	13,000	7,000	10,000	66,138	2
Other receipts	3,360	-	59,000	-	-	3,360	-	-	65,720	3
Total - Operating Receipts	9,986	1,512	68,000	10,000	9,000	16,360	7,000	10,000	131,858	
Operating Disbursements										
Payroll	(28,406)	-	(14,204)	-	(14,204)	-	-	(14,204)	(71,017)	4
Payroll taxes	-	-	(44,942)	-	-	-	-	(15,905)	(60,847)	5
Benefits	(2,470)	-	-	-	-	(1,648)	-	-	(4,118)	6
Inventory replenish	-	(15,000)	(15,000)	(15,000)	-	-	-	-	(45,000)	7
Software costs	(3,920)	(575)	(1,500)	-	-	(3,920)	(575)	(1,500)	(11,990)	8
Selling and Marketing	-	-	(10,000)	-	-	-	-	(10,000)	(20,000)	9
Utilities	(226)	(150)	(150)	(1,255)	-	(226)	(150)	(1,305)	(3,461)	10
Consultants & Sales Rep groups	(15,505)	-	(9,980)	-	-	(15,505)	-	(9,980)	(50,970)	11
Maintenance	(125)	-	(500)	(125)	-	(125)	-	-	(875)	12
Rent	(2,223)	-	-	-	-	(5,775)	-	-	(7,998)	13
Shipping	(2,000)	-	(7,000)	-	(3,000)	-	(8,000)	-	(20,000)	14
Insurance	-	-	(4,673)	-	-	-	-	(4,673)	(9,346)	15
IR & Pubco costs	-	-	(3,675)	-	-	(1,313)	-	(3,675)	(8,663)	16
Legal & Professional Fees	-	-	(4,200)	-	-	-	-	(4,200)	(8,400)	17
Other	(3,248)	-	(25,251)	-	(3,242)	(6)	-	(1,951)	(33,697)	18
Total - Operating Disbursements	(58,122)	(15,725)	(141,075)	(16,380)	(20,445)	(28,517)	(8,725)	(67,393)	(356,381)	
Non-operating Receipts and Disbursements										
Professional fees	-	(115,513)	-	(20,000)	(30,000)	(70,000)	(12,500)	-	(248,013)	19
DIP financing	-	250,000	50,000	-	50,000	50,000	-	50,000	450,000	20
Fees for DIP	-	(19,000)	-	-	-	-	-	-	(19,000)	21
Total Non-Operating Receipts and Disbursements	-	115,487	50,000	(20,000)	20,000	(20,000)	(12,500)	50,000	182,987	
Total Net Cash Flow	(48,136)	101,274	(23,075)	(26,380)	8,555	(32,157)	(14,225)	(7,393)	(41,536)	
Ending cash	126,091	227,365	204,290	177,910	186,465	154,308	140,083	132,690	132,690	

Notes:

- 1 - Opening cash balances are bank statements with US funds converted at an exchange rate of 1.4.
- 2- Collections are based on historical patterns for each customer.
- 3- The Company has rented out space on its 40 acre property in Lumby, British Columbia. During the week ending May 15, 2020, True Leaf expects to collect a refunded deposit of approximately \$36,000 from the City of Lumby as well as its initial payment as a result of its application for the Canadian Emergency Wage Subsidy from the Government of Canada.
- 4- The Company has recently restructured its staffing levels and makes payroll on a semi-monthly basis.
- 5- Payroll source deductions are due on the 15th of the month following payment of payroll.
- 6- Extended benefits for full time employees is provided by a third party with payments made on the first day of each month.
- 7- The Company plans to replenish certain understocked items during the forecasted period.
- 8- Specialized software is required by Health Canada to maintain cannabis growing and processing licenses. The software costs are related to the monthly subscriptions to that software as well as other programs needed to manage the business.
- 9- Marketing materials are purchased on an ad hoc basis through the Company's credit cards which are due on the 16th of each month.
- 10- Utilities for the Lumby property and the Vernon office relate to electricity, gas, cable and internet and are paid on a monthly basis with estimates based on historical costs.
- 11- The Company utilizes contractors as sales representatives in the US to generate sales as well to support finance and HR functions.
- 12- The Company pays for janitorial services at the head office on an as needed basis and pest control is required by the Health Canada licenses at the Lumby property.
- 13- Rent includes the head office space and warehouse in Vernon that services Canadian sales. Rent amounts are lower in the week ending May 1, 2020 as a result of an overpayment occurring in April 2020.
- 14- The Company has a US warehouse provider that arranges all shipping of orders to customers in the US and stores the Company's inventory. The Company also incurs shipping costs for orders out of the Vernon, BC warehouse which are paid semi-monthly.
- 15- Property and liability insurance was financed over a nine month period with payments ending August 2020.
- 16- The Company expects few costs associated with Investor Relations and reporting. However, these services may be required throughout the process.
- 17- The Company retains a paralegal that completes all public filings and maintains shareholder lists, warrants and options as well as acts as the Corporate Secretary.
- 18- Other costs relates to an annual Health Canada license fee paid during the week ending May 15, 2020 as well as certain other costs to prepare the Lumby property for sale and rental equipment utilized at the Company's Lumby and Vernon sites.
- 19- Professional fees includes the Trustee, the Company's legal counsel and the DIP Lender's legal counsel.
- 20- A total of \$450,000 is expected to be received through DIP financing throughout the forecasted period.
- 21- The proposed DIP term sheet includes certain fees to facilitate the loan.