



NO. B-200194
ESTATE NO. 11-2636226
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
TRUE LEAF CANNABIS INC.

NOTICE OF APPLICATION

APPLICANTS: FTI Consulting Canada Inc. (the "**Trustee**"), in its capacity as trustee under the proposal of True Leaf Cannabis Inc. ("**TLC**") and TLC

TO: THE ATTACHED SERVICE LIST MARKED AS **SCHEDULE "A"**

TAKE NOTICE that applications will be made by the Trustee by its agent, Clark Wilson LLP, and by TLC to the Honourable Madam Justice Fitzpatrick at the Courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia (in the manner to be advised by Supreme Court Scheduling), on November 6, 2020 at 2 p.m. for the Orders described in Part 1 below.

Part 1: ORDER SOUGHT

1. An order approving the proposal of TLC dated September 18, 2020, substantially in the form attached hereto as **Schedule "B"**.
2. Such further and other relief as this Honourable Court may deem just.

Part 2: FACTUAL BASIS

1. TL Brands Inc. ("**True Leaf**" or "**TL Brands**"), TLC, True Leaf Pet Inc. ("**TLP**") and True Leaf Investments Corp. ("**TLI**", and collectively with TL Brands, TLC and TLP, the "**Companies**") each filed a Notice of Intention to make a Proposal ("**NOI**") with the Office of the Superintendent of Bankruptcy (the "**OSB**") on April 1, 2020 (the "**Filing Date**") 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. FTI Consulting Canada Inc. was appointed as the Trustee in each of the NOI proceedings.
 3. True Leaf (formerly known as True Leaf Medicine International Ltd.) was incorporated under the *Business Corporations Act* on June 9, 2014. True Leaf is a publicly traded company with two primary businesses:
 - (a) TLI is a wholly owned subsidiary of True Leaf and TLC is a wholly owned subsidiary of TLI. TLC holds a federal cannabis license that was applied for in 2013 and is the registered owner of a 18,000 square foot facility in Lumby, BC.
 - (b) TLP is a wholly owned subsidiary of True Leaf, which is in the business of hemp supplements and specialty items in the pet industry in Canada, the USA and over 17 countries in Europe.
 4. In February 2019, True Leaf raised \$4.5 million through the issuance of a convertible, secured note (the “**Notes**”) with Lind Asset Management (“**Lind**”), with the intention of re-branding its pet business and completing the construction of its cannabis facility. The Notes were guaranteed by TLI, TLP and TLC and secured against the property in Lumby, BC.
 5. TLC’s cannabis facility was completed in late 2019, however the Companies’ sales did not meet expectation and it began to experience liquidity issues.
 6. True Leaf’s first payment on the Notes was due on March 23, 2020.
 7. As a result of its lack of liquidity, True Leaf was unable to make the payment and accordingly Lind threatened to call its loan if True Leaf didn’t remedy its default. As of the Filing Date, Lind was owed approximately \$5.8 million. Lind is the senior secured creditor of the Companies.
 8. With the onset of the COVID-19 pandemic and its implications on global trade in conjunction with the Note default, the Companies’ management and board decided to seek a stay of proceedings to allow them the time necessary to refinance and/or restructure its debts.
 9. As a result, on April 1, 2020, the Companies signed NOI’s which were filed by the Trustee with the Superintendent of Bankruptcy and accepted on April 2, 2020.

10. On May 1, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings:
 - (a) approving an interim financing agreement between True Leaf and Lind, as guaranteed by TLC, TLP and TLI, in the maximum amount of \$700,000 and a priority charge in favour of the interim lender (the "**Interim Financing Charge**"); and
 - (b) extending the stay of proceedings to June 16, 2020.
11. The Order granted in TLC's NOI proceeding also provided for a priority administration charge in favour of the Companies' legal counsel, the Trustee and the Trustee's legal counsel, if any, in the maximum amount of \$150,000 (the "**Administrative Charge**").
12. On May 13, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings:
 - (a) approving a process (the "**Sales Process**") for the marketing and sale of the assets of TLP (the "**TLP Assets**") and the assets of TLC (the "**TLC Assets**"); and
 - (b) authorizing the engagement of Colliers Macaulay Nicolls Inc. ("**Colliers**") as the designated agent to market the TLC Assets.
13. On June 16, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings extending the stay of proceedings to July 31, 2020.
14. On July 30, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings extending the stay of proceedings to September 15, 2020.
15. On August 28, 2020, the Honourable Mr. Justice Walker granted Orders in each of the Companies' NOI proceedings extending the stay of proceedings to October 2, 2020 (the "**October 2 Extension Order**"). His Lordship also granted the TLP Vesting Order (as defined and discussed below).

THE SALES PROCESS

16. As set out in the Sales Process, the deadlines for interested purchasers to submit offers to purchase the TLC Assets was June 15, 2020 and the TLP Assets was June 19, 2020, which deadlines could be extended by the Trustee with the consent of the Companies, Lind and their legal counsel (the "**Consultation Parties**").

TLP Assets

17. On August 11, 2020, TLP entered into a sale agreement with a purchaser and its parent company, Hemp Technology, Inc., for the sale of substantially all of the TLP Assets (the “**TLP Asset Sale**”).
18. On August 28, 2020, the Honourable Mr. Justice Walker granted the order approving the sale and vesting of the purchased assets free and clear to the purchaser (the “**TLP Vesting Order**”), along with the October 2 Extension Order.
19. The TLP Asset Sale closed on September 14, 2020.
20. On October 3, 2020, TLP was deemed bankrupt upon expiry of the stay of proceedings

TLC Assets

21. The bid deadline for the TLC Assets was extended with the consent of the Consultation Parties to June 17, 2020 to allow some of the interested parties further time to finalize their offers.
22. Between June 15, 2020 to June 20, 2020, four offers were received for the TLC Assets, which were reviewed by the Trustee, the Companies and Lind. As all of the offers were conditional, the Trustee and Colliers worked with the perceived superior offer to get it to a definitive agreement capable of being brought before this Honourable Court for approval.
23. Unfortunately, none of the offers for the TLC Assets achieved a price at which Lind would agree to release its security in order to close the transaction or the interested party was unable to satisfy its conditions and withdrew its offer.
24. Subsequently, several additional parties came forward indicating their interest and discussions regarding a proposed sale transaction. However, negotiations did not reach a definitive stage or they were not for a price that was acceptable to Lind. Accordingly, no Expressions of Interest or offers have been received to date for the purchase of the TLC Assets which are capable of being brought to Court for approval.
25. Concurrently, two parties contacted Lind and commenced discussions regarding the purchase of Lind’s debt and security.
26. These negotiations concluded with the entering of a term sheet dated September 11, 2020 between Lind, The Australian Special Opportunity Fund, LP, Canguard Mortgage Investment Corporation and its related

acquisition entities (collectively, the “**Canguard Entities**”), True Leaf, TLC, and TLI, that provides for the refinancing of the Companies’ debt to Lind (the “**Refinancing Transaction**”). Key terms of the Refinancing Transaction are as follows:

- (a) certain Canguard Entitles will loan up to a total of CDN\$4.15 million (the “**Loan Proceeds**”) to TLC to be secured by priority mortgages on TLC’s property in Lumby, BC and security interests in all of TLC’s present and after-acquired personal property;
- (b) the Loan proceeds will be used to pay down the amounts owing to Lind under its original loan and the interim financing facility;
- (c) at closing, TL Brands, TLC and TLI will pay to Lind all of their cash balances in excess of CDN\$100,000 in the aggregate;
- (d) the Canguard Entities have provided a deposit of CDN\$415,000 to the Trustee;
- (e) the Canguard Entities’ acquisition company #1 will, for total consideration of CDN\$1:
 - (i) enter into an agreement to purchase from TLI all of the issued and outstanding shares of TLC (the “**TLI/TLC Share Purchase Agreement**”); and
 - (ii) enter into an agreement to purchase from TL Brands all of the issued and outstanding share of TLI (the “**TL Brands/TLI Share Purchase Agreement**”);
- (f) the Canguard Entities’ acquisition company #2 will purchase from The Australian Special Opportunity Fund, LP all of the issued and outstanding shares of Lind for total consideration of CDN\$1;
- (g) the Refinancing Transaction is subject to approval of the Court and vesting order for the sale of the shares of the purchased Companies to the Canguard Entities’ acquisition company #1 and the discharge of all claims and encumbrances against the purchased Companies (including the Administrative Charge and the Interim Financing Charge, but excluding the balance of the loans from Lind over and above CDN\$4.15 million); and
- (h) the Canguard Entities agree to pay out all of the unsecured creditors of TLC in an amount not to exceed CDN\$30,000 by way of a proposal in the TLC proceeding (the “**TLC Proposal**”) and seek Court approval of the TLC Proposal.

27. The Trustee is in support of the Companies' applications for orders approving the Refinancing Transaction and the Approval and Vesting Orders (as defined below).

TLC PROPOSAL

28. On September 18, 2020, TLC filed the TLC Proposal with the Trustee, which the Trustee filed with the OSB on September 23, 2020.
29. The TLC proposal provides that the Canguard Entities will provide up to \$30,000 in funds to be distributed to TLC's unsecured creditors, which is expected to be sufficient to pay the unsecured creditor claims in full.
30. On September 25, 2020, the Trustee provided notice to the OSB and caused to be mailed to every known creditor affected by the TLC Proposal of a creditors meeting to be held on October 6, 2020 to consider and vote on the TLC Proposal. Notice was also emailed to creditors where email addresses were available.
31. In addition to known creditors, the Trustee also forwarded notice of the meeting to all vendors who had transacted with TLC within the last two calendar years.
32. Given that a vesting order would be sought vesting the shares in TLC and substantially all of its assets free and clear to the Canguard Entities, the Trustee also placed an advertisement in two local newspapers providing notice of the creditors meeting and calling for claims.
33. At the creditors meeting held on October 6, 2020, the TLC proposal was unanimously accepted by the required majority of unsecured creditors, with 100% in both dollar value and number voting in favour of the TLC Proposal.

TL BRANDS PROPOSAL

34. The Canguard Entities agreed to also sponsor the filing of a proposal to TL Brand's unsecured creditors (the "**TL Brands Proposal**").
35. On September 30, 2020, TL Brands filed the TL Brands Proposal with the Trustee, which the Trustee filed with the OSB on October 1, 2020.
36. The TL Brands Proposal provides that the Canguard Entities will provide the sum of \$85,000 to be distributed to TL Brands' unsecured creditors.
37. The implementation of the TL Brands proposal is conditional on the approval of a Plan of Arrangement by the requisite majority of the

shareholders of TL Brands and the Court in accordance with the *Business Corporations Act* (British Columbia).

38. On October 8, 2020, the Trustee provided notice to the OSB and caused to be mailed to every known creditor affected by the TL Brands Proposal of a creditors meeting to be held on October 20, 2020 to consider and vote on the TL Brands Proposal. Notice was also emailed to creditors where email addresses were available.
39. In addition to known creditors, the Trustee also forwarded notice of the meeting to all vendors who had transacted with TL Brands within the last two calendar years.
40. At the creditors meeting held on October 20, 2020, the TL Brands proposal was unanimously accepted by the required majority of unsecured creditors, with 100% in both dollar value and number voting in favour of the TL Brands Proposal.

