



Form 32 (Rule 8-1(4))

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

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

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

NOTICE OF APPLICATION

Name of Applicant: TRUE LEAF CANNABIS INC.

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

TAKE NOTICE that an application will be made by the Applicant, True Leaf Cannabis Inc. (the "**Applicant**" or "**TLC**") to Madam Justice Fitzpatrick at the Courthouse at 800 Smithe Street, Vancouver, British Columbia (by teleconference) on June 16, 2020 at 9 a.m. for the Orders set out in Part 1 below.

PART 1: ORDER 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 July 31, 2020.
2. Such further and other relief as this Honourable Court may deem just.

PART 2: FACTUAL BASIS

BACKGROUND

1. TLC, True Leaf Brands Inc. ("**True Leaf**"), True Leaf Pet Inc. ("**TLP**") and True Leaf Investments Corp. ("**TLI**", and collectively with TLC, True Leaf 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 its 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, this Honourable Court 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, this Honourable Court granted Orders in each of the Companies' NOI proceedings 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**").

UPDATE ON THE COMPANY'S ACTIVITIES

13. Following the pronouncement of the order approving the Sales Process and in accordance with the Sales Process:
- (a) The Proposal Trustee placed an advertisement in the Globe and Mail notifying interested parties of the opportunity to purchase the TLP Assets and the TLC Assets;
 - (b) The Companies issued a press release regarding the Sales Process; and
 - (c) Approximately 60 parties were contacted with respect to the TLC Assets, approximately 28 parties were contacted with respect to the TLP Assets and teaser documents and non-disclosure agreements ("**NDA**s") were provided as needed.
14. As of the date of this Notice of Application, there have been 13 NDAs signed to access the data room with respect to the TLP Assets (NDAs are not required for the data room for the TLC Assets).
15. There are at least five parties that have expressed serious interest in the TLC Assets, and three to four parties that have expressed serious interest in the TLP Assets.
16. The Companies continue to work diligently with interested parties to answer questions, provide additional details on information that is in the data rooms, and with respect to TLC provide tours of the facilities as requested.
17. All parties have been provided with a template purchase agreement to be submitted by the applicable bid deadline.

18. Pursuant to the Sales Process, the deadline for interested purchasers to submit an offer to purchase the TLC Assets is June 15, 2020 and the TLP Assets is June 19, 2020.

COMPANY'S REQUEST FOR AN EXTENSION

19. The Companies are seeking an extension of the stay of proceedings from June 16, 2020 to July 31, 2020. The Companies are seeking an extension in order to complete the Sales Process, pursue a refinancing, recapitalization, sale or investment transaction that would allow the Companies to restructure its balance sheet and formulate a proposal to its unsecured creditors.
20. The Proposal Trustee supports the Companies' requests for extensions of the stay of proceedings.
21. 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 Royalton 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 Third 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. Madam Justice Fitzpatrick is seized of this proceeding.

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: June 11, 2020



Signature of Lawyer for Applicant
Lawyer: Christopher J. Ramsay /
Katie G. Mak

This NOTICE OF APPLICATION is prepared by Christopher J. Ramsay of the firm of **Clark Wilson LLP** whose place of business is 900 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 (Direct #: 604.643.3176, Fax #: 604.687.6314, Email: CRamsay@cwilson.com) (File #: 49786-0001).

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

Schedule A

Service List

Updated: June 11, 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>	

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

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

ON THE APPLICATION of True Leaf Cannabis Inc. (the "**Applicant**") coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on June 16, 2020 and on hearing Katie G. Mak, counsel for the Applicant, and those other counsel listed on **Schedule "A"** hereto; AND UPON READING the material filed, including the Third Report to the Court of FTI Consulting Canada Inc. in its capacity as proposal trustee (the "**Trustee**") dated ♦, 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 July 31, 2020.

3. Endorsement of this Order by counsel appearing on this application other than counsel for the Applicant 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 Katie G. Mak
Lawyer for the Applicant

BY THE COURT

Registrar

Schedule A

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ORDER MADE AFTER APPLICATION

File No.: 49786-0001

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