



Form 32 (Rule 8-1(4))

No. B200195
Estate No. 11-2636224
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 PET INC.

NOTICE OF APPLICATION

Name of Applicant: True Leaf Pet Inc.

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

TAKE NOTICE that an application will be made by the Applicant, True Leaf Pet Inc. (the "**Applicant**" or "**TLP**") 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"**:
 - (a) approving the sale transaction (the "**Transaction**") contemplated by the Offer to Purchase and Agreement of Purchase and Sale dated August 11, 2020 (the "**Sale Agreement**") between TLP, 4033001 (a Wyoming Corporation) (the "**Purchaser**") and Hemp Technology, Inc. (a Wyoming Corporation) (the Purchaser's parent company) and vesting the purchased assets described in the Sale Agreement (the "**Purchased Assets**") in the Purchaser free and clear of all encumbrances; and
 - (b) extending the stay of proceedings and the time for the filing of a proposal by TLP to October 2, 2020.
2. Such further and other relief as this Honourable Court may deem just.

PART 2: FACTUAL BASIS

1. TLP, True Leaf Brands Inc. (“**True Leaf**”), True Leaf Cannabis Inc. (“**TLC**”) and True Leaf Investments Corp. (“**TLI**”, and collectively with TLP, True Leaf and TLC, 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 Madam 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 Madam 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 Madam 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 Madam 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.

TRANSACTION WITH HEMP TECHNOLOGY, INC.

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**").
22. 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.
23. Some of the offers included consideration in a form other than cash and accordingly, the Trustee and the Companies' management followed up with each party to gain a better understanding of the potential value of the alternative consideration.
24. 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.
25. After prolonged discussions and negotiations with the interested parties, TLP with the agreement of the DIP Lender, identified the Purchaser as an interested party with which to continue negotiations to reach a definitive agreement that would only be subject to approval by this Honourable Court.
26. On August 11, 2020, TLP have entered into the Sale Agreement with the Purchaser and its parent company for the sale of substantially all of the TLP Assets.
27. The key terms of the Sale Agreement are as follows:
 - (a) The purchase price is \$300,000;
 - (b) The deposit is \$30,000 (which deposit has been paid);
 - (c) The Purchased Assets include the following (each as defined in the Sale Agreement):
 - (i) the Account Receivable;
 - (ii) the Books and Records;

- (iii) the Contracts;
 - (iv) the Goodwill;
 - (v) the Intellectual Property;
 - (vi) the Inventory;
 - (vii) the Prepaid Expenses;
 - (viii) the Personal Property;
 - (ix) All issued and outstanding True Leaf Pet Europe Shares; and
 - (x) TLP's interest in the Permits.
- (d) Closing of the Transaction is subject to the mutual condition of approval by this Honourable Court of the Order approving the Transaction and vesting the Purchase Assets to the Purchaser free and clear of all encumbrances (the "**Vesting Order**"); and
- (e) the closing date will be no later than 10 business dates following the date of the Vesting Order.
28. The parties have agreed that the closing date will be by September 14, 2020.
29. The offer from the Purchaser was the best and most viable offer received for the TLP Assets through the Sales Process.
30. The proposed Transaction is fair and reasonable as the TLP Assets have been exposed to the market through a transparent sales process and the purchase price reasonably reflects the fair market value for the assets.
31. The Sales Process provides that the sale of the TLP Assets shall be subject to approval of the successful bid by this Honourable Court.
32. The Trustee and senior secured creditor and DIP Lender, Lind, are in support of the Transaction.

TLP'S REQUEST FOR AN EXTENSION

33. TLP is seeking an extension of the stay of proceedings from September 15, 2020 to October 2, 2020. TLP is seeking an extension in order to complete the Transaction and finalize the NOI proceedings.
34. 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 TLP as it represents the maximum amount of the stay period allowed under the BIA in these NOI proceedings.

35. The target closing date of the Transaction is September 14, 2020 and the extension will allow TLP to close the Transaction and finalize remaining matters in the NOI proceedings, including presenting a proposal to its unsecured creditors.
36. The Trustee supports TLP's requests for an extension of the stay of proceedings.
37. TLP is acting in good faith and with due diligence.

PART 3: LEGAL BASIS

Vesting Order

1. Pursuant to section 65.13 of the BIA, an insolvent person in respect of whom a notice of intention is filed may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by the Court.
2. Pursuant to section 65.13(4), in considering whether to grant the authorization, the Court is to consider, among other things:
 - (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
 - (b) whether the trustee approved the process leading to the proposed sale or disposition;
 - (c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
 - (d) the extent to which the creditors were consulted;
 - (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and
 - (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.
3. The Vesting Order is appropriate in the circumstances as:
 - (a) The Sales Process initiated and overseen by the Trustee was a fair and transparent process by which offers were received and allowed the Trustee to obtain the best price for the benefit of TLP's stakeholders;
 - (b) The senior secured creditor and DIP Lender, Lind, which is most affected by the Transaction, was consulted throughout the Sales Process;

- (c) The Transaction will allow TLP's business to continue with the Purchaser, allowing jobs and relationships with suppliers to continue; and
- (d) The Transaction allows for the TLP Assets to be sold and dealt with so that TLP and its stakeholders can move forward.

Extension of the Stay

- 4. TLP relies 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 Royalton Banquet and Convention Centre Ltd., [2007] O.J. No. 2352.

- 5. TLP has acted, and is acting, in good faith and with due diligence.
- 6. No creditor or stakeholder will be materially prejudiced if the extension being applied for were granted.
- 7. TLP submits that, in the circumstances, the extension sought is appropriate and necessary.
- 8. 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.
- 2. Sales Process Order made May 13, 2020.
- 3. The pleadings and materials filed herein.

