



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

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

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

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

Part 1: ORDER SOUGHT

1. An order approving the proposal of TL Brands dated September 30, 2020, substantially in the form attached hereto as **Schedule "B"**.
2. An approval and vesting order approving the Refinancing Transaction (as defined below) and vesting the purchased shares and assets free and clear in the purchaser, substantially in the form attached hereto as **Schedule "C"**.
3. Such further and other relief as this Honourable Court may deem just.

Part 2: FACTUAL BASIS

1. TL Brands, True Leaf Cannabis Inc. (“**TLC**”), True Leaf Pet Inc. (“**TLP**”) and True Leaf Investments Corp. (“**TLI**”, and collectively with TL Brands, TLC and TLP, the “**Companies**”) each filed a Notice of Intention to make a Proposal (“**NOI**”) with the Office of the Superintendent of Bankruptcy (the “**OSB**”) on April 1, 2020 (the “**Filing Date**”) and filed with the Superintendent of Bankruptcy on April 2, 2020 pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. FTI Consulting Canada Inc. was appointed as the Trustee in each of the NOI proceedings.
3. True Leaf (formerly known as True Leaf Medicine International Ltd.) was incorporated under the *Business Corporations Act* on June 9, 2014. True Leaf is a publicly traded company with two primary businesses:
 - (a) TLI is a wholly owned subsidiary of True Leaf and TLC is a wholly owned subsidiary of TLI. TLC holds a federal cannabis license that was applied for in 2013 and is the registered owner of a 18,000 square foot facility in Lumby, BC.
 - (b) TLP is a wholly owned subsidiary of True Leaf, which is in the business of hemp supplements and specialty items in the pet industry in Canada, the USA and over 17 countries in Europe.
4. In February 2019, True Leaf raised \$4.5 million through the issuance of a convertible, secured note (the “**Notes**”) with Lind Asset Management (“**Lind**”), with the intention of re-branding its pet business and completing the construction of its cannabis facility. The Notes were guaranteed by TLI, TLP and TLC and secured against the property in Lumby, BC.
5. TLC’s cannabis facility was completed in late 2019, however the Companies’ sales did not meet expectation and it began to experience liquidity issues.
6. True Leaf’s first payment on the Notes was due on March 23, 2020.
7. As a result of its lack of liquidity, True Leaf was unable to make the payment and accordingly Lind threatened to call its loan if True Leaf didn’t remedy its default. As of the Filing Date, Lind was owed approximately \$5.8 million. Lind is the senior secured creditor of the Companies.
8. With the onset of the COVID-19 pandemic and its implications on global trade in conjunction with the Note default, the Companies’ management

and board decided to seek a stay of proceedings to allow them the time necessary to refinance and/or restructure its debts.

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

THE SALES PROCESS

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

TLP Assets

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

TLC Assets

21. The bid deadline for the TLC Assets was extended with the consent of the Consultation Parties to June 17, 2020 to allow some of the interested parties further time to finalize their offers.
22. Between June 15, 2020 to June 20, 2020, four offers were received for the TLC Assets, which were reviewed by the Trustee, the Companies and Lind. As all of the offers were conditional, the Trustee and Colliers worked with the perceived superior offer to get it to a definitive agreement capable of being brought before this Honourable Court for approval.
23. Unfortunately, none of the offers for the TLC Assets achieved a price at which Lind would agree to release its security in order to close the transaction or the interested party was unable to satisfy its conditions and withdrew its offer.
24. Subsequently, several additional parties came forward indicating their interest and discussions regarding a proposed sale transaction. However, negotiations did not reach a definitive stage or they were not for a price that was acceptable to Lind. Accordingly, no Expressions of Interest or

offers have been received to date for the purchase of the TLC Assets which are capable of being brought to Court for approval.

25. Concurrently, two parties contacted Lind and commenced discussions regarding the purchase of Lind's debt and security.
26. These negotiations concluded with the entering of a term sheet dated September 11, 2020 between Lind, The Australian Special Opportunity Fund, LP, Canguard Mortgage Investment Corporation and its related acquisition entities (collectively, the "**Canguard Entities**"), True Leaf, TLC, and TLI, that provides for the refinancing of the Companies' debt to Lind (the "**Refinancing Transaction**"). Key terms of the Refinancing Transaction are as follows:
 - (a) certain Canguard Entities will loan up to a total of CDN\$4.15 million (the "**Loan Proceeds**") to TLC to be secured by priority mortgages on TLC's property in Lumby, BC and security interests in all of TLC's present and after-acquired personal property;
 - (b) the Loan proceeds will be used to pay down the amounts owing to Lind under its original loan and the interim financing facility;
 - (c) at closing, TL Brands, TLC and TLI will pay to Lind all of their cash balances in excess of CDN\$100,000 in the aggregate;
 - (d) the Canguard Entities have provided a deposit of CDN\$415,000 to the Trustee;
 - (e) the Canguard Entities' acquisition company #1 will, for total consideration of CDN\$1:
 - (i) enter into an agreement to purchase from TLI all of the issued and outstanding shares of TLC (the "**TLI/TLC Share Purchase Agreement**"); and
 - (ii) enter into an agreement to purchase from TL Brands all of the issued and outstanding share of TLI (the "**TL Brands/TLI Share Purchase Agreement**");
 - (f) the Canguard Entities' acquisition company #2 will purchase from The Australian Special Opportunity Fund, LP all of the issued and outstanding shares of Lind for total consideration of CDN\$1;
 - (g) the Refinancing Transaction is subject to approval of the Court and vesting order for the sale of the shares of the purchased Companies to the Canguard Entities' acquisition company #1 and