TLI PROPOSAL

41. The Canguard Entities also agreed to sponsor the filing of a proposal to TLI's unsecured creditors (the "**TLI Proposal**").
42. On October 2, 2020, TLI filed the TLI Proposal with the Trustee, which the Trustee filed with the OSB on October 2, 2020.
43. The TLI proposal provides that the Canguard Entities will provide the sum of \$10,000 to be distributed to TLI's unsecured creditors.
44. On October 9, 2020, the Trustee provided notice to the OSB and caused to be mailed to every known creditor affected by the TLI Proposal of a creditors meeting to be held on October 20, 2020 to consider and vote on the TLI Proposal.
45. At the creditors meeting held on October 20, 2020, the TLI proposal was unanimously accepted by the required majority of unsecured creditors, with 100% in both dollar value and number voting in favour of the TLI.
46. Each of the proposals:
 - (a) provides a greater return to each of the companies' respective group of unsecured creditors than in a bankruptcy – the liquidation and sale of the companies' assets upon bankruptcy will result in no distribution to the unsecured creditors;

- (b) are conditional on approval by the Court and granting of the Approval and Vesting Orders vesting the shares of the TLC and TLI to one of the Canguard Entities' acquisition companies, free and clear of all claims against the assets of TLC and TLI; and
 - (c) provides for the payment of all Crown claims within 6 months of the date of the sanction order, all employee claims immediately after the granting of the sanction order, and any other priority claims as defined under subsection 136(1) of the BIA prior to any distribution to the unsecured creditors.
47. The terms of each of the proposal are reasonable and are calculated to benefit the general body of creditors. The recovery of the unsecured creditors under each of the proposal is better than they would otherwise receive in a bankruptcy or liquidation proceeding.
48. The proposals are made in good faith and are supported by the Trustee.

Part 3: LEGAL BASIS

49. The applicants rely on:
- (a) the provisions of the BIA, including sections 58 and 60(5) thereof;
 - (b) the *Bankruptcy and Insolvency General Rules*, including rule 3 thereof;
 - (c) the *Supreme Court Civil Rules*;
 - (d) the inherent jurisdiction of this Honourable Court; and
 - (e) such further and other legal authority as the Applicant may advise.

Approval of the Proposals

50. Before it can approve a proposal, the Court must be satisfied that:
- (a) the terms of the proposal are reasonable;
 - (b) the terms of the proposal are calculated to benefit the general body of creditors; and
 - (c) the proposal is made in good faith.

51. In determining whether the terms of a proposal are reasonable and calculated to benefit the general body of creditors, the Court should consider the payment terms of the proposal and whether the distributions provided for in the proposal are “adequate to meet the requirements of commercial morality and maintaining the integrity of the bankruptcy system”.

Kitchener Frame, at 22.

52. The terms of each of the proposal are reasonable and are calculated to benefit the general body of creditors. The TLC Proposal will pay TLC’s unsecured creditors in full for their claims. The TL Brands Proposal and TLI Proposal will pay unsecured creditors more than they would receive in a bankruptcy.
53. The proposals are made in good faith. In determining whether a proposal is made in good faith, the debtor must satisfy the Court that it has provided full disclosure to its creditors of its assets and the encumbrances against such assets.

Kitchener Frame, at 35.

54. Particulars of the Companies’ assets and liabilities to the extent that they are known have been provided by the Trustee to known creditors. Further, the Trustee conducted the Sales Process, which was transparent and fulsome. Since the Filing Date, the Trustee has not become aware of any assets of the Companies that were not disclosed to the creditors, or to suggest that the value of those assets was materially greater than disclosed therein.
55. The proposals are supported by the Trustee.
56. The proposals were unanimously approved by the required majority of the unsecured creditors. This is a factor which should be given substantial deference by the Court.

Kitchener Frame, at 21.

57. The proposal meets the statutory requirements of the BIA and the tests for approval of a proposal as developed by common law. Accordingly, the applicants submits that the proposals should be approved by the Court.

Approval and Vesting Orders

58. Pursuant to section 65.13 of the BIA, an insolvent person in respect of whom a notice of intention is filed may not sell or otherwise dispose of

assets outside the ordinary course of business unless authorized to do so by the Court.

59. Pursuant to section 65.13(4), in considering whether to grant the authorization, the Court is to consider, among other things:
 - (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
 - (b) whether the trustee approved the process leading to the proposed sale or disposition;
 - (c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
 - (d) the extent to which the creditors were consulted;
 - (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and
 - (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.
60. Pursuant to section 65.13(7), the court may authorize a sale or disposition free and clear of any security, charge or other restrictions.
61. The TLB and TLI are seeking the following orders (the “**Approval and Vesting Orders**”):
 - (a) an approval and vesting order in the TL Brands proceedings (i) approving the Refinancing Transaction and the TL Brands/TLI Share Purchase Agreement, (ii) vesting the shares of TLI in the purchaser free and clear of all claims and encumbrances, and (iii) discharging and releasing all claims and encumbrances against TLI; and
 - (b) an approval and vesting order in the TLI proceedings (i) approving the Refinancing Transaction and the TLI/TLC Share Purchase Agreement, (ii) vesting the shares of TLC in the purchaser free and clear of all claims and encumbrances, and (iii) discharging and releasing all claims and encumbrances against TLC.
62. The Approval and Vesting Orders are appropriate in the circumstances as:

- (a) The Sales Process initiated and overseen by the Trustee was a fair and transparent process by which offers were received by the Trustee to obtain the best price for the benefit of stakeholders;
 - (b) The Sales Process did not result in any offers that would have been sufficient to pay out Lind and the Refinancing Offer is the best offer for Lind and the unsecured creditors;
 - (c) The senior secured creditor and DIP Lender, Lind, which is most affected by the Refinancing Transaction, was consulted throughout the Sales Process;
 - (d) The Refinancing Transaction will allow the business to continue with a new owner and stakeholders to move forward; and
 - (e) The Refinancing Transaction provides for the funding by the Canguard Entities of the proposals, which will result in payment to unsecured creditors which would not have otherwise been available.
63. Although the Refinancing Transaction is structured as an acquisition of the shares in TLC and TLI, it is conditional on the granting of the Approval and Vesting Orders that enable the purchaser to acquire the purchased shares and the underlying assets of TLC and TLI “free and clear” of claims and encumbrances.
64. The Refinancing Transaction is structured as a share purchase transaction with a view of preserving the cannabis license held by TLC and completing the transaction in a cost-effective manner. Because the Refinancing Transaction is structured as a share purchase transaction in which TL Brands and TLI are retaining the purchase assets (rather than vesting the purchased assets into a new entity, as is typical in an asset sale transaction in a BIA proposal proceeding or *Companies’ Creditors Arrangement Act* proceeding), the “free and clear” vesting is accomplished by discharging the claims and encumbrances as against the assets of TLC and TLI.
65. This “reverse vesting” transaction structure in which the purchaser acquires the shares of a debtor company and the underlying purchased assets on a “free and clear” basis has been approved in a number of recent CCAA proceedings, including by the BC Supreme Court in *Re Iita Grain Inc. and NGP Grain Holdings Inc.* [2020] (BC Supreme Court), No. S-197582, Approval and Vesting Order dated August 25, 2020, by the Ontario Superior Court in *Re Plasco Energy Group Inc. et al.* [2015] (Ont. SCJ [Commercial List]), Court File No. CV-15-10869-00CL, Settlement

Approval Order dated July 17, 2015, and by the Superior Court of Quebec in *Re Nemaska Lithium Inc et al.*, 2020 QCCS 3218.

66. The provisions in the CCAA mirror those in the BIA. The Court has authority under Section 65.13(7) to authorize a sale or disposition free and clear of any security, charge or other restriction. The Court therefor has the authority to approve the discharge of the claims and encumbrances as against the purchased shares and the assets in connection with completing the Refinancing Transaction.
67. The Refinancing Transaction is the best and only available transaction for TL Brands, TLC and TLI's assets. As part of the Refinancing Transaction, the Canguard Entities are funding the proposals which will result in unsecured creditors receiving partial or full payment of their claims. The Refinancing Transaction enables the companies to restructure and emerge from the proposal proceedings under new ownership. Approval of the Refinancing Transaction is consistent with the objections of the BIA proposal process and is in the best interest of the Companies and their stakeholders in the circumstances.

Part 4: MATERIAL TO BE RELIED ON

1. Report of the Trustee on the Proposal dated September 22, 2020.
2. Report of the Trustee on the Proposal dated October 22, 2020.
3. Sixth Report of the Trustee, to be filed.
4. Such further and other evidence as may be filed.

The applicant(s) estimate(s) that the application will take 60 minutes.

This matter is not within the jurisdiction of a master.

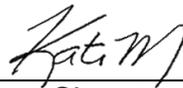
TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days of service of this Notice of Application,

(a) file an Application Response in Form 33,

(b) file the original of every affidavit, and of every other document, that

- (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
- (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: October 30, 2020



Signature of lawyer for Applicants
Christopher J. Ramsay/ Katie G. Mak

This NOTICE OF APPLICATION is prepared by Christopher J. Ramsay and Katie G. Mak of the firm of **Clark Wilson LLP** whose place of business is 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 (Direct #: 604.643.3105, Fax #: 604.687.6314, Email: CRamsay@cwilson.com and KMak@cwilson.com) (File #: 46587-0002).

To be completed by the court only:

Order made

in the terms requested in paragraphs _____ of Part 1 of this Notice of Application

with the following variations and additional terms:

Date: _____

Signature of Judge Master

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matters concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial

- case plan orders: amend
- case plan orders: other
- experts
- none of the above

Schedule A

SERVICE LIST

Updated: October 30, 2020

<p>FTI Consulting Inc. 701 West Georgia Street, Suite 1450 Vancouver, BC V7Y 1B6</p> <p>Attention: Craig Munro / Mike Clark</p> <p>Tel: 604-601-5699 / 604-484-9537 Email: craig.munro@fticonsulting.com / mike.clark@fticonsulting.com</p> <p><i>Proposal Trustee</i></p>	<p>Clark Wilson LLP 900 – 885 West Georgia Street Vancouver, BC V6C 3H1</p> <p>Attention: Chris Ramsay / Katie G. Mak / Nick Carlson / Deborah Hamann-Trou (Paralegal)</p> <p>Tel: 604-687-5700 Fax: 604-687-6314 Email: CRamsay@cwilson.com; KMak@cwilson.com NCarlson@cwilson.com DHamann-Trou@cwilson.com</p> <p><i>Counsel for the Company</i></p>
<p>Stikeman Elliott LLP Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8</p> <p>Attention: Ashley Taylor / Victor Gerchikov</p> <p>Email: ATAYLOR@stikeman.com; VGerchikov@stikeman.com</p> <p><i>Counsel to the DIP Lender</i></p>	<p>The Lind Partners 444 Madison Ave., 41st Floor New York, NY 10022</p> <p>Attention: Sam Chun</p> <p>Tel: 646-701-7424 Email: schun@thelindpartners.com</p>
<p>Office of the Superintendent of Bankruptcy 300 Georgia Street W, Suite 2000 Vancouver, BC V6B 6E1</p> <p>Attention: Gary Sam Danny Park</p> <p>Email: gary.sam@canada.ca danny.park@canada.ca</p>	<p>Chaitons 5000 Yonge Street, 10th Floor Toronto, ON M2N 7E0</p> <p>Attention: Mark Klar / Joe Chehab</p> <p>Email: Mark-k@chaitons.com / joe.chehab@bmo.com</p> <p><i>Counsel for Bank of Montreal</i></p>

<p>Her Majesty the Queen in Right of the Province of British Columbia Attorney General-Ministry of Justice 11th Floor, 1001 Douglas Street Victoria, BC V8W 9E2</p> <p><u>Attention:</u> Aaron Welch</p> <p>Email: Aaron.Welch@gov.bc.ca</p>	<p>Department of Justice Canada 900 – 840 Howe Street Vancouver, BC V6Z 2S9</p> <p>Attention: Christine Matthews</p> <p>Tel: 604-666-5691 Fax: 604-666-1462 Email: Christine.Matthews@justice.gc.ca</p> <p><i>Her Majesty the Queen in Right of Canada & Minister of National Revenue</i></p>
--	---

Schedule B

No. B-200194
Estate No. 11-2636226
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
TRUE LEAF CANNABIS INC.

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
)
MADAM JUSTICE FITZPATRICK) November ♦, 2020

ON THE APPLICATION of FTI Consulting Canada Inc. (the “**Trustee**”) in its capacity as trustee under the proposal of True Leaf Cannabis Inc. (“**TLC**”) coming on for hearing at Vancouver, British Columbia, on the ♦ day of November, 2020; AND ON HEARING ♦, as agent to the Trustee and counsel for TLC, and those other counsel listed on **Schedule “A”** hereto; AND UPON READING the materials filed;

THIS COURT ORDERS AND DECLARES that:

1. The proposal of TLC (the “**Proposal**”), a copy of which is attached hereto as **Schedule “B”**, is hereby sanctioned and approved pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). Capitalized terms used but not otherwise defined in this Order shall have the meanings ascribed to them in the Proposal.
2. The Proposal is hereby declared to have been approved by the requisite percentages of creditors in conformity with the BIA.
3. The Proposal and the transactions contemplated thereby are hereby declared to be fair and reasonable and in the best interests of TLC, the Unsecured Creditors and the other stakeholders of TLC.

4. The Proposal is hereby deemed to be effective as of the Implementation Date and at that date will enure to the benefit of and be binding upon TLC, the Unsecured Creditors and all other persons affected by the Proposal.

5. TLC and the Trustee, as applicable, are hereby authorized to file, issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Proposal, in the name of and on behalf of TLC, in order to effect all corporate actions contemplated by the Proposal and, without limiting the generality of the foregoing in any way, the Trustee is hereby authorized and directed to file and deliver the certificate, in the prescribed form, in accordance with section 65.3 of the BIA and section 11.1 of the Proposal.

6. The commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, causes of action, counterclaims, suits or any indebtedness, liability, obligation or cause of action released and discharged pursuant to the Proposal are hereby enjoined.

7. TLC, the Trustee and any other interested party shall have liberty to apply for such other directions or relief as may be necessary or desirable to give effect to this Order.

8. Approval of the form of this Order by counsel other than counsel to TLC and agent to the Trustee is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Agent to FTI Consulting Canada Inc.
in its capacity as trustee under the proposal of
True Leaf Cannabis Inc.
Lawyer: ♦

BY THE COURT

Registrar

Schedule A

Counsel

Schedule B

Proposal of True Leaf Cannabis Inc.

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
TRUE LEAF CANNABIS INC.

PROPOSAL

**ARTICLE I
DEFINITIONS & INTERPRETATION**

1.1 DEFINITIONS

In the Proposal:

“Administrative Charge” means the charge granted pursuant to paragraph 3 of the order of the Court made May 1, 2020 in the Proposal Proceedings, as more particularly set out therein, in favour of the Trustee, counsel to the Trustee, if any, and the Company’s Solicitors.

“Approval and Vesting Order” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“Business Day” means any day which is not a Saturday or Sunday, or statutory holiday in British Columbia.

“Canguard Entities” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“Claim” means any right or claim of any person against the Company, whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such person, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable, or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Company, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to or at the Filing Date, and, for certainty, includes Priority Claims.

“Claims Process” means the process pursuant to the BIA by which the Trustee will determine the Proven Claims against the Company.

“Company” means True Leaf Cannabis Inc.

“Company’s Solicitors” means Clark Wilson LLP.

“Conditions Precedent” means the conditions precedent set out in Section 5.1 of the Proposal.

“Court” means the Supreme Court of British Columbia.

“Creditor” means any person that has a Claim against the Company.

“Creditors Meeting” means the meeting of the Creditors to be called and held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

“Crown” means Her Majesty in the Right of Canada or a province.

“Crown Claim” means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are of the kind that could be subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

“Disputed Claim” means any Claim of an Unsecured Creditor which has been received by the Trustee in accordance with the BIA but has not been accepted as a Proven Claim, or which is being disputed in whole or in part by the Trustee or any other person entitled to do so and has not been resolved by agreement or in accordance with the BIA.

“Employee Claims” means any Proven Claim of any employees and former employees of the Company, including the amounts that such employees and former employees would have been qualified to receive under Paragraph 136(1)(d) of the BIA if the Company had become bankrupt on the Filing Date.

“Excluded Claim” means, subject to further order of the Court:

- (a) any Secured Creditor Claims;
- (b) any Employee Claims;
- (c) any Priority Claims; and
- (d) any Crown Claims.

“Excluded Creditors” means Creditors having Excluded Claims.

“Filing Date” means April 2, 2020, the date when the Notice of Intention to File a Proposal pursuant to the BIA was filed by the Company.

“Funds for Distribution” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“Inspectors” has the meaning ascribed to it in Section 8.5 of the Proposal.

“Interim Financing Charge” means the charge granted pursuant to paragraph 4 of the order of the Court made May 1, 2020 in the Proposal Proceedings, as more particularly set out therein in favour of Lind, to secure the interim financing.

“Implementation Date” means the date on which the Conditions Precedent to the Proposal set forth in Article V hereof have been satisfied or waived.

“Lind” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“Lind Loans” shall have the meaning ascribed to it in the Term Sheet.

“Priority Claim” means a Proven Claim of a Creditor entitled to receive a payment of any amount owed to it in priority to any payments to Unsecured Creditors as provided for in Section 136 of the BIA.

“Proof of Claim” means the proof of claim delivered to the Trustee in accordance with the BIA.

“Proposal” means the proposal herein among the Company and the Unsecured Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and the Unsecured Creditors, as provided for herein or pursuant to any Creditors Meeting.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA, being British Columbia Supreme Court, Vancouver Registry Action No. B-200191.

“Proven Claim” means the aggregate amount of any and all Claims held by a Creditor which has been accepted by the Trustee and the Company in accordance with the BIA.

“Purchased True Leaf Companies” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“Refinancing Transaction” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“Required Majority” means the affirmative vote, at the Creditors Meeting, of:

- (a) a simple majority in number of those Unsecured Creditors with Proven Claims in the Unsecured Creditor Class who vote upon the Proposal (in person or by proxy); and
- (b) a two-thirds majority in value of the Proven Claims of Unsecured Creditors in the Unsecured Creditor Class who vote upon the Proposal (in person or by proxy).

“Sanction Order” means the order of the Court made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

“Secured Creditors” means those Creditors holding perfected security interests against the Company registered in the British Columbia Personal Property Registry or holding a mortgage, charge or encumbrance in the assets or property of the Company, including Lind, to the extent of their Secured Creditor Claims.

“Secured Creditor Claim” means a secured Proven Claim of a Secured Creditor against the Company.

“Term Sheet” shall have the meaning ascribed to it in Section 2.1 of the Proposal.

“Trustee” means FTI Consulting Canada Inc. in its appointed capacity as trustee of the Proposal, and not in its personal capacity.

“Trustee’s Fees” means all proper fees, expenses and legal costs of the Trustee on and incidental to the proceedings arising out of the Proposal and all proper fees, expenses and legal costs of the Trustee arising in relation to the Proposal.

“Trustee’s Final Certificate” means the certificate filed by the Trustee in the Proposal Proceeding confirming that the distributions to Creditors have been made in accordance with the Proposal.

“Unsecured Creditor Claim” means an unsecured Proven Claim of a Creditor against the Company.

“Unsecured Creditor Class” means the class comprising all Creditors with Unsecured Creditor Claims.

“Unsecured Creditors” means those Creditors with an Unsecured Creditor Claim.

1.2 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

1.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

1.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 CURRENCY

All references to amounts of money means lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in any other currency will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

1.6 DATE FOR ANY ACTION

In the event that any date on which any action is required to be taken under the Proposal by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day that is a Business Day.

1.7 GOVERNING LAW

The Proposal shall be governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable thereto. All questions as to the interpretation or application of the Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

ARTICLE II PURPOSE AND EFFECT OF THE PROPOSAL

2.1 PURPOSE OF THE PROPOSAL

The purpose of the Proposal is to allow the Company to refinance the Secured Creditor Claim of Lind Asset Management XV, LLC ("**Lind**"), through a transaction (the "**Refinancing Transaction**") between Lind, The Australian Special Opportunity Fund, LP, Canguard Mortgage Investment Corporation and its related acquisition entities (collectively, the "**Canguard Entities**"), the Company, True Leaf Cannabis Inc. and True Leaf Investments Corp. (collectively, the "**Purchased True Leaf Companies**") pursuant to the term sheet between the parties dated September 11, 2020 attached as Schedule A to the Proposal (the "**Term Sheet**").

Pursuant to the Term Sheet, the Canguard Entities have agreed to provide up to \$30,000 in funds to be distributed to Unsecured Creditors under this Proposal (the "**Funds for Distribution**"). It is expected that the Funds for Distribution will be sufficient to pay the Unsecured Creditor Claims in full.

The Refinancing Transaction is subject to a) the filing and approval by the Unsecured Creditor Class and the Court of the Proposal, and b) the Court granting an order or orders in form and substance acceptable to the Canguard Entities (the "**Approval and Vesting Order**") in the Proposal Proceeding (i) approving the transactions contemplated in the Term Sheet, and (ii) vesting the shares of the Purchased True Leaf Companies and the assets of True Leaf Cannabis to one of the Canguard Entities' acquisition companies, free and clear of all Claims against the Purchased True Leaf Companies and the assets (including the Administrative Charge and Interim Financing Charge, but excluding the balance of the Lind Loans over and above \$4.15 million) and discharging, expunging, and releasing any and all Claims or

encumbrances, charges and security interests against the Purchased True Leaf Companies, their current and future assets, undertaking and properties of every nature and kind.

If the Proposal is not accepted by the Unsecured Creditors, the Company will be deemed bankrupt. The liquidation and sale of the Company's assets upon bankruptcy will result in no distribution to Unsecured Creditors.

2.2 EFFECT OF THE PROPOSAL

Upon the Company meeting its obligation to the Unsecured Creditors under the Proposal and subject to the satisfaction or waiver of the Conditions Precedent, all Claims which the Unsecured Creditors have against the Company shall be irrevocably extinguished, released and discharged. On the Implementation Date, the Proposal will be binding on the Company and the Unsecured Creditors.

The Proposal does not affect Excluded Creditors.

The Proposal is made pursuant to the provisions of the BIA.

2.3 VOTE BY UNSECURED CREDITORS

Subject to order of the Court, the Unsecured Creditors shall be entitled to attend and vote at the Creditors Meeting.

Subject to order of the Court, in order to be approved, the Proposal must receive an affirmative vote, in accordance with the provisions of the BIA, by the Required Majority of the Unsecured Creditor Class.

2.4 TRUSTEE UNDER THE PROPOSAL

Subject to the provisions of the BIA the Trustee shall act as the administrator for certain purposes connected with the Proposal, including administration of the Creditors Meeting and any adjournments thereof.

ARTICLE III CREDITOR CLASS AND PRIORITY OF PAYMENTS

3.1 UNSECURED CREDITOR CLASS

There will be one class of Creditors for the purpose of considering and voting upon the Proposal being the Unsecured Creditor Class.

3.2 PAYMENT TO THE UNSECURED CREDITORS

If the Proposal is approved by the Required Majority, and the Conditions Precedent have been satisfied or waived, then Unsecured Creditors shall be paid their pro rata share of the Funds for Distribution on account of their Unsecured Creditor Claims within 5 (five) Business Days of the Implementation Date, in full and final satisfaction of their Unsecured Creditor Claims.

3.3 CREDITORS WITH DISPUTED CLAIMS

Unsecured Creditors with Disputed Claims shall be entitled to attend the Creditors Meeting and cast a vote in respect of the Proposal up to the value of their Disputed Claim. The Trustee shall keep a separate record and tabulation of any votes cast in respect of Disputed Claims. The Trustee shall report the result of the vote and the tabulation of votes of Proven Claims and Disputed Claims to the Court and, if the decision by Unsecured Creditors whether to approve or reject the Proposal is affected by the votes cast in respect of Disputed Claims, the Company shall seek direction from the Court in respect thereof. The fact that a Disputed Claim is allowed for voting purposes shall not preclude the Company or the Trustee from disputing the Disputed Claim for distribution purposes.

Any Unsecured Creditors with a Disputed Claims on the date of distribution of payments under Section 3.2 shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless, until and to the extent that such Disputed Claim is accepted as a Proven Claim, either by agreement or in accordance with the Claims Process Order.

Pending resolution of each Disputed Claim, either by agreement or by Order of the Court, the Trustee shall withhold such amount as would be payable to the Unsecured Creditor with such Disputed Claim if that Disputed Claim were a Proven Claim. If and to the extent a Disputed Claim is determined to be a Proven Claim, the Trustee shall distribute the appropriate payment to that Unsecured Creditor in respect of its Proven Claim within 10 days of that determination. If a Disputed Claim is not determined to be a Proven Claim, then such withheld amount shall be dealt with at the discretion of the Trustee.

3.4 COMPROMISE AND RELEASE

Upon the Company meeting its obligation to each Unsecured Creditor under the Proposal, each Unsecured Creditor shall:

- (a) release the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (b) release the directors and officers of the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers for the payment of such obligation but shall not include claims that are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

ARTICLE IV PRIORITY PAYMENTS

4.1 TRUSTEE'S FEES

The Trustee's Fees will be paid by the Company in priority to payment of all Proven Claims in accordance with the provisions of the BIA.

4.2 PAYMENT OF PRIORITY CLAIMS

The Trustee shall pay the following from funds provided by the Company if applicable:

- (a) all Crown Claims within 6 months of the date the Sanction Order is made;
- (b) all Employee Claims immediately after the granting of the Sanction Order; and
- (c) any other Priority Claims in accordance with Subsection 136(1) of the BIA prior to any distribution to the Unsecured Creditors Class.

ARTICLE V PAYMENT TO THE UNSECURED CREDITORS

5.1 CONDITIONS PRECEDENT TO THE IMPLEMENTATION DATE

The Implementation Date is subject to the satisfaction or waiver of the following Conditions Precedent:

- (a) The Proposal has been approved by the Required Majority of the Unsecured Creditor Class;
- (b) The Approval and Vesting Order has been granted by the Court and has not been stayed;
- (c) The Sanction Order has been granted by the Court and has not been stayed;
- (d) The Refinancing Transaction has been completed;
- (e) The Funds for Distribution have been paid to the Proposal Trustee pursuant to Subsection 60(2) of the BIA; and
- (f) All other actions, documents and agreements necessary to implement the Proposal have been effected and executed.

5.2 WAIVER OF CONDITIONS PRECEDENT

Any of the Conditions Precedent contained in Section 5.1, other than Subsections 5.1(a) and 5.1(c) may be waived by the Company, with the consent of the Canguard Entities and the Trustee.

5.3 TRUSTEE'S CERTIFICATE OF PROPOSAL IMPLEMENTATION

Upon being advised in writing by counsel to the Company that the Conditions Precedent have been satisfied or waived in accordance with Section 5.2 hereto and that the Proposal is capable of being implemented, the Trustee shall file with the Court a certificate stating that all Conditions Precedent have been satisfied or waived in accordance with the Proposal and that the Proposal is capable of being implemented forthwith.

5.4 Failure to Satisfy Conditions to Plan Implementation

If the Conditions Precedent are not satisfied or waived in accordance with Section 5.2 hereof on or before the day which is five (5) Business Days after the date on which the Sanction Order is issued or such later date as may be specified by the Company, with the consent of the Canguard Entities and the Trustee or by order of the Court, the Proposal shall not be implemented and the Proposal and the Sanction Order shall cease to have any further force or effect.

ARTICLE VI DELIVERY OF NOTICES UNDER THE PROPOSAL

6.1 NOTICES AND PAYMENTS TO CREDITORS

Any notices, correspondence and payments to Creditors under or in relation to the Proposal shall be a) delivered to the address provided by each Creditor in its Proof of Claim unless the Trustee is notified by a Creditor in writing of an alternative address for delivery, or b) made in accordance with an order of the Court.

6.2 UNDELIVERABLE PAYMENTS

If any payments to a Creditor under the Proposal is returned to the Trustee as undeliverable, no further payments to that Creditor shall be made unless and until the Trustee is notified by such Creditor, in writing, of their current address, at which time any missed payments shall be delivered to such Creditor without interest. Undeliverable payments shall be retained by the Trustee until they are claimed or until the date of the Trustee's discharge, after which they shall, subject to Section 154(1) of the BIA and Directive No. 18 of the Superintendent of Bankruptcy, be paid over by the Trustee to the Office of the Superintendent of Bankruptcy.

6.3 WITHHOLDING TAXES AND SUPERINTENDENT'S LEVY

All payments made by the Trustee to Creditors pursuant to the Proposal shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of the Proposal, each Creditor that is to receive a payment pursuant to the Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

**ARTICLE VII
PROCEDURE FOR VALIDATION OF CLAIMS**

7.1 FILING OF PROOFS OF CLAIM

Each Unsecured Creditor must file a Proof of Claim to vote on the Proposal and receive a distribution under the Proposal.

7.2 ALLOWANCE OR DISALLOWANCE OF CLAIMS BY THE TRUSTEE

Upon receipt of the completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the BIA. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA. The Company and/or the Trustee reserve the right to seek the assistance of the Court in valuing the Claim of any Unsecured Creditor, if required, to ascertain the result of any vote on the Proposal, as the case may be.

**ARTICLE VIII
CREDITORS MEETING**

8.1 CREDITORS MEETING

Subject to order of the Court:

- (a) the Creditors Meeting to consider and vote on the Proposal shall be conducted in accordance with Part III, Division I – General Scheme for Proposals of the BIA; and
- (b) the Creditors Meeting shall be held within 21 days after the date of filing of the Proposal.

8.2 VOTING

Subject to order of the Court, the Proposal shall be voted on by the Unsecured Creditors Class at the Creditors Meeting. For the purposes of voting, each Unsecured Creditor shall have one vote for the purposes of determining a majority in number in the Unsecured Creditor Class and each shall be entitled to one vote for each \$1.00 of its Proven Claim for the purpose of determining two-thirds in value.

8.3 PROXIES AND VOTING LETTERS

Unsecured Creditors will be entitled to vote at the Creditors Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the package provided to the Unsecured Creditors by the Trustee and will be binding upon the Unsecured Creditors.

8.4 ADJOURNMENT OF MEETING

The Creditors Meeting may be adjourned in accordance with Section 52 of the BIA.

8.5 INSPECTORS

At the Creditors Meeting, the Creditors may appoint one or more but not exceeding five inspectors (the “**Inspectors**”) under the Proposal pursuant to Section 56 of the BIA, whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under the Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) to advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under the Proposal;
- (c) to extend the date(s) of distribution of payments under Section 3.2; and
- (d) to advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee.

The powers of the Inspectors will be exercised by a majority of them in accordance with Section 116(3) of the BIA.

In the event Creditors do not elect to appoint Inspectors under the Proposal, the Trustee shall be entitled to proceed as if authorized by the Inspectors and, subject to taxation thereof, to be paid by the Company for services rendered by it pursuant and in relation to the Proposal.

The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability for any wrongful act, default or neglect (other than fraud, willful misconduct or gross negligence) in fulfilling any duties or exercising any powers conferred upon them by the Proposal, the BIA or generally in carrying out the terms of the Proposal.

ARTICLE IX AMENDMENTS AND MODIFICATIONS

9.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Canguard Entities and the Trustee, to amend the Proposal at any time prior to the Creditors Meeting, and after the Creditors Meeting and prior to obtaining the Sanction Order to amend any approved Proposal, and re-submit it to the Creditors.

9.2 MODIFICATION OF PROPOSAL

After the Creditors Meeting, the Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors (should any be appointed) to be non-substantive in nature, with the approval of the Trustee and the majority of the Inspectors (should any be appointed);
- (b) upon a vote conducted by the Trustee at a further meeting of Creditors; and

- (c) by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company and the Trustee to be directly affected by the proposed modification, whether a Creditor or not.

9.3 WAIVERS

Other than the Conditions Precedent contained in Section 5.1, any provision of the Proposal may be waived, with the consent of the Trustee, by the Inspectors, or if no Inspectors are appointed, with the consent of a simple majority of the Unsecured Creditors or by an Unsecured Creditor affected by the provision.

ARTICLE X APPLICATION FOR SANCTION ORDER AND APPROVAL AND VESTING ORDER

10.1 APPLICATION FOR SANCTION ORDER AND APPROVAL AND VESTING ORDER

Within 20 days after the Proposal has been approved by the Required Majority of the Unsecured Creditor Class, the Trustee will set a hearing date before the Court for a hearing of the application of the Sanction Order in accordance with Section 58 of the BIA and the Approval and Vesting Order.

10.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Subsection 69.1(1) of the BIA will be continued in full force and effect from the date of filing of the Proposal until the later of the date of the completion of the distributions to the Creditors in accordance with the Proposal, or if the Company becomes bankrupt, the date of bankruptcy.

ARTICLE XI GENERAL

11.1 CERTIFICATE OF COMPLETION AND DISCHARGE OF TRUSTEE

Following the completion of the distributions to the Creditors in accordance with the Proposal, the terms of the Proposal shall be deemed to be fully performed and the Trustee shall give to the Company and the official receiver a certificate, in the prescribed form, in accordance with Section 65.3 of the BIA and the Trustee shall thereupon be entitled to be discharged.

11.2 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal and to give effect to the transactions contemplated hereby.

11.3 NOTICES

All notices and correspondence relating to the Proposal and to be delivered to the Company or the Trustee shall be made in writing and shall be delivered either personally, by email, by telecopy, by regular mail, by registered mail or by certified mail, return receipt request, at the following address:

(a) If to the Company:

Clark Wilson LLP
900-885 West Georgia St.
Vancouver, BC V6C 3H1

Attn: Christopher Ramsay / Katie Mak
Tel: 604-687-6314 / 604-643-3105
Email: cramsay@cwilson.com / kmak@cwilson.com

(b) If to the Trustee:

FTI Consulting Canada Inc.
Suite 1450, P.O. Box 10089
701 West Georgia St.
Vancouver, BC V7Y 1B6

Attn: Craig Munro
Tel: (604) 757-6108
Email: craig.munro@fticonsulting.com

And if to a Creditor, at its address set forth in the last Proof of Claim deposited with the Trustee, or at such other address of which the Creditor has subsequently given the Trustee notice in writing.

11.4 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company and the Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED this 18th day of September, 2020.

True Leaf Cannabis Inc.

Per:



Authorized Signatory

Schedule A

Term Sheet

**REFINANCING OF SECURED DEBT OF
TRUE LEAF CANNABIS INC.
AND RELATED TRANSACTIONS**

Binding Term Sheet

September 11, 2020

Parties

Nominee of 1263809 B.C. Ltd. ("**AcquireCo #1**")

1263809 B.C. Ltd. ("**AcquireCo #2**")

Canguard Mortgage Investment Corporation ("**Canguard**")

1263815 B.C. Ltd. ("**InvestorCo**" and collectively with AcquireCo #1, AcquireCo #2 and Canguard, the "**Canguard Entities**")

Lind Asset Management XV, LLC ("**Lind**")

The Australian Special Opportunity Fund, LP ("**Vendor**")

True Leaf Brands Inc. ("**TLB**")

True Leaf Cannabis Inc. ("**TLC**")

True Leaf Investments Corp. ("**TLI**")

**New Canguard
Financing**

At Closing (as defined below), Canguard will loan Cdn\$3 million to TLC (the "**Canguard Loan**") secured by a first mortgage on the real property located at 1837 Shuswap Avenue, Lumby, B.C. (the "**Lumby Property**") and a first priority security interest in all of TLC's present and after-acquired personal property (together, the "**Canguard Security**").

**New InvestorCo
Financing**

At Closing, InvestorCo will loan Cdn\$1.5 million to TLC (the "**InvestorCo Loan**") secured by a second mortgage on the Lumby Property and a second priority security interest in all of TLC's present and after-acquired personal property (together, the "**InvestorCo Security**").

Proof of Funds

Within forty-eight (48) hours of execution of this Term Sheet by all parties, the Canguard Entities will:

- (a) deliver to the Vendor a letter from Canguard's lender, Canadian Western Bank, confirming that the proceeds of the Canguard Loan may be drawn down by Canguard from its existing line of credit at anytime without any conditions or restrictions; and
- (b) deposit with its counsel, MLT Aikins LLP, in trust, Cdn\$1.15 million, representing a portion of the InvestorCo Loan, and provide confirmation of same to the Vendor.

Use of Proceeds

At Closing, TLC will use all of the proceeds of the Canguard Loan and Cdn\$1.15 million of the proceeds of the InvestorCo Loan, being an aggregate of Cdn\$4.15 million ("**Loan Proceeds**"), to pay down all amounts owing to Lind:

- (a) under the DIP Credit Facility Agreement dated April 29, 2020, as amended, approved in connection with the Notice of Intention process under the *Bankruptcy and Insolvency Act* (Canada) commenced by, among others, TLB, TLC and TLI on April 1, 2020 (the "**BIA Process**");

- (b) pursuant to a Convertible Security Funding Agreement dated February 12, 2019; and
- (c) pursuant to a Convertible Security Funding Agreement dated October 7, 2019

(collectively, the "**Lind Loans**").

Excess Cash Sweep

At Closing, TLB, TLC and TLI will pay to Lind all of their cash balances in excess of Cdn\$100,000 in the aggregate (the "**Excess Cash**").

Lumby Property Taxes:

Any and all property taxes owing in respect of the Lumby Property will be for the account of TLC and will not reduce the Loan Proceeds or Excess Cash payable to Lind.

Commitment Letters:

Upon acceptance by all parties of this Term Sheet:

- (a) Canguard will deliver a written commitment to TLC to fund the Canguard Loan; and
- (b) InvestorCo will deliver a written commitment to TLC to fund the InvestorCo Loan,

in each case, subject only to the creation and perfection of the Canguard Security and InvestorCo Security (together, the "**TL Security Interests**"), respectively, and Court Approval (as defined below).

Deposit

The Canguard Entities will, upon execution by all parties of this Term Sheet, furnish written confirmation to Lind that they have deposited with FTI Consulting Canada Inc. ("**FTI**") the sum of Cdn\$415,000 (the "**Deposit**") together with irrevocable and unconditional instructions, and hereby confirm their intention to be legally bound by these instructions as their joint and several contractual obligations, that:

- (a) upon Court Approval and the creation and perfection of the TL Security Interests, FTI will promptly disburse the funds representing the Deposit to, or to the direction of, Lind as part of the pay down in respect of the funds advanced under the Canguard Loan and the InvestorCo Loan;
- (b) if, for any reason other than the Court (defined below) having declined to give Court Approval within fifty days from the date of this Term Sheet or TLC having failed to create and perfect the TL Security Interests, either Canguard fails to advance Canguard Loan or InvestorCo fails to advance the InvestorCo Loan, FTI will promptly disburse the funds representing the Deposit to, or to the direction of, Lind as liquidated damages;
- (c) if the Court declines to give Court Approval (including the vesting order referred to below) within fifty days from the date of this Term Sheet, or TLC fails to create and perfect the TL Security Interests, FTI will promptly return the Deposit to the Canguard Entities; or
- (d) if any of the Canguard Entities do not comply with their obligations under this Term Sheet or seek to amend the transactions contemplated by this Term Sheet in a way that would be expected to, in the opinion of the Vendor, acting reasonably, result in Court Approval not being obtained within fifty days from the date of this Term Sheet, FTI will promptly disburse the funds representing the Deposit to, or to the direction of, Lind as liquidated damages

(each, a "**Release Event**").

The parties acknowledge and agree that the obligations under this heading "Deposit"

shall survive termination or expiration of this Term Sheet.

**Purchase and Sale of
TLC Shares and/or
TLI Shares**

Subject to Court Approval, the advance by Canguard and InvestorCo of the Canguard Loan and the InvestorCo Loan, respectively, AcquireCo #1 will, at Closing, elect either to:

- (a) purchase from TLI, and TLI will sell to AcquireCo #1, all of the issued and outstanding shares of TLC; or
- (b) purchase from TLB, and TLB will sell to AcquireCo #1, all of the issued and outstanding shares of TLI; or
- (c) make both of the purchases contemplated by (a) and (b) above;

in any event, for total consideration of Cdn\$1. The purchase and sale transaction in respect of the shares of TLC, TLI or both, as applicable, (the "**Purchased True Leaf Companies**") will be completed substantially on the terms and conditions set out in the draft purchase and sale agreement prepared by TLC in respect of the sales and investor solicitation process under the BIA Process, a copy of which is attached as Schedule A to this Term Sheet.

**Purchase and Sale of
Lind Shares**

Subject to the advance by Canguard and InvestorCo of the Canguard Loan and the InvestorCo Loan, respectively, AcquireCo #2 will, at Closing, purchase from the Vendor, and the Vendor will sell to AcquireCo #2, all of the issued and outstanding shares of Lind for total consideration of Cdn\$1. The purchase and sale of the shares of Lind will be on an "as is, where is" basis, other than with respect to standard reps and warranties as to corporate power and authority, no conflict or contravention, title to shares and no liabilities.

Court Approval

The following transactions are subject to the approval ("**Court Approval**") of the Supreme Court of British Columbia (the "**Court**") to be sought in connection with a proposal under the BIA Process:

- (a) the Canguard Loan and the creation and perfection of the Canguard Security;
- (b) the InvestorCo Loan and the creation and perfection of InvestorCo Security;
- (c) the immediate payment by TLC to Lind of the Loan Proceeds and the immediate payment by each of TLB, TLC and TLI to Lind of the Excess Cash, if any; and
- (d) the sale to AcquireCo #1 of all of the issued and outstanding shares of the Purchased True Leaf Companies.

As part of the application for Court Approval, a vesting order will be sought from the Court for the sale of the shares of the Purchased True Leaf Companies to AcquireCo #1 and the discharge of all claims and encumbrances against the Purchased True Leaf Companies (including the Administrative Charge and the Interim Financing Charge created pursuant to the BIA Process, but excluding the balance of the Lind Loans over and above Cdn\$4.15 million).

**BIA Proposal and
Timing**

In connection with the Court Approval, the Canguard Entities agree to pay out all of the unsecured creditors of TLC in an amount not to exceed Cdn\$30,000, so as to ensure that all unsecured creditors of TLC are deemed to have voted in favor of the Proposal (as defined below).

Upon execution of this Term Sheet by all parties, TLC and the Canguard Entities agree to use their commercial best efforts to:

- (a) file a proposal with the trustee under the BIA Process setting out the

transactions contemplated under this Term Sheet (other than the Purchase and Sale of the Lind Shares, which the parties acknowledge and agree can be effected outside of the BIA Process) (the "**Proposal**") on or before September 18, 2020;

(b) if required, cause a meeting of TLC's creditors (the "**Creditor Meeting**") to occur no later than 21 days after filing of the Proposal by the trustee under the BIA Process; and

(c) seek Court Approval no later than 20 days after the Creditor Meeting.

Closing

Provided that Court Approval is obtained, the parties agree to use their commercial reasonable efforts to complete the transactions contemplated by this Term Sheet (the "**Closing**") as soon as practicable following receipt of Court Approval, but in any event no later than five (5) business days thereafter.

Exclusivity

In consideration of the payment of the Deposit, the Vendor and Lind, with the intention to be legally bound, agree, for a period of the shorter of fifty (50) days from the date of this Term Sheet and the date of occurrence of a Release Event, to refrain from, directly or indirectly, soliciting, initiating or encouraging any expression of interest, proposal or offer from, or negotiation with, or providing information to or facilitating discussions with, any person relating to any competing offer from a third party to acquire or otherwise facilitate the repayment of, in whole or in part, directly or indirectly, the Lind Loans or continue any previous, or initiate any new, discussions or negotiations with a third party that could reasonably be expected to be inconsistent with or limit the likelihood of the successful implementation of the transactions contemplated by this Term Sheet.

Confidentiality

Except as may be required by applicable law, the parties will keep the existence of this Term Sheet, the terms of the transactions contemplated by this Term Sheet and the fact that discussions concerning the transactions contemplated by this Term Sheet are ongoing, strictly confidential. Each party will restrict disclosure of such matters to those of its directors, officers, employees and advisors who have a need to know such information in connection with the evaluation and execution of the transactions described in this Term Sheet and will advise those persons of the confidential nature of such information.

Definitive Documents

Each party will, in good faith and using its commercial reasonable efforts, negotiate all definitive documents necessary to give effect to the transactions contemplated by this Term Sheet.

Termination

This Term Sheet (other than the provisions under the headings "Deposit", "Confidentiality" and "Governing Law", each of which shall survive termination or expiration of this Term Sheet) will automatically terminate and be of no further force or effect if Court Approval is not obtained within forty five days from the date of this Term Sheet.

Costs and Expenses

The Canguard Entities will reimburse the Vendor for up to Cdn\$10,000 of its legal costs in connection with the negotiation and execution of the transactions contemplated by this Term Sheet. Other than as set out herein, each party will bear its respective costs and expenses in connection with the negotiation and execution of the transactions contemplated by this Term Sheet.

Binding Term Sheet

The parties agree that this Term Sheet is, and is intended to be, a legally binding agreement between the parties.

Assignability

No party may assign its rights or obligations under this Term Sheet without the prior written approval of the other parties.

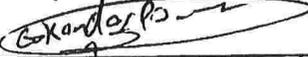
Governing Law

This Term Sheet shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

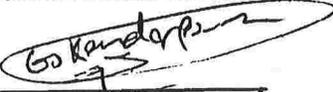
[Signature page follows]

The undersigned are executing this Term Sheet with the intention to be legally bound by its terms this 11th day of September, 2020.

1263809 B.C. LTD. (on behalf of its nominee)

Per: 
Authorized Signatory Mohammad Eskandarpoor

CANGUARD MORTGAGE INVESTMENT CORPORATION

Per: 
Authorized Signatory Mohammad Eskandarpoor

LIND ASSET MANAGEMENT XV, LLC

Per: _____
Authorized Signatory

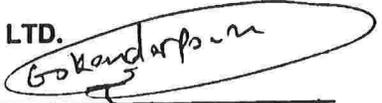
TRUE LEAF BRANDS INC.

Per: _____
Authorized Signatory

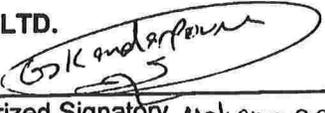
TRUE LEAF INVESTMENTS CORP.

Per: _____
Authorized Signatory

1263809 B.C. LTD.

Per: 
Authorized Signatory Mohammad Eskandarpoor

1263815 B.C. LTD.

Per: 
Authorized Signatory Mohammad Eskandarpoor

THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Per: _____
Authorized Signatory

TRUE LEAF CANNABIS INC.

Per: _____
Authorized Signatory

The undersigned are executing this Term Sheet with the intention to be legally bound by its terms this 11th day of September, 2020.

1263809 B.C. LTD. (on behalf of its nominee)

Per: _____
Authorized Signatory

1263809 B.C. LTD.

Per: _____
Authorized Signatory

CANGUARD MORTGAGE INVESTMENT CORPORATION

Per: _____
Authorized Signatory

1263815 B.C. LTD.

Per: _____
Authorized Signatory

LIND ASSET MANAGEMENT XV, LLC

Per:  _____
Authorized Signatory

THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Per:  _____
Authorized Signatory

TRUE LEAF BRANDS INC.

Per: _____
Authorized Signatory

TRUE LEAF CANNABIS INC.

Per: _____
Authorized Signatory

TRUE LEAF INVESTMENTS CORP.

Per: _____
Authorized Signatory

The undersigned are executing this Term Sheet with the intention to be legally bound by its terms this 11th day of September, 2020.

1263809 B.C. LTD. (on behalf of its nominee)

Per: _____
Authorized Signatory

CANGUARD MORTGAGE INVESTMENT CORPORATION

Per: _____
Authorized Signatory

LIND ASSET MANAGEMENT XV, LLC

Per: _____
Authorized Signatory

TRUE LEAF BRANDS INC.

Per: _____
Authorized Signatory

TRUE LEAF INVESTMENTS CORP.

Per: _____
Authorized Signatory

1263809 B.C. LTD.

Per: _____
Authorized Signatory

1263815 B.C. LTD.

Per: _____
Authorized Signatory

THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Per: _____
Authorized Signatory

TRUE LEAF CANNABIS INC.

Per: _____
Authorized Signatory

Schedule A

Please see attached.

**OFFER TO PURCHASE AND AGREEMENT OF PURCHASE AND SALE
(SHARE PURCHASE)**

THIS OFFER is made on the _____ day of ♦, 2020,

BY:

♦

(the “Purchaser”)

[AND

♦

(the “Purchaser’s Parent Company”) [NTD: If Purchaser is a special purpose vehicle]

TO:

TRUE LEAF BRANDS INC.

(the “Vendor”)

♦ [NTD: insert address]

AND

TRUE LEAF CANNABIS INC.

(“TLC”)

WITNESSES THAT WHEREAS:

- A. Terms utilized in these Recitals and defined in this Agreement will, for all purposes of this Agreement, have the meanings respectively ascribed thereto in Section 3.1 or as otherwise defined herein;
- B. TLC is a licensed producer preparing to cultivate, process and sell medicinal cannabis under Canada’s *Cannabis Act* from an 18,000 square foot facility located in Lumby, British Columbia in accordance with the Cannabis License;
- C. The Vendor owns all of the issued and outstanding shares in the capital of TLC (the “Shares”);

ARTICLE 2 – OFFER AND ACCEPTANCE

2.1 Offer

The Purchaser hereby offers to purchase (the “**Offer**”) from the Vendor the Shares, free and clear of all liens, charges, encumbrances and title notations, save and except the Permitted Encumbrances, upon the terms and conditions contained herein, with the result that the Purchaser shall become the sole shareholder of TLC upon Closing. In acquiring the Shares, the Purchaser hereby acknowledges, confirms and agrees that it is acquiring the Shares subject to all of the rights, liabilities, obligations, assets, priorities and undertakings of TLC as of the Closing Date, including without limitation the Permitted Encumbrances.

2.2 Acceptance

The acceptance of this Offer by the Vendor and TLC will convert this Offer into a binding agreement (the “**Agreement**”) for the purchase and sale of the Shares on the terms and conditions contained herein.

ARTICLE 3 – INTERPRETATION

3.1 Definitions

In this Agreement, each of following terms will have the meaning respectively set out below unless the context or subject matter is inconsistent with that meaning:

- (a) “**Agreement**” means this Offer to Purchase and Agreement of Purchase and Sale, and all schedules attached hereto, as may be amended in writing from time to time with the agreement of both parties;
- (b) “**Alternative Transaction**” means a transaction pursuant to a Successful Bid with a party, including the Purchaser, from the Auction or a financial restructuring transaction of the Vendor and/or TLC outside the Sales Process;
- (c) “**Auction**” means the auction held by the Proposal Trustee for the sale of the Shares or the Property in accordance with the Sales Process;
- (d) “**BIA**” means the *Bankruptcy and Insolvency Act (Canada)*;
- (e) “**BIA Proceedings**” means the proceedings pursuant to which the Vendor and TLC have filed for and were granted protection under the BIA;
- (f) “**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia;
- (g) “**Cannabis License**” means the license issued to TLC from Health Canada under license number ♦ in respect of the site located at the Lands issued on ♦ and expiring on ♦;

- (h) **“Closing”** means the closing of the purchase and sale of the Shares in accordance with the provisions of this Agreement;
- (i) **“Closing Date”** means a date no later than 10 Business Days following the date of the Vesting Order, or at such other date as may be agreed to in writing by the parties;
- (j) **“Court”** means the Supreme Court of British Columbia;
- (k) **“Deposit”** means the “Good Faith Deposit” as defined in the Sales Process and is the sum set forth in Subsection 1.1(d) to be paid by the Purchaser to the Vendor pursuant to Subsection 4.2(a);
- (l) **“Encumbrances”** means all claims, Liabilities (direct, indirect, absolute or contingent), obligations, prior claims, right of retention, liens, security interests, charges, hypothecs, deemed trusts (statutory or otherwise), judgments, writs of seizure or execution, notices of sale, contractual rights (including purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual rights) and encumbrances, whether or not they have been registered, published or filed and whether secured, unsecured or otherwise;
- (m) **“Execution Date”** means the date upon which the Vendor accepts the Purchaser’s offer herein contained by delivering a fully executed copy of this Agreement to the Purchaser;
- (n) **“Goods”** means all assets, undertakings and personal property, other than the Lands and the Rights, of TLC, that are located at, placed or installed upon the Lands, but excluding any assets, undertakings or personal property that are subject to a valid purchase money security interest, as defined by the PPSA.
- (o) **“Lands”** means real property located at 1837 Shuswap Avenue, Lumby, British Columbia, with PID: 008-974-241 and legally described as Lot 3, District Lot 18, Osoyoos Division Yale, District Plan 14627, Except Plans 25260, 30965 and 31773;
- (p) **“Liability”** means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;
- (q) **“Mutual Condition”** has the meaning assigned to it in Section 7.1 of this Agreement;

- (r) **“Permitted Encumbrances”** means the Encumbrances related to the Shares, save and except those set out in Schedule B, and any other Encumbrances agreed to by the Purchaser;
- (s) **“Person”** means an individual, partnership (limited or general), corporation, trust, unincorporated organization, government or any department or agency thereof, and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual;
- (t) **“PPSA”** means *Personal Property Security Act*, R.S.B.C. 1996, c. 359, as amended;
- (u) **“Property”** means the Lands, the Rights and the Goods;
- (v) **“Proposal Trustee”** means FTI Consulting Canada Inc., in its capacity as proposal trustee under the BIA Proceedings and not in its personal or any other capacity.
- (w) **“Purchase Price”** means the sum set forth in Subsection 1.1(c) to be paid by the Purchaser to the Vendor in consideration of the purchase and sale of the Shares in accordance with this Agreement;
- (x) **“Purchaser’s Solicitors”** means ♦ of ♦;
- (y) **“Qualified Bid”** has the meaning given to it in the Sales Process;
- (z) **“Qualified Bidder”** has the meaning given to it in the Sales Process;
- (aa) **“Rights”** means all rights, obligations and/or interest of TLC in respect of all Service Contracts and the Cannabis License;
- (bb) **“Sales Process”** means the sale solicitation and bidding procedures attached as Schedule A;
- (cc) **“Sales Process Order”** means the order of the Court granted on May 13, 2020 approving the implementation of the Sales Process;
- (dd) **“Sale Process”** has the meaning given to it in the Sales Process;
- (ee) **“Service Contracts”** means all contracts pertaining to the Lands entered into by or binding upon TLC, together with all modifications, extensions, renewals and assignments thereof, relating to the management, servicing, maintenance, repair, cleaning and advertising or the provision of any other goods or services in respect of the Lands or the furnishing of supplies or services thereto, including contracts for leasing equipment or chattels;
- (ff) **“Shares”** has the meaning given to it in the Recitals;
- (gg) **“Successful Bid”** has the meaning given to it in the Sales Process;

- (hh) **“Successful Bidder”** has the meaning given to it in the Sales Process;
- (ii) **“TLC Bid Deadline”** has the meaning given to it in the Sales Process;
- (jj) **“Vendor’ Solicitors”** means Clark Wilson LLP of 900-885 West Georgia Street, Vancouver, British Columbia, V6C 3H1; and
- (a) **“Vesting Order”** means an order (or separate orders) of the Court, substantially in the British Columbia model order form, approving the transactions contemplated herein and transferring and conveying registered and beneficial title and ownership to the Shares to the Purchaser free and clear of all encumbrances except for Permitted Encumbrances.

3.2 Interpretation

In this Agreement:

- (a) words importing the singular number include the plural and *vice versa* and words importing the neutral gender include all genders;
- (b) the division of this Agreement into Articles, Sections and Subsections and the insertion of headings are for convenience only and will not affect the construction or interpretation of this Agreement;
- (c) references to any Article, Section, Subsection or Schedule will, unless the context otherwise requires, mean that Article, Section, Subsection or Schedule of this Agreement;
- (d) the captions contained in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement or in any way affect this Agreement; and
- (e) all payments to be made will be deemed to be payments in lawful currency of Canada.

ARTICLE 4 – PURCHASE PRICE

4.1 Agreement of Purchase and Sale

Subject to the terms and conditions of this Agreement:

- (a) the Vendor agrees to sell the Shares to the Purchaser in consideration of payment of the Purchase Price by the Purchaser to the Vendor on the dates stipulated herein; and

- (b) the Purchaser agrees to purchase the Shares from the Vendor, subject only to the Permitted Encumbrances, and to pay the Purchase Price to the Vendor on the dates stipulated herein.

4.2 Payment of Purchase Price

The Purchaser will pay the Purchase Price, subject to the adjustments provided for in this Agreement, as follows:

- (a) the Deposit will be paid by the Purchaser to the Vendor by way of wire transfer to Colliers Macaulay Nicolls Inc., in trust, to the account details set out in Schedule C, upon the Purchaser's submission of this Agreement; and
- (b) the balance of the Purchase Price in accordance with Article 9.

4.3 Deposit

The Deposit will be held by the Proposal Trustee. The Deposit will be dealt with as follows:

- (a) in the event the Purchaser is not the Successful Bidder, the Deposit will be immediately returned to the Purchaser; or
- (b) on the Closing Date, the Deposit will be credited on account of the Purchase Price; or
- (c) if, following satisfaction of the Mutual Condition, the Purchaser fails to complete the purchase of the Shares in accordance with this Agreement or if the Purchaser repudiates this Agreement, then the Deposit will be forfeited to the Vendor as liquidated damages in full and final satisfaction of any claims, rights or remedies whatsoever of the Vendor or Proposal Trustee against the Purchaser whether at law or in equity; or
- (d) if the Mutual Condition is satisfied on or before the date specified therein and if the Purchaser is not in default of any of its obligations under this Agreement and the Vendor fails to complete the sale of the Shares in accordance with this Agreement or if, following satisfaction of the Mutual Condition, the Vendor repudiates this Agreement, then the Deposit will be returned to the Purchaser upon demand by the Purchaser on or after the Closing Date; or

in the event of termination of this Agreement pursuant to Section 7.1, then the Deposit will be forthwith returned to the Purchaser, this Agreement will be terminated and each of the parties will have no further obligations to, nor rights against, the other in respect of this Agreement except for any obligations of the Purchaser under Section 5.1.

ARTICLE 5 – “AS IS, WHERE IS”, INSPECTION AND INQUIRY

5.1 Acknowledgement by Purchaser

The Purchaser acknowledges and agrees that it has had the opportunity to conduct its own due diligence investigations in respect of the Shares and the Purchaser expressly acknowledges and agrees that it is acquiring the Shares on an “as is and where is” basis, without any representation or warranty by the Vendor with respect to the Shares or the state of the affairs of the Vendor or TLC, except as otherwise set forth in this Agreement. In this regard, the Purchaser is relying solely on its own due diligence investigations in entering into this Agreement. The Purchaser will forthwith return to the Vendor and/or TLC, all documentation obtained by the Purchaser from the Vendor and/or TLC (including, without limitation, the Vendor’s agents or the Proposal Trustee) with respect to the Shares and/or the Property and all copies thereof, together with copies of all surveys, studies and reports and the results of all inspections and tests made by or on behalf of the Purchaser with respect to the Shares and/or the Property, if the sale of the Shares by the Vendor to the Purchaser pursuant to this Agreement is not completed. The Purchaser will cause its directors, officers, consultants and agents to keep in strict confidence all information with respect to the Shares and/or the Property and the documentation obtained by the Purchaser with respect to the Shares and/or the Property until the sale of the Shares by the Vendor to the Purchaser is completed, except to the extent the Purchaser needs to release such information and documentation to its partners, investors accountants, counsel, lenders, consultants and financial advisers in connection with the purchase of the Shares and/or the Property or the Purchaser is required to release such information or documentation in order to comply with applicable laws or a court order. In circumstances where information and documents have been released to the Purchaser’s accountants, counsel, lenders, consultants and financial advisers, the provisions of Section 12.11 shall apply. Following the Execution Date, the Purchaser will not disturb or interfere with the business or operations of the Vendor or TLC without the Vendor’s prior written consent.

5.2 Authorization

The Vendor and TLC will promptly, at the Purchaser’s request, execute and deliver any authorizations reasonably required by the Purchaser to permit statutory or governmental authorities to release information to the Purchaser concerning the Shares and/or the Property and the existence of any liens against the Shares, provided that such authorizations will not permit or authorize, and the Purchaser agrees not to request or cause, any inspections of the Shares and/or the Property by any such authorities.

ARTICLE 6 – REPRESENTATIONS AND WARRANTIES

6.1 Vendor’s Representations and Warranties

The Vendor hereby represents and warrants to the Purchaser as representations and warranties made as of the date hereof and as of the Closing Date, unless otherwise specified,

with the intent that the Purchaser will rely on such representations and warranties in entering into this Agreement, that:

- (a) there are no agreements, options, contracts or commitments to sell, transfer or otherwise dispose of the Shares or which would restrict the ability of the Vendor to transfer the Shares to the Purchaser, subject to the terms of the Cannabis License or applicable regulations;
- (b) the Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

6.2 TLC's Representations and Warranties

TLC hereby represents and warrants to the Purchaser as representations and warranties made as of the date hereof and as of the Closing Date, unless otherwise specified, with the intent that the Purchaser will rely on such representations and warranties in entering into this Agreement, that:

- (a) the Shares represents all issued and outstanding shares in the capital of TLC;
- (b) the Shares are registered in the name of, and are beneficially owned by the Vendor;
- (c) none of the Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights;
- (d) the Cannabis License is in full force and effect and no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or creation of any Encumbrance in respect of, the Cannabis License, other than Encumbrances created prior to the commencement of the NOI or in the NOI proceedings.

6.3 Purchaser's Representation and Warranty

The Purchaser hereby represents and warrants to the Vendor and TLC as a representation and warranty made as of the date hereof and as of the Closing Date, with the intent that the Vendor and TLC will rely on such representation and warranty in entering into this Agreement:

- (a) that the Purchaser has the financial ability to complete the purchase of the Shares and there is no action or proceeding pending before any court, arbitrator, arbitration panel, administrative tribunal or agency which, if decided adversely to the Purchaser might materially affect the Purchaser's ability to perform its obligations under this Agreement;
- (b) the Purchaser is and will on the Closing Date be authorized and have the capacity to complete the purchase of the Shares as contemplated in this Agreement;

- (c) neither the Purchaser entering into this Agreement, nor the performance of its terms will result in a breach of or constitute a default under any term or provision of any indenture, mortgage, deed of trust or other agreement to which the Purchaser is bound or subject; and
- (d) the Purchaser is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

6.4 Survival of Representations and Warranties

All of the representations and warranties set out in Section 6.1 and Section 6.2 shall not merge on, but shall survive, Closing.

6.5 Vendor and TLC Covenants

The Vendor and TLC hereby covenant and agree with the Purchaser as follows:

- (a) TLC will continue to operate, manage and maintain the Property until the Closing Date as it is currently being operated, managed and maintained, subject to any order of the Court and the other provisions of this Agreement and provided however, and notwithstanding the foregoing or any other provision of this Agreement, the Vendor and TLC will have no obligation to make any capital repairs or replacements to the Property whatsoever; and
- (b) to maintain the existing insurance coverage in respect of the Property in full force and effect up to and including the Closing Date.

ARTICLE 7 – VESTING ORDER, TERMINATION, SALES PROCESS AND AUCTION PROCEDURES

7.1 Vesting Order Condition

The Purchaser's obligation to complete the purchase of the Shares, and the Vendor's corresponding obligation to complete the sale of the Shares, is subject to the issuance of the Vesting Order, and the approval by the Court of this Agreement without amendment on the terms and conditions herein, and all applicable appeal periods therefrom have lapsed (the "**Mutual Condition**"), all within 30 days of the Execution Date. The Purchaser and the Seller agree that if the application(s) for the foregoing relief is set for hearing within 30 days of the Execution Date then, whether or not that application is adjourned, the date for satisfaction of the Mutual Condition shall be extended to the date an order determining the application is made, and all applicable appeal periods therefrom have lapsed.

The Vendor covenants and agrees to use all reasonable commercial efforts to obtain the Vesting Order and the above noted approval of this Agreement to satisfy the Mutual Condition on or before the dates provided herein. The Mutual Condition is for the benefit of both the Purchaser and the Vendor and cannot be waived, in whole or in part, by either party. In the

event that the Vesting Order is not issued and/or the Court does not approve this Agreement within the time herein limited to satisfy the Mutual Condition, the Deposit will be returned to the Purchaser, this Agreement will be terminated and each of the parties hereto will have no further obligations to, nor rights against, the other in respect of this Agreement, except for any obligations of the Purchaser under Section 5.1.

7.2 Termination

This Agreement will automatically terminate if the Vendor enters into an Alternative Transaction.

In the event of termination of this Agreement pursuant to this Section 7.2, notice thereof will forthwith be given by the Vendor to the Purchaser and this Agreement will terminate, the Deposit will forthwith be returned to the Purchaser and the transactions contemplated hereby will be abandoned, without further action by any of the parties; provided, however, that this Section 7.2 and Section 5.1 will remain in full force and effect and survive any termination of this Agreement.

7.3 Sales Process and Auction Procedures

The Purchaser agrees to be bound by and accepts the terms and conditions of the Sales Process as authorized by the Sales Process Order. The Purchaser agrees and acknowledges that the Sale Process contained in the Sales Process may be supplemented by other customary procedures not inconsistent with the matters otherwise set forth therein and the terms of this Agreement.

Notwithstanding any other provision of this Agreement, the Vendor and the Purchaser **[and the Purchaser's Parent Company]** acknowledge that this Agreement and the sale of the Shares are subject to the Vendor's right to seek one or more Qualified Bids from Qualified Bidders in accordance with the Sales Process. The Vendor and the Purchaser **[and the Purchaser's Parent Company]** acknowledge that the Vendor, with the assistance of the Proposal Trustee, must take reasonable steps to demonstrate that they have sought to obtain the highest or otherwise best price for the Shares or the Property, by entertaining higher and better Qualified Bids from Qualified Bidders, and that the Proposal Trustee may enter into negotiations with one or more Qualified Bidders regarding the terms of the bidder's proposed asset purchase agreement for the purpose of maximizing value for the Vendor's estate. The Vendor and the Purchaser **[and the Purchaser's Parent Company]** acknowledge that the Proposal Trustee may, in its discretion, regardless of whether it has entered into negotiations with one or more Qualified Bids, hold the Auction and invite two or more Qualified Bids to participate in the Auction in accordance with the Sales Process.

The Vendor and the Purchaser **[and the Purchaser's Parent Company]** agree that the provisions of this Agreement, including this Section 7.3, are reasonable, were a material inducement to the Vendor and the Purchaser to enter into this Agreement and are designed to achieve the highest and best price for the Shares or the Property.

7.4 Agreement Subject to Sales Process

The terms of this Agreement will be subject to the terms and conditions of the Sales Process; provided, however, if there is any conflict between this Agreement and the Sales Process the terms of this Agreement will prevail.

ARTICLE 8 – POSSESSION

8.1 Possession

The Purchaser will be entitled to have possession of the Shares on the Closing Date, subject only to the Permitted Encumbrances.

ARTICLE 9 – CLOSING PROCEDURES

9.1 Vendor's Documents

On or before the Closing Date, the Vendor will deliver to the Purchaser's Solicitors, properly executed and acknowledged, all documents reasonably required and prepared by the Purchaser's Solicitors in form and substance reasonably approved by the Vendor's Solicitors, in order to complete this transaction in accordance with its terms, including, without limitation:

- (a) a Closing Certificate;
- (b) a certified copy of the Vesting Order;
- (c) all corporate records and books of account of TLC that are in the possession of the Vendor;
- (d) Share certificate(s) in the name of the Vendor representing the Shares duly endorsed for transfer; and
- (e) such other transfers, assignments and documents as the Purchaser's Solicitors and the Vendor's Solicitors may reasonably require in order to complete the transaction herein contemplated.

9.2 Purchaser's Documents

On or before the Closing Date the Purchaser will deliver to the Purchaser's Solicitors the following:

- (a) one or more certified cheques or bank drafts payable to the Purchaser's Solicitors in trust (or bank wire to the Purchaser's Solicitors' trust account) for the balance of the adjusted Purchase Price; and
- (b) such other transfers, assignments and documents as the Purchaser's Solicitors and the Vendor's Solicitors may reasonably require to complete the transaction herein contemplated.

9.3 Terms of Tender

On the Closing Date, if all documents and funds have been delivered as herein provided, all documents will be held in trust by the Purchaser's Solicitors. Upon submission for registration of the Vesting Order and the other documents required to be submitted for registration and receipt by the Purchaser's Solicitors of a satisfactory post-index search confirming that all charges and encumbrances except Permitted Encumbrances being discharged on the basis of an undertaking acceptable to the Purchaser, the Purchaser's Solicitors will forthwith pay to the Vendor the Purchase Price, as adjusted herein, and the parties will exchange all closing documents referred to in Sections 9.1 and 9.2.

9.4 Concurrent Requirements

All of the matters of payment and delivery of documents by each party to the other will be deemed to be concurrent requirements so that nothing is complete until everything has been paid, delivered and registered.

ARTICLE 10 – COSTS AND TAXES

10.1 Responsibility for Transaction Costs

The Vendor will be responsible for the cost of discharging any liens, charges and encumbrances from the Shares which are not Permitted Encumbrances and for the cost of registering any instruments, the registration of which by the Vendor is required or permitted hereby. Each party will pay its own legal fees with respect to the transactions contemplated in this Agreement.

ARTICLE 11 – NOTICES AND TENDER

11.1 Delivery of Notices

Any demand, notice, approval, consent or other communication to be given under the provisions of this Agreement by any party will be validly given if delivered personally or sent by email addressed to the respective parties as follows:

- (a) to the Purchaser at the following address:



with a copy to the Purchaser's Solicitors at:



- (b) to the Vendor at the following address:

32 – 100 Kalamalka Lake Rd
Vernon, BC V1Y 9G1

Attention: Allen Fujimoto
Email: allen@trueleaf.com

with a copy to the Vendor's Solicitors at:

Clark Wilson LLP
900-885 West Georgia St.
Vancouver, BC V6C 3H1

Attention: Christopher J. Ramsay / Katie G. Mak
Email: CRamsay@cwilson.com / KMak@cwilson.com

and a copy to the Trustee at:

Suite 1450, P.O. Box 10089
701 West Georgia St.
Vancouver, BC V7Y 1B6

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

11.2 Deemed Date of Receipt

The date of receipt of any such notice or communication will be deemed to be the date of delivery or transmittal by email if delivered by 5:00 p.m. (Vancouver time) on a Business Day, and if otherwise delivered or transmitted by email, on the next Business Day following the date of such delivery or transmittal.

11.3 Change of Address

Either party may at any time give notice in writing to the other of any change of address of the party giving such notice to be given in the manner aforesaid, and from and after giving such notice, the address therein specified will be deemed to be the address of such party for the giving of such notice.

11.4 Tender

Tender of any money to be paid hereunder may be made by certified cheque (including a certified solicitor's trust cheque), bank draft or wire transfer payable to the party to whom tender is made, and drawn on a Canadian chartered bank or trust company, and tender may be made on an officer or director of the party or a solicitor known to the tendering party to be acting for the other in this matter.

ARTICLE 12 – MISCELLANEOUS

12.1 Assignment

The Purchaser will have the right to assign its rights under this Agreement to any entity which remains, at all times up to and including the Closing Date, an Affiliate (which has the meaning ascribed to it in the *Business Corporations Act* (British Columbia)) without the consent of the Vendor, provided that:

- (a) the Purchaser will deliver written notice to the Vendor of any such assignment at least 5 Business Days prior to the Vendor's application for the Vesting Order;
- (b) the Purchaser will remain fully liable to the Vendor for the performance by any such Affiliate of the obligations of the Purchaser under the Agreement and will not be released from the performance hereof; and
- (c) the Affiliate enters into an agreement with the Vendor assuming the rights and obligations of the Purchaser under this Agreement.

Otherwise, the Purchaser may only assign this Agreement with the prior written consent of the Vendor, which consent may be withheld in the Vendor's sole and absolute discretion.

12.2 Agency and Commission

The Purchaser will be responsible for any and all fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Shares or the Property. The Vendor reserve the right to retain the services of any real estate agent or salesperson in connection with the sale of the Shares or the Property, but will not be responsible for any fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Shares or the Property.

12.3 Further Assurances

The Vendor and the Purchaser will each deliver to or cause to be delivered to the other all such further documents and assurances as may be reasonably required to give full effect to the intent and meaning of this Agreement and registration of all the requisite documents in all appropriate offices of public record.

12.4 Entire Agreement

This Agreement contains the whole of the agreement between the parties and there are no agreements, representations or warranties save as herein set out or incorporated by reference.

12.5 Time of the Essence

Time will be of the essence of this Agreement.

12.6 Business Days

If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited will extend to the next following Business Day.

12.7 Counterparts

This Agreement may be executed in one or more counterparts, each of which is deemed to be an original, and all of which constitute one Agreement. This Agreement will be considered executed and delivered when either:

- (a) an originally executed copy has been delivered to each party; or
- (b) a facsimile or electronic copy of this Agreement, evidencing the signatures of both of the parties, has been transmitted by facsimile or e-mail to each party.

12.8 Execution by Facsimile or E-Mail

If execution and delivery of this Agreement has been completed in whole or in part by facsimile or by e-mail (by delivery of PDF copies of this Agreement), then the parties will ensure that originally executed copies of the Agreement are delivered to each party as soon as reasonably practicable.

12.9 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada having application in the Province of British Columbia.

12.10 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

12.11 Confidentiality

The Purchaser expressly agrees to keep the terms of this Agreement and the transaction contemplated hereby strictly confidential, except that the foregoing information may be disclosed by either the Purchaser to:

- (a) its directors, officers, employees, agents or advisors, including, accountants, counsel, lenders, consultants and financial advisors; and
- (b) such other persons as the Vendor may approve in writing,

and such individuals will be made aware of the provisions of this Section 12.11 and will agree to be bound hereby. The provisions of this Section 12.11 will terminate as to a particular portion of such confidential information in the circumstances where such confidential information:

- (c) is or becomes generally available to the public (other than as a result of disclosure directly or indirectly by the Purchaser);
- (d) is or becomes available to the Purchaser on a non-confidential basis from a source other than the Vendor provided such source does not owe a duty of confidentiality to the Vendor or to any other person; or
- (e) is or was independently acquired or developed by the Purchaser without use of any information disclosed by the Vendor.

ARTICLE 13 – ACCEPTANCE

This Offer is open for acceptance by the Vendor by the delivery or transmission by facsimile by the Vendor of a copy of this Offer with the Vendor’s Acceptance executed by the Vendor to the Purchaser no later than 5:00 p.m. (Vancouver time) within ten (10) Business Days following the delivery or transmissions by e-mail of the Offer by the Purchaser to the Vendor, failing which this Offer will be null and void.

IN WITNESS WHEREOF the Purchaser has executed this Offer this ____ day of ♦, 2020.

♦[PURCHASER]

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

◆ [PURCHASER'S PARENT COMPANY]

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

VENDORS AND TLC'S ACCEPTANCE OF OFFER

For and in consideration of the covenants and agreements of the Purchaser contained in the within Offer, the Vendor hereby irrevocably accepts the Offer and agrees to perform its obligations thereunder this __ day of ◆, 2020.

TRUE LEAF BRANDS INC.

Per: _____
Allen Fujimoto
CEO

TRUE LEAF CANNABIS INC.

Per: _____
Allen Fujimoto
◆

Schedule A
SALES PROCESS

SCHEDULE B

LEGAL NOTATIONS, CHARGES AND ENCUMBRANCES TO BE DISCHARGED



SCHEDULE C

RE: Banking Information – COLLIERS MACAULAY NICOLLS INC.

Please include the following banking information when sending payments.

CAD fund via Wire payment

Institution name: HSBC Bank Canada
Branch address: 885 West Georgia Street Vancouver BC V6C3G1 CANADA
Institution number: 016
Transit number: 10020
Currency: CAD
Account number: 020294603020
Account name: COLLIERS MACAULAY NICOLLS INC
Account address: 200 GRANVILLE STREET VANCOUVER BC V6C2R6 CANADA
Swift Code: HKBCCATT

CAD fund via EFT payment

Bank: 016
Transit: 10020
Account number: 294603020