The Applicant estimates that the application will take 20 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 21, 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).

To be completed by the court only:

Order made

- in the terms requested in paragraphs _____ of Part 1 of this Notice of Application
- with the following variations and additional terms:

Date: _____
[dd/mmm/yyyy]

Signature of Judge 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 21, 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 / Deborah Hamann-Trou (Paralegal)</p> <p>Tel: 604-687-5700 Fax: 604-687-6314 Email: CRamsay@cwilson.com; KMak@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"

No. B200195
Estate No. 11-2636224
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 PET INC.

**ORDER MADE AFTER APPLICATION
(APPROVAL AND VESTING ORDER)**

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

ON THE APPLICATION of True Leaf Pet Inc. (the "TLP") coming on for hearing at Vancouver, British Columbia, on the 28th day of August, 2020; AND ON HEARING Katie G. Mak, counsel for TLP, and those other counsel listed on **Schedule "A"** hereto; AND UPON READING the material filed, including the ♦ Report of the FTI Consulting Canada Inc. in its capacity as proposal trustee (the "Proposal Trustee") dated _____ (the "Report");

THIS COURT ORDERS AND DECLARES that:

1. The sale transaction (the "Transaction") contemplated by the Offer to Purchase and Agreement of Purchase and Sale dated August 11, 2020 (the "Sale Agreement") between TLP, 4033001 (a Wyoming Corporation) (the "Purchaser") and Hemp Technology, Inc. (a Wyoming Corporation) (the Purchaser's parent company), a copy of which is attached as Appendix "___" to the Report is hereby approved, and the Sale Agreement is commercially reasonable.
2. TLP is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance to the Purchaser of the assets described in the Sale Agreement (the "Purchased Assets").
3. Upon payment of the Purchase Price (as defined in the Sale Agreement) in accordance with the Sale Agreement, , all of TLP's right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser in fee simple, free and clear of and from any

and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of this Court dated May 1, 2020; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* of British Columbia or any other personal property registry system; and (iii) those Claims listed on **Schedule “B”** hereto (all of which are collectively referred to as the “**Encumbrances**”, which term shall not include the permitted encumbrances, easements and restrictive covenants listed on **Schedule “C”** hereto), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

4. For the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and from and after the payment of the Purchase Price all Claims shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.

5. Pursuant to Section 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(o) of the *Personal Information Protection Act* of British Columbia, the Proposal Trustee is hereby authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the company’s records pertaining to TLP’s past and current employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by TLP.

6. Subject to the terms of the Sale Agreement, vacant possession of the Purchased Assets, including any real property, shall be delivered by TLP to the Purchaser at 12:00 noon on the Closing Date (as defined in the Sale Agreement), subject to the permitted encumbrances as set out in the Sale Agreement and listed on **Schedule “C”**.

7. TLP, with the consent of the Proposal Trustee and the Purchaser, shall be at liberty to extend the Closing Date to such later date as those parties may agree without the necessity of a further Order of this Court provided that the Closing Date occurs within 30 days of the date of this Order.

8. Notwithstanding:

- (a) these proceedings;
- (b) any applications for a bankruptcy order in respect of TLP now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made by or in respect of TLP,

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of TLP and shall not be void or voidable by

creditors of TLP, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body, wherever located, to give effect to this Order and to assist the Proposal Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Proposal Trustee and its agents in carrying out the terms of this Order.

10. TLP, the Proposal Trustee or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.

11. Endorsement of this Order by counsel appearing on this application other than counsel for TLP is hereby dispensed with.

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

Signature of Lawyer for True Leaf Pet Inc.
Lawyer: Katie G. Mak

BY THE COURT

Registrar

Schedule A

Counsel Appearing

Schedule B

Encumbrances to be Discharged

1. Base Registration No. 145089L, in favour of Bank of Montreal, as the secured party, against True Leaf Pet Inc., as debtor, with respect to LF269 pledge of instrument, assignment of proceeds instrument described as a variable rate guaranteed investment certificate (gic) account no. 0004-9679-851 in the amount of \$57,500.00 including all renewals and replacements thereof, substitutions therefor accretions thereto and interest, income and money therefrom and all proceeds thereof and therefrom including accounts.
2. Base Registration No. 320721L, in favour of Lind Asset Management XV, LLC as the secured party, against True Leaf Pet Inc., as debtor, with respect to True Leaf Pet Inc.'s present and after-acquired personal property.
3. Base Registration No. 720151L, in favour of Masonlift Ltd., as the secured party, against True Leaf Pet Ltd., as debtor, with respect to a 2016 Toyota-8FGU18 motor vehicle with serial # 8FGU18-63421.

Schedule C
Permitted Encumbrances

1. Subsisting conditions, provisos, restrictions, exceptions and reservations, including royalties, contained in the original or any other Crown grant or disposition or implied by statute in respect of or affecting the Purchased Assets.
2. The legal notations, charges and encumbrances registered against the Purchased Assets as of the date of the Sale Agreement, save and except those legal notations, charges and encumbrances set out in Schedule B of this Order and save and except any leases or tenancies in respect of the Purchased Assets in existence as of the Closing Date.

No. B200195
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COLUMBIA**

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

APPROVAL AND VESTING ORDER

File No.: 46587-0002

CLARK WILSON LLP

900 – 885 West Georgia Street
Vancouver, BC V6C 3H1
604.687.5700

LAWYER: Katie G. Mak
(Direct #: 604.643.3105)