



Form 32 (Rule 8-1(4))

No. B-200191
Estate No. 11-2636060
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

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

NOTICE OF APPLICATION

Name of Applicant: TRUE LEAF BRANDS INC.

To: The attached service list marked as **Schedule "A"**

TAKE NOTICE that an application will be made by the Applicant, True Leaf Brands Inc. (the "**Applicant**" or "**True Leaf**") to Mr. Justice Walker at the Courthouse at 800 Smithe Street, Vancouver, British Columbia (by teleconference) on August 28, 2020 at 9 a.m. for the Orders set out in Part 1 below.

PART 1: ORDERS SOUGHT

1. An Order, substantially in the form attached hereto as **Schedule "B"**, extending the stay of proceedings and the time for the filing of a proposal by the Applicant to October 2, 2020.
2. Such further and other relief as this Honourable Court may deem just.

PART 2: FACTUAL BASIS

1. True Leaf, True Leaf Cannabis Inc. ("**TLC**"), True Leaf Pet Inc. ("**TLP**") and True Leaf Investments Corp. ("**TLI**", and collectively with True Leaf, TLC and TLP, the "**Companies**") each filed a Notice of Intention to make a Proposal ("**NOI**") with the Office of the Superintendent of Bankruptcy on April 1, 2020 (the "**Filing Date**") and filed with the Superintendent of Bankruptcy on April 2, 2020 pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**").

2. FTI Consulting Canada Inc. was appointed as proposal trustee in each of the NOI proceedings (the “**Trustee**”).
3. True Leaf (formerly known as True Leaf Medicine International Ltd.) was incorporated under the *Business Corporations Act* on June 9, 2014. True Leaf is a publicly traded company with two primary businesses:
 - (a) TLI is a wholly owned subsidiary of True Leaf and TLC is a wholly owned subsidiary of TLI. TLC holds a federal cannabis license that was applied for in 2013 and is the registered owner of a 18,000 square foot facility in Lumby, BC.
 - (b) TLP is a wholly owned subsidiary of True Leaf, which is in the business of hemp supplements and specialty items in the pet industry in Canada, the USA and over 17 countries in Europe.
4. In February 2019, True Leaf raised \$4.5 million through the issuance of a convertible, secured note (the “**Notes**”) with Lind Asset Management (“**Lind**”), with the intention of re-branding its pet business and completing the construction of its cannabis facility. The Notes were guaranteed by TLI, TLP and TLC and secured against the property in Lumby, BC.
5. TLC’s cannabis facility was completed in late 2019, however the Companies’ sales did not meet expectation and it began to experience liquidity issues.
6. True Leaf’s first payment on the Notes was due on March 23, 2020.
7. As a result of its lack of liquidity, True Leaf was unable to make the payment and accordingly Lind threatened to call its loan if True Leaf didn’t remedy its default. As of the Filing Date, Lind is owed approximately \$5.8 million. Lind is the senior secured creditor of the Companies.
8. With the onset of the COVID-19 pandemic and its implications on global trade in conjunction with the Note default, the Companies’ management and board decided to seek a stay of proceedings to allow them the time necessary to refinance and/or restructure its debts.
9. As a result, on April 1, 2020, the Companies signed NOI’s which were filed by the Trustee with the Superintendent of Bankruptcy and accepted on April 2, 2020.
10. On May 1, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies’ NOI proceedings:
 - (a) approving an interim financing agreement between True Leaf and Lind, as guaranteed by TLC, TLP and TLI, in the maximum amount of \$700,000 and a priority charge in favour of the interim lender; and
 - (b) extending the stay of proceedings to June 16, 2020.

11. The Order granted in TLC's NOI proceeding also provided for a priority administration charge in favour of the Companies' legal counsel, the Trustee and the Trustee's legal counsel, if any, in the maximum amount of \$150,000.
12. On May 13, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings:
 - (a) approving a process (the "**Sales Process**") for the marketing and sale of the assets of TLP (the "**TLP Assets**") and the assets of TLC (the "**TLC Assets**"); and
 - (b) authorizing the engagement of Colliers Macaulay Nicolls Inc. ("**Colliers**") as the designated agent to market the TLC Assets.
13. On June 16, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings extending the stay of proceedings to July 31, 2020.
14. On July 30, 2020, the Honourable Madame Justice Fitzpatrick granted Orders in each of the Companies' NOI proceedings extending the stay of proceedings to September 15, 2020.
15. Madam Justice Fitzpatrick is seized of these proceedings. On August 6, 2020, Supreme Court Scheduling advised that Her Ladyship would not be available to hear this application and that Mr. Justice Walker would be available.

UPDATE ON THE COMPANIES' ACTIVITIES

16. Following the extension of the stay hearing on July 30, 2020, the Companies continued to work diligently on the Sales Process.
17. The TLP business has continued to show improvement in sales, which growth has primarily been generated from TLP's European subsidiary.
18. The Companies' board continues to be involved in the Companies' affairs and restructuring activities, holding weekly update meetings with the CEO.
19. The Companies' management continues to hold weekly update calls with the DIP Lender to review cash needs as well as provide updates on the Sales Process.
20. The Companies' suppliers have been supportive and to date there have been no issues with any of their unsecured creditors.

UPDATE ON THE SALES PROCESS

21. As set out in the Sales Process, the deadlines for interested purchasers to submit offers to purchase the TLC Assets was June 15, 2020 and the TLP Assets was June 19, 2020, which deadlines could be extended by the Trustee

with the consent of the Companies, Lind and their legal counsel (the “**Consultation Parties**”).

TLC Assets

22. The bid deadline for the TLC Assets was extended with the consent of the Consultation Parties to June 17, 2020 to allow some of the interested parties further time to finalize their offers.
23. Between June 15, 2020 to June 20, 2020, four offers were received for the TLC Assets, which were reviewed by the Trustee, the Companies and the DIP Lender. As all of the offers were conditional, the Trustee and Colliers worked with the perceived superior offer to get it to a definitive agreement capable of being brought before this Honourable Court for approval.
24. Unfortunately, none of the offers for the TLC Assets achieved a price at which the DIP Lender would agree to release its security in order to close the transaction or the interested party was unable to satisfy its conditions and withdrew its offer.
25. Subsequently, several additional parties have come forward indicating their interest and discussions regarding a proposed sale transaction continue to occur with these parties.
26. The Proposal Trustee has also discussed alternative transactions with the DIP Lender if no acceptable third party offer is received.
27. The Companies hope to be in a position to bring an application to approve a transaction with Lind or other sale with respect to the TLC Assets in the next couple of weeks.

TLP Assets

28. On the bid deadline of June 19, 2020, four offers and two expressions of interest were received for the TLP Assets. One additional offer was received on June 22, 2020.
29. Some of the offers included consideration in a form other than cash and accordingly, the Proposal Trustee and the Companies’ management followed up with each party to gain a better understanding of the potential value of the alternative consideration.
30. The Trustee in consultation with the DIP Lender entered into negotiations with the interested parties to try to increase the transaction value of their offers.
31. After prolonged discussions and negotiations with the interested parties, TLP with the agreement of the DIP Lender, identified 4033001, a Wyoming Corporation (the “**Purchaser**”) as an interested party to continue negotiations

with to reach a definitive agreement that would only be subject to approval by this Honourable Court.

32. On August 11, 2020, TLP entered into a sale agreement with the Purchaser and its parent company, Hemp Technology, Inc., for the sale of substantially all of the TLP Assets.
33. On August 21, 2020, TLP filed and served an application for an order approving the sale and vesting of the purchased assets free and clear to the Purchaser.

COMPANIES' REQUEST FOR AN EXTENSION

34. The Companies are seeking an extension of the stay of proceedings from September 15, 2020 to October 2, 2020. The Companies are seeking an extension in order to complete the sale of the TLC Assets and TLP Assets and finalize these NOI Proceedings.
35. Absent an extension, the stay of proceedings currently expires on September 15, 2020. The extension requested to October 2, 2020 is the final extension that can be applied for by the Companies as it represents the maximum amount of the stay period allowed under the BIA in these NOI proceedings.
36. Pursuant to the terms of the DIP Loan, the maturity date for repayment was defined as the earliest date of certain events or August 15, 2020. The DIP Lender has agreed to extend the maturity date to October 2, 2020.
37. With the extension of the maturity date for the DIP Loan, the Companies will have sufficient liquidity to fund their post-filing obligations through the period of the extension of the stay of proceedings being sought.
38. The Trustee supports the Companies' requests for an extension of the stay of proceedings.
39. The Companies are acting in good faith and with due diligence.

PART 3: LEGAL BASIS

1. The Companies rely on Part III, Division I of the BIA, Rule 3 of the BIA Rules, Rule 22-5(8) of the *Supreme Court Civil Rules* and the inherent jurisdiction of this Honourable Court.
2. The Court has the power to abridge the time for service pursuant to Rule 6(4).
Bankruptcy and Insolvency General Rules, CRC, c 368, r 6(4)
3. The Companies rely on section 50.4(9) of the BIA.

The insolvent person may, before the expiry of the 30-day period referred to in subsection (8) or of any extension granted under this subsection, apply to the

court for an extension, or further extension, as the case may be, of that period, and the court, on notice to any interested persons that the court may direct, may grant the extensions, not exceeding 45 days for any individual extension and not exceeding in the aggregate five months after the expiry of the 30-day period referred to in subsection (8), if satisfied on each application that

- (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
- (b) the insolvent person would likely be able to make a viable proposal if the extension being applied for were granted; and
- (c) no creditor would be materially prejudiced if the extension being applied for were granted.

Re Roylton Banquet and Convention Centre Ltd., [2007] O.J. No. 2352.

- 4. The Companies have acted, and are acting, in good faith and with due diligence.
- 5. No creditor or stakeholder will be materially prejudiced if the extension being applied for were granted.
- 6. The Companies submit that, in the circumstances, the extension sought is appropriate and necessary.
- 7. The Trustee supports the extension of the stay.

PART 4: MATERIAL TO BE RELIED ON

- 1. The Fifth Report of the Trustee, to be filed; and
- 2. Such further and other material as counsel may advise and this Honourable Court permits.

The Applicant estimates that the application will take 15 minutes.

- This matter is within the jurisdiction of a Master.
- This matter is not within the jurisdiction of a Master.

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

- (a) file an Application Response in Form 33;
- (b) file the original of every Affidavit, and of every other document, that:
 - (i) you intend to refer to at the hearing of this application, and

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



Date: August 24, 2020

Signature of Lawyer for Applicant
Lawyer: Katie G. Mak

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

<i>To be completed by the court only:</i>	
Order made	
<input type="checkbox"/> in the terms requested in paragraphs _____ of Part 1 of this Notice of Application	
<input type="checkbox"/> with the following variations and additional terms:	

Date: _____ [dd/mmm/yyyy]	_____ Signature of <input type="checkbox"/> Judge <input type="checkbox"/> Master

APPENDIX

[The following information is provided for data collection purposes only and is of no legal effect.]

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matters concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts
- none of the above

Schedule "A"

SERVICE LIST

Updated: August 24, 2020

<p>FTI Consulting Inc. 701 West Georgia Street, Suite 1450 Vancouver, BC V7Y 1B6</p> <p>Attention: Craig Munro / Mike Clark</p> <p>Tel: 604-601-5699 / 604-484-9537 Email: craig.munro@fticonsulting.com / mike.clark@fticonsulting.com</p> <p><i>Proposal Trustee</i></p>	<p>Clark Wilson LLP 900 – 885 West Georgia Street Vancouver, BC V6C 3H1</p> <p>Attention: Chris Ramsay / Katie G. Mak / Nick Carlson / Deborah Hamann-Trou (Paralegal)</p> <p>Tel: 604-687-5700 Fax: 604-687-6314 Email: CRamsay@cwilson.com; KMak@cwilson.com NCarlson@cwilson.com DHamann-Trou@cwilson.com</p> <p><i>Counsel for the Company</i></p>
<p>Stikeman Elliott LLP Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8</p> <p>Attention: Ashley Taylor / Victor Gerchikov</p> <p>Email: ATAYLOR@stikeman.com; VGerchikov@stikeman.com</p> <p><i>Counsel to the DIP Lender</i></p>	<p>The Lind Partners 444 Madison Ave., 41st Floor New York, NY 10022</p> <p>Attention: Sam Chun</p> <p>Tel: 646-701-7424 Email: schun@thelindpartners.com</p>
<p>Office of the Superintendent of Bankruptcy 300 Georgia Street W, Suite 2000 Vancouver, BC V6B 6E1</p> <p>Attention: Gary Sam Danny Park</p> <p>Email: gary.sam@canada.ca danny.park@canada.ca</p>	<p>Bank of Montreal 250 Yonge Street Toronto, ON M5B 2L7</p> <p>Attention: Joe Chehab</p> <p>Email: joe.chehab@bmo.com</p>

Schedule "B"

Form 35 (Rules 8-4(1), 13-1(3), 17-1(2) and 25-9(2))

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TO MAKE A PROPOSAL OF
TRUE LEAF BRANDS INC.

**ORDER MADE AFTER APPLICATION
(EXTENSION OF STAY)**

BEFORE)
) THE HONOURABLE MR. JUSTICE) August 28, 2020
) WALKER)

ON THE APPLICATION of True Leaf Brands Inc. (the "**Applicant**") coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on August 28, 2020 and on hearing Katie G. Mak, counsel for the Applicant, and no one else appearing although duly served; AND UPON READING the material filed, including the Fifth Report to the Court of FTI Consulting Canada Inc. in its capacity as proposal trustee (the "**Trustee**") dated August 24, 2020 (the "**Trustee's Report**"); AND PURSUANT TO the *Bankruptcy and Insolvency Act*, R.S.C. 1983 c. B-3 (the "**BIA**") and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES that:

1. The time for service of the Notice of Application herein be and is hereby abridged such that the Notice of Application is properly returnable today and service thereof on any interested party is hereby dispensed with.

2. The stay of proceedings and the time for the filing of a proposal by the Applicant is extended to October 2, 2020.

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

Signature of Katie G. Mak
Lawyer for the Applicant

BY THE COURT

Registrar

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File No.: 46587-0002

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