the discharge of all claims and encumbrances against the purchased Companies (including the Administrative Charge and the Interim Financing Charge, but excluding the balance of the loans from Lind over and above CDN\$4.15 million); and

- (h) the Canguard Entities agree to pay out all of the unsecured creditors of TLC in an amount not to exceed CDN\$30,000 by way of a proposal in the TLC proceeding (the “**TLC Proposal**”) and seek Court approval of the TLC Proposal.
27. The Trustee is in support of the Companies’ applications for orders approving the Refinancing Transaction and the Approval and Vesting Orders (as defined below).

TLC PROPOSAL

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

TL BRANDS PROPOSAL

34. The Canguard Entities agreed to also sponsor the filing of a proposal to TL Brand's unsecured creditors (the "**TL Brands Proposal**").
35. On September 30, 2020, TL Brands filed the TL Brands Proposal with the Trustee, which the Trustee filed with the OSB on October 1, 2020.
36. The TL Brands Proposal provides that the Canguard Entities will provide the sum of \$85,000 to be distributed to TL Brands' unsecured creditors.
37. The implementation of the TL Brands proposal is conditional on the approval of a Plan of Arrangement by the requisite majority of the shareholders of TL Brands and the Court in accordance with the *Business Corporations Act* (British Columbia).
38. On October 8, 2020, the Trustee provided notice to the OSB and caused to be mailed to every known creditor affected by the TL Brands Proposal of a creditors meeting to be held on October 20, 2020 to consider and vote on the TL Brands Proposal. Notice was also emailed to creditors where email addresses were available.
39. In addition to known creditors, the Trustee also forwarded notice of the meeting to all vendors who had transacted with TL Brands within the last two calendar years.
40. At the creditors meeting held on October 20, 2020, the TL Brands proposal was unanimously accepted by the required majority of unsecured creditors, with 100% in both dollar value and number voting in favour of the TL Brands Proposal.

TLI PROPOSAL

41. The Canguard Entities also agreed to sponsor the filing of a proposal to TLI's unsecured creditors (the "**TLI Proposal**").
42. On October 2, 2020, TLI filed the TLI Proposal with the Trustee, which the Trustee filed with the OSB on October 2, 2020.
43. The TLI proposal provides that the Canguard Entities will provide the sum of \$10,000 to be distributed to TLI's unsecured creditors.
44. On October 9, 2020, the Trustee provided notice to the OSB and caused to be mailed to every known creditor affected by the TLI Proposal of a creditors meeting to be held on October 20, 2020 to consider and vote on the TLI Proposal.

45. At the creditors meeting held on October 20, 2020, the TLI proposal was unanimously accepted by the required majority of unsecured creditors, with 100% in both dollar value and number voting in favour of the TLI.
46. Each of the proposals:
 - (a) provides a greater return to each of the companies' respective group of unsecured creditors than in a bankruptcy – the liquidation and sale of the companies' assets upon bankruptcy will result in no distribution to the unsecured creditors;
 - (b) are conditional on approval by the Court and granting of the Approval and Vesting Orders vesting the shares of the TLC and TLI to one of the Canguard Entities' acquisition companies, free and clear of all claims against the assets of TLC and TLI; and
 - (c) provides for the payment of all Crown claims within 6 months of the date of the sanction order, all employee claims immediately after the granting of the sanction order, and any other priority claims as defined under subsection 136(1) of the BIA prior to any distribution to the unsecured creditors.
47. The terms of each of the proposal are reasonable and are calculated to benefit the general body of creditors. The recovery of the unsecured creditors under each of the proposal is better than they would otherwise receive in a bankruptcy or liquidation proceeding.
48. The proposals are made in good faith and are supported by the Trustee.

Part 3: LEGAL BASIS

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

Approval of the Proposals

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

Kitchener Frame Ltd. (Re), 2012 ONSC 234, at 19.

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

Kitchener Frame, at 22.

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

Kitchener Frame, at 35.

54. Particulars of the Companies’ assets and liabilities to the extent that they are known have been provided by the Trustee to known creditors. Further, the Trustee conducted the Sales Process, which was transparent and fulsome. Since the Filing Date, the Trustee has not become aware of any assets of the Companies that were not disclosed to the creditors, or to suggest that the value of those assets was materially greater than disclosed therein.
55. The proposals are supported by the Trustee.

56. The proposals were unanimously approved by the required majority of the unsecured creditors. This is a factor which should be given substantial deference by the Court.

Kitchener Frame, at 21.

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

Approval and Vesting Orders

58. Pursuant to section 65.13 of the BIA, an insolvent person in respect of whom a notice of intention is filed may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by the Court.

59. Pursuant to section 65.13(4), in considering whether to grant the authorization, the Court is to consider, among other things:

- (a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
- (b) whether the trustee approved the process leading to the proposed sale or disposition;
- (c) whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
- (d) the extent to which the creditors were consulted;
- (e) the effects of the proposed sale or disposition on the creditors and other interested parties; and
- (f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

60. Pursuant to section 65.13(7), the court may authorize a sale or disposition free and clear of any security, charge or other restrictions.

61. The TLB and TLI are seeking the following orders (the “**Approval and Vesting Orders**”):

- (a) an approval and vesting order in the TL Brands proceedings (i) approving the Refinancing Transaction and the TL Brands/TLI

Share Purchase Agreement, (ii) vesting the shares of TLI in the purchaser free and clear of all claims and encumbrances, and (iii) discharging and releasing all claims and encumbrances against TLI; and

- (b) an approval and vesting order in the TLI proceedings (i) approving the Refinancing Transaction and the TLI/TLC Share Purchase Agreement, (ii) vesting the shares of TLC in the purchaser free and clear of all claims and encumbrances, and (iii) discharging and releasing all claims and encumbrances against TLC.

62. The Approval and Vesting Orders are appropriate in the circumstances as:

- (a) The Sales Process initiated and overseen by the Trustee was a fair and transparent process by which offers were received by the Trustee to obtain the best price for the benefit of stakeholders;
- (b) The Sales Process did not result in any offers that would have been sufficient to pay out Lind and the Refinancing Offer is the best offer for Lind and the unsecured creditors;
- (c) The senior secured creditor and DIP Lender, Lind, which is most affected by the Refinancing Transaction, was consulted throughout the Sales Process;
- (d) The Refinancing Transaction will allow the business to continue with a new owner and stakeholders to move forward; and
- (e) The Refinancing Transaction provides for the funding by the Canguard Entities of the proposals, which will result in payment to unsecured creditors which would not have otherwise been available.

63. Although the Refinancing Transaction is structured as an acquisition of the shares in TLC and TLI, it is conditional on the granting of the Approval and Vesting Orders that enable the purchaser to acquire the purchased shares and the underlying assets of TLC and TLI “free and clear” of claims and encumbrances.

64. The Refinancing Transaction is structured as a share purchase transaction with a view of preserving the cannabis license held by TLC and completing the transaction in a cost-effective manner. Because the Refinancing Transaction is structured as a share purchase transaction in which TL Brands and TLI are retaining the purchase assets (rather than vesting the purchased assets into a new entity, as is typical in an asset sale transaction in a BIA proposal proceeding or *Companies’ Creditors*

- Arrangement Act* proceeding), the “free and clear” vesting is accomplished by discharging the claims and encumbrances as against the assets of TLC and TLI.
65. This “reverse vesting” transaction structure in which the purchaser acquires the shares of a debtor company and the underlying purchased assets on a “free and clear” basis has been approved in a number of recent CCAA proceedings, including by the BC Supreme Court in *Re Iltia Grain Inc. and NGP Grain Holdings Inc.* [2020] (BC Supreme Court), No. S-197582, Approval and Vesting Order dated August 25, 2020, by the Ontario Superior Court in *Re Plasco Energy Group Inc. et al.*, [2015] (Ont. SCJ [Commercial List]), Court File No. CV-15-10869-00CL, Settlement Approval Order dated July 17, 2015, and by the Superior Court of Quebec in *Re Nemaska Lithium Inc et al.*, 2020 QCCS 3218.
 66. The provisions in the CCAA mirror those in the BIA. The Court has authority under Section 65.13(7) to authorize a sale or disposition free and clear of any security, charge or other restriction. The Court therefor has the authority to approve the discharge of the claims and encumbrances as against the purchased shares and the assets in connection with completing the Refinancing Transaction.
 67. The Refinancing Transaction is the best and only available transaction for TL Brands, TLC and TLI’s assets. As part of the Refinancing Transaction, the Canguard Entities are funding the proposals which will result in unsecured creditors receiving partial or full payment of their claims. The Refinancing Transaction enables the companies to restructure and emerge from the proposal proceedings under new ownership. Approval of the Refinancing Transaction is consistent with the objections of the BIA proposal process and is in the best interest of the Companies and their stakeholders in the circumstances.

Part 4: MATERIAL TO BