

COURT FILE NUMBER B-200194
VANCOUVER REGISTRY
ESTATE NO. 11-2636226

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

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

REPORT OF THE TRUSTEE ON THE PROPOSAL

SEPTEMBER 24, 2020

A. INTRODUCTION

1. This report (the “**Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the Trustee (the “**Proposal Trustee**”) in the proceedings commenced on April 2, 2020 by True Leaf Cannabis Inc. (“**TLC**” or the “**Company**”) pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. In that regard, on April 2, 2020, TLC (formerly known as True Leaf Medicine Inc.) filed with the Office of the Superintendent of Bankruptcy (the “**OSB**”) a Notice of Intention to Make a Proposal (“**NOI**”) and FTI Consulting Canada Inc. consented to act as the Proposal Trustee. The proposal was filed on September 23, 2020 in accordance with Section 62(1) of the BIA. A copy of the proposal (the “**Proposal**”) is attached as Appendix A.
3. Capitalized terms in the Report shall have the meaning ascribed to them in the Proposal unless otherwise defined.

B. PURPOSE OF THIS REPORT

4. The purpose of the Report is to:
 - a) Provide background information concerning the Company, its financial situation, the cause of the Company’s financial difficulties and the state of the Company’s business and financial affairs;
 - b) Outline the terms of the Proposal;
 - c) Discuss the conditions that must be satisfied subsequent to Creditor approval in order for the Proposal to be successfully completed;
 - d) Provide an overview of the Proposal Trustee’s findings resulting from its preliminary review of preferences and related party transactions as required under the BIA;

- e) Compare the amounts distributable under the Proposal to the estimated distribution to Creditors with Priority Claims and Unsecured Creditors in the event the Proposal is not accepted, and the Company is deemed to have made an assignment in bankruptcy; and
- f) Recommend that the Unsecured Creditors vote to accept the Proposal.

C. TERMS OF REFERENCE

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

D. BACKGROUND/CAUSES OF FINANCIAL DIFFICULTY

10. TLC (formerly known as True Leaf Medicine Inc.) was incorporated under the Business Corporations Act of British Columbia (the “**BCABC**”) on July 4, 2013. TLC’s parent company, True Leaf Brands Inc. (“**True Leaf**”) (formerly known as True Leaf Medicine International Ltd.) was incorporated under the BCABC on June 9, 2014.
11. TLC was established to hold a federal cannabis license that was applied for in 2013.
12. In 2015, True Leaf became a publicly traded company by completing a statutory plan of arrangement through a share exchange with Noor Energy Corporation.
13. Since its inception, True Leaf has raised approximately \$25 million which provided the funding to acquire 40 acres of land in Lumby, BC on which TLC constructed an 18,000 square foot facility for its operations (the “**Lumby Facility**”).
14. In late 2015, True Leaf pivoted into the pet industry by launching a line of hemp supplements through its wholly owned subsidiary, True Leaf Pet Inc. (“**TLP**”).
15. TLP developed ‘soft chew’ and ‘oil’ product formulations with hemp seed and other active ingredients to support calming, joint-pain relief and omega 3 supplementation, and marketed these products to the specialty pet industry in Canada, the USA and over 17 countries in Europe.
16. TLP’s 2019 revenues reached \$2.3 million with its products being sold in 3,500 stores globally.
17. In February 2019, True Leaf raised \$4.5 million through the issuance of a convertible, secured note (the “**Notes**”) with the intention of re-branding its pet supplement business and completing the construction of the Lumby Facility.
18. In anticipation of a growth trajectory, True Leaf bolstered its executive suite and sales staff.

19. The Lumby Facility was completed in late 2019, however TLP's sales did not meet expectation and as a result, the True Leaf group began to experience liquidity issues.
20. True Leaf's first payment on the Notes was due on March 23, 2020.
21. As a result of its lack of liquidity, True Leaf was unable to make the payment and accordingly the holder of the Notes (the "**DIP Lender**") threatened to call its loan if True Leaf did not remedy its default.
22. With the onset of the COVID-19 pandemic and its implications on global trade in conjunction with its Note default, True Leaf's management and board decided to seek a stay of proceedings to allow it the time necessary to refinance and/or restructure its debts.
23. As a result, on April 1, 2020, TLC, along with TLP and True Leaf signed NOI's which were filed by the Proposal Trustee and accepted by the OSB on April 2, 2020.
24. The reports of the Proposal Trustee issued to date and other information in respect of these proceedings are posted on the Proposal Trustee's website at <http://cfcanada.fticonsulting.com/TrueLeaf/>.

E. THE PROPOSAL

25. The Proposal Trustee's Report provides an overview of the terms of the Proposal. The Report is not a substitute for reading the Proposal and creditors are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal. Creditors are also encouraged to discuss the terms of the Proposal with their legal counsel.

Overview of the Proposal

26. As detailed in prior reports of the Proposal Trustee, the Proposal Trustee in conjunction with the Company and with the assistance of Colliers Macauley Nicolls Inc. ("**Colliers**"), conducted a sales process for the Lumby Facility (the "**Sales Process**").
27. On May 13, 2020 an order of the Supreme Court of British Columbia was granted approving the Sales Process.
28. As a result, the following steps were taken in accordance with the Sales Process:
- a) On May 22, 2020, the Proposal Trustee placed an advertisement in the national edition of the Globe and Mail newspaper;
 - b) On May 15, 2020, True Leaf issued a news release announcing its Sales Process;
 - c) On May 15, 2020, Colliers forwarded a brochure providing an overview of the Lumby Facility to over 60 parties who had either been identified through its previous sale process or who had been identified subsequently as a party that may have an interest in the Lumby Facility; and
 - d) On May 18, 2020, Colliers posted the listing for the Lumby Facility on its website as well as on the LinkedIn accounts of the two Colliers' sales agents.

29. Colliers established an electronic data room and provided access to 60 parties upon receipt of an NDA.
30. Site tours and meetings with TLC's management were arranged for several parties.
31. The Proposal Trustee prepared a checklist for interested parties summarizing the details required to be provided in support of any offer submitted. This document was posted in Colliers' data room.
32. Finally, draft forms of an Asset Purchase Agreement and a Share Purchase Agreement for the Lumby Facility and for TLC's shares were prepared by the Company's legal counsel and provided to all interested parties. The document was provided in Word format to enable interested parties to edit with tracked changes for ease of review by the Proposal Trustee, Colliers and the Company.
33. The date for receipt of offers on the Lumby Facility was set for June 15, 2020 pursuant to the Sales Process. However, as some of the interested parties had not finalized their offers, the Proposal Trustee, in consultation with the DIP Lender, Colliers and TLC, agreed to extend the deadline for receipt of offers to June 17, 2020.
34. On June 15, 2020 Colliers received one Expression of Interest and on June 17, 2020 an additional two offers were received from interested parties.
35. An additional interested party indicated to Colliers that it was continuing to work on its offer which was received on June 20, 2020.
36. The offers were summarized and reviewed with the DIP Lender. All of the offers had some form of conditionality to them and accordingly the Proposal Trustee and Colliers systematically worked with the perceived superior offer to get it to a definitive agreement capable of being brought before the court for approval.

37. Unfortunately, the offers received from interested parties were not able to achieve a price in excess of the amount owed to the DIP Lender and the DIP Lender would not agree to release its security at the prices indicated. In other instances the interested party was unable to satisfy its conditions and ultimately withdrew its offer.
38. Subsequently, several additional parties came forward indicating their interest in acquiring the Lumby Facility and discussions regarding a proposed sales transaction continued to occur with these parties.
39. No Expressions of Interest or binding offers capable of being approved by Court have been received to date on the Lumby Facility.
40. Concurrently, two parties contacted the DIP Lender and commenced discussions regarding the purchase of the DIP Lender's debt and security.
41. Those negotiations concluded with the entering of a term sheet (attached as Schedule A to the Proposal) that now forms the basis of the Proposal being submitted to the Unsecured Creditors for their consideration.
42. The term sheet allows for the refinancing of the Company, and is conditional on the acceptance and approval of the Proposal by the Unsecured Creditors and Court.

Creditor Claims

43. The list of creditor claims and their claimed amounts is part of the Statement of Affairs ("SOA") filed by the Company with the Proposal Trustee and attached as Appendix B to the Report.

Secured Creditors

44. Upon acceptance of the Proposal by the Unsecured Creditors, the DIP Lender has agreed to sell its debt and security to a new lender. Accordingly, Secured Creditors are not included under or in any way affected by the Proposal.

Priority Creditors

45. Creditors with Priority Claims in accordance with the applicable provisions of the BIA, will be paid in full. According to TLC's SOA, there does not appear to be any Creditors with Priority Claims.

Unsecured Creditors

46. The Proposal is being made to the Unsecured Creditors which are those Creditors holding unsecured Proven Claims against the Company. According to the Company's SOA, Unsecured Creditors are owed a total amount of approximately \$25,133.

Crown Claims

47. As at the date of the Proposal, TLC does not owe any amounts to the CRA for unpaid source deductions.

Dividend Amount

48. In the event that the Unsecured Creditors vote to accept the Proposal and all of the conditions precedent in Article V of the Proposal are satisfied, the Funds for Distribution, in the amount up to \$30,000, will be paid to the Proposal Trustee.
49. The Funds for Distribution will be distributed by the Proposal Trustee in the following order of priority:
- a) Firstly, to pay any Priority Claims that are required to be paid in full in priority to all Unsecured Creditor Claims; and
 - b) Secondly, to pay the balance of the Funds for Distribution on a pro-rata basis to the Unsecured Creditors on account of their Unsecured Creditor Claims.
50. Pursuant to section 147 of the BIA, payments under the Proposal are subject to the levy payable to the OSB.

51. Based on the Unsecured Creditor Claims known to the Proposal Trustee at this time, it is anticipated that the Funds for Distribution will be sufficient to pay all Unsecured Creditor Claims in full, less the applicable levy as indicated in the previous paragraph.

Fees of the Proposal Trustee

52. To date, the fees and expenses of the Proposal Trustee have been paid by the Company from funds provided by the DIP Lender.

53. It is anticipated that the DIP Loan will be sufficient to cover the remaining fees of the Proposal Trustee to complete the Proposal and accordingly will not be drawn from the Funds for Distribution.

Other Proposal Terms

54. Inspectors may be appointed at the meeting of the Unsecured Creditors held to vote on the Proposal and the Inspectors shall number at least one and not more than five. The Inspectors shall have the following powers, but will have no personal liability to the Company or other Creditors:

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

Acceptance of the Proposal

55. In order for the Proposal to be accepted, two-thirds in dollar value and over 50% in number of the Unsecured Creditors present and voting, in person, by proxy or by voting letter, must vote in favour of the Proposal. The Proposal must be approved by the Court after it is accepted by the Unsecured Creditors. Rejection of the Proposal would result in the Company being deemed to have made an assignment in bankruptcy.

F. PREFERENCES AND RELATED PARTY TRANSACTIONS

56. The Proposal Trustee enquired of the Company's management regarding any transactions for the twelve month period immediately preceding the commencement of these proceedings.
57. To the best of management's knowledge, there were no payments or transactions which could be considered to be preferences, settlements or transactions at undervalue with related or third parties.
58. In addition, nothing has been brought to the Proposal Trustee's attention during these proceedings to indicate a preference, settlement or transaction at undervalue.
59. If the Company was to become bankrupt, it is possible that there may be certain transactions the Proposal Trustee does not have knowledge of, which could be voided. However, recovery from such transactions have not been taken into account in the analysis of the impact of a bankruptcy on the Unsecured Creditors due to the uncertainty as to the likelihood of a successful challenge and if successful, uncertainty as to the quantum and timing of any potential recovery to the estate.
60. Furthermore, given the deficiency to the secured creditor as discussed in the following section, voiding these transactions, if possible, would not result in additional funds being available to the Unsecured Creditors as such additional funds would be subject to the DIP Lender's security.

ESTIMATED DISTRIBUTION IN THE EVENT OF A BANKRUPTCY

61. As detailed in a previous section of the Report, the assets of the Company have been the subject of an extensive Sales Process.
62. The results of the Sales Process have demonstrated that the value of the Lumby Facility is significantly less than the amount owed to the DIP Lender.
63. Accordingly, in a bankruptcy the expected distribution to the Unsecured Creditors would be NIL.

G. COMPARISON OF PROPOSAL VS. BANKRUPTCY DIVIDEND

64. Based on the analysis in the previous section of the Report, it is estimated that in the event of a bankruptcy of the Company, the Unsecured Creditors would receive a bankruptcy dividend of NIL.
65. The Proposal provides for Funds for Distribution of up to \$30,000 to be distributed as follows:
 - a) First, to pay any Priority Claims that are required to be paid in full, in priority to all Unsecured Creditors; and
 - b) Second, to pay the balance of the Funds for Distribution on a pro-rata basis to the Unsecured Creditors on account of their Unsecured Creditor Claims.
66. Based on the Company's management's knowledge of the known Claims, it is anticipated that the Funds for Distribution will provide for a payment to the Unsecured Creditor Claims in full, less the applicable levy payable to the OSB.

H. SUMMARY COMMENTS

67. The Proposal Trustee is of the view that Priority and Unsecured Creditors are unlikely to receive any recovery should the Proposal not be accepted by the Priority and Unsecured Creditors and approved by the Court. As set out in the Report, if the Proposal is approved, \$30,000 will be available to fund the Proposal resulting in an opportunity for the Unsecured Creditors to realize a full recovery of their debt, less the applicable levy payable to the OSB.
68. Payments to Unsecured Creditors are scheduled to be paid within 5 days of the Implementation Date, which is anticipated to be around the end of October 2020. Accordingly, payments will be received in a timely manner.
69. The Proposal Trustee is of the view that the terms of the Proposal are reasonable, has been made in good faith and benefits the Unsecured Creditors.
70. If the Proposal is rejected by the Unsecured Creditors, a bankruptcy will ensue and it is expected that there will be no funds available for the Priority Claims and Unsecured Creditors.
71. Accordingly, the Proposal Trustee recommends that the Unsecured Creditors support the Proposal.

All of which is respectfully submitted this 24th day of September, 2020.

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



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

APPENDIX A

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	<p>Nominee of 1263809 B.C. Ltd. ("AcquireCo #1")</p> <p>1263809 B.C. Ltd. ("AcquireCo #2")</p> <p>Canguard Mortgage Investment Corporation ("Canguard")</p> <p>1263815 B.C. Ltd. ("InvestorCo" and collectively with AcquireCo #1, AcquireCo #2 and Canguard, the "Canguard Entities")</p> <p>Lind Asset Management XV, LLC ("Lind")</p> <p>The Australian Special Opportunity Fund, LP ("Vendor")</p> <p>True Leaf Brands Inc. ("TLB")</p> <p>True Leaf Cannabis Inc. ("TLC")</p> <p>True Leaf Investments Corp. ("TLI")</p>
New Canguard Financing	<p>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").</p>
New InvestorCo Financing	<p>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").</p>
Proof of Funds	<p>Within forty-eight (48) hours of execution of this Term Sheet by all parties, the Canguard Entities will:</p> <ul style="list-style-type: none">(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	<p>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:</p> <ul style="list-style-type: none">(a) under the DIP Credit Facility Agreement dated April 29, 2020, as amended, approved in connection with the Notice of Intention process under the <i>Bankruptcy and Insolvency Act</i> (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.

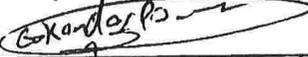
Governing Law

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.

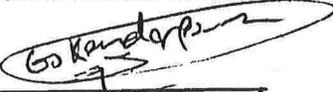
[Signature page follows]

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

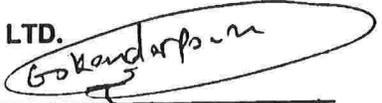
TRUE LEAF BRANDS INC.

Per: _____
Authorized Signatory

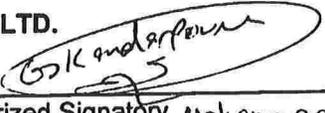
TRUE LEAF INVESTMENTS CORP.

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

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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”);

- D. The Vendor, TLC, True Leaf Pet Inc. and True Leaf Investments Corp. each filed a NOI with the Office of the Superintendent of Bankruptcy on April 1, 2020 pursuant to Part III, Division I of the BIA;
- E. FTI Consulting Canada Inc. was appointed as the Proposal Trustee in each of the BIA Proceedings;
- F. Pursuant to the order of the Court pronounced May 13, 2020, the Proposal Trustee, in consultation with the Vendor and TLC, initiated a sales process in order to solicit offers for the sale of all or substantially all of the Shares or the Property of the Vendor; and
- G. The Purchaser is prepared to purchase the Shares from the Vendor, and the Vendor is prepared to sell the Shares to the Purchaser, upon the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein set forth, the Vendor and the Purchaser hereby covenant, acknowledge and agree as follows:

ARTICLE 1 – SUMMARY OF BASIC TERMS

1.1 Summary of Basic Terms

The basic terms of this Agreement are as follows:

- | | | |
|-----|-----------------------|--|
| (a) | Address of Purchaser: | ◆ |
| | | Attention: ◆ |
| | | Email: ◆ |
| (b) | Address of Vendor: | 32-100 Kalamalka Lake Rd
Vernon, BC V1T 9G1 |
| | | Attention: Allen Fujimoto |
| | | Email: allen@trueleaf.com |
| (c) | Purchase Price: | \$◆ |
| (d) | Deposit: | \$◆ [Note: 10% of the Purchase Price] |

The foregoing basic terms are approved by the parties. Any reference in this Agreement to a basic term will be construed to include the provision set forth above as well as any additional terms and conditions of this Agreement where the basic term is more fully set forth. In the event of a conflict between any of the foregoing basic terms and the terms of the Agreement set forth below, the terms of the Agreement set forth below shall be determinative.

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

APPENDIX B

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. 11-2636226
 Estate No. 11-2636226

Original Amended

Form 78
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 TRUE LEAF CANNABIS INC.
 of the city of Vancouver
 in the Province of British Columbia

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 1st day of April 2020. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	25,132.71	1. Inventory	0.00
Balance of secured claims as per list "B"	2,745,291.29	2. Trade fixtures, etc.	0.00
Total unsecured creditors	2,770,424.00	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B"	4,200,000.00	Good	0.00
3. Preferred creditors as per list "C"	0.00	Doubtful	0.00
4. Contingent, trust claims or other liabilities as per list "D" estimated to be reclaimable for	0.00	Bad	0.00
Total liabilities	6,970,424.00	Estimated to produce	0.00
Surplus	NIL	4. Bills of exchange, promissory note, etc., as per list "F"	0.00
		5. Deposits in financial institutions	0.00
		6. Cash	0.00
		7. Livestock	0.00
		8. Machinery, equipment and plant	0.00
		9. Real property or immovable as per list "G"	4,200,000.00
		10. Furniture	0.00
		11. RRSPs, RRIFs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	0.00
		Amount paid on capital	0.00
		Balance subscribed and unpaid	0.00
		Estimated to produce	0.00
		Total assets	4,200,000.00
		Deficiency	2,770,424.00

I, Darcy Bomford, of the _____ of Vernon in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 23rd day of September 2020 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the city of Vancouver in the Province of British Columbia, on this 23rd day of September 2020.



Darcy Bomford

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. 11-2636226
 Estate No. 11-2636226

FORM 78 -- Continued

List "A"
 Unsecured Creditors

TRUE LEAF CANNABIS INC.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	AMPLE ORGANICS	Building B 629 Eastern Ave Toronto ON M4M 1E3	4,050.67	0.00	4,050.67
2	BC HYDRO	PO Box 9501 Stn Terminal Vancouver BC V6B 4N1	3,332.33	0.00	3,332.33
3	LIND ASSET MANAGEMENT XV, LLC	Suite 1900 370 Lexington Ave New York NY 10017 USA	0.00	2,745,291.29	2,745,291.29
4	MINISTRY OF FINANCE	PO Box 9445 Stn Prov Govt Victoria BC V8V9V5	2,922.09	0.00	2,922.09
5	ORKIN CANADA CORPORATION	5840 Falbourne St Mississauga ON L5R 4B5	501.90	0.00	501.90
6	SUGHRUE MION, PLLC	2100 Pennsylvania Avenue, NW Washington DC 20037-3213 USA	2,235.09	0.00	2,235.09
7	SUNSET DESIGN STUDIO	6720 L&K Road Vernon BC V1B 3T1	4,200.00	0.00	4,200.00
8	SYSGEN SOLUTIONS GROUP LTD.	Unit 8 400, 1331 Macleod Trail SE Calgary AB T2G 0K3	572.25	0.00	572.25
9	TRINITY POWER	1301 Ketch Court Coquitlam BC V3K 6X7	6,483.06	0.00	6,483.06
10	WCB BC	PO Box 5350 Vancouver BC V6B5L5	835.32	0.00	835.32
Total:			25,132.71	2,745,291.29	2,770,424.00

23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. 11-2636226
 Estate No. 11-2636226

FORM 78 -- Continued

List "B"
 Secured Creditors

TRUE LEAF CANNABIS INC.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	LIND ASSET MANAGEMENT XV, LLC	Suite 1900 370 Lexington Ave New York NY 10017 USA	6,754,451.63	Real Property or Immovable - Building and Land - Lumby - 1837 Shuswap Avenue	22-Sep-2020	4,009,160.34		2,745,291.29
2	VILLAGE OF LUMBY	PO Box 430 Lumby BC V0E2G0	190,839.66	Real Property or Immovable - Building and Land - Lumby - 1837 Shuswap Avenue	22-Sep-2020	190,839.66		
Total:			6,945,291.29			4,200,000.00	0.00	2,745,291.29

23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2636226
Estate No. 11-2636226

FORM 78 -- Continued

List "C"
Preferred Creditors for Wages, Rent, etc.

TRUE LEAF CANNABIS INC.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2636226
Estate No. 11-2636226

FORM 78 -- Continued

List "D"
Contingent or Other Liabilities

TRUE LEAF CANNABIS INC.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2636226
Estate No. 11-2636226

FORM 78 -- Continued

List "E"
Debts Due to the Debtor

TRUE LEAF CANNABIS INC.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
			Total:	0.00 0.00 0.00			0.00	

23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2636226
Estate No. 11-2636226

FORM 78 -- Continued

List "F"

Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

TRUE LEAF CANNABIS INC.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	



23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. 11-2636226
 Estate No. 11-2636226

FORM 78 -- Continued

List "G"
 Real Property or Immovables Owned by Debtor

TRUE LEAF CANNABIS INC.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Building and Land - Lumbly - 1837 Shuswap Avenue	Joint Tenants	True Leaf Cannabis	4,200,000.00	LIND ASSET MANAGEMENT XV, LLC Suite 1900 370 Lexington Ave New York NY 10017 USA 6,754,45163 VILLAGE OF LUMBY PO Box 430 Lumbly BC V0E2G0 190,839.66	0.00
Total:			4,200,000.00		0.00

23-Sep-2020

Date



Darcy Bomford

District of: British Columbia
Division No. 03 - Vancouver
Court No. 11-2636226
Estate No. 11-2636226

FORM 78 -- Concluded

List "H"
Property

TRUE LEAF CANNABIS INC.
FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
			Total:	0.00

23-Sep-2020

Date



Darcy Bomford

Court No. 11-2636226

Estate No. 11-2636226

In the matter of the proposal of
TRUE LEAF CANNABIS INC.
of the city of Vancouver
in the Province of British Columbia

Form 78 (Bill C-12)
Statement of affairs (Business bankruptcy)

FTI Consulting Canada Inc. - Licensed Insolvency
Trustee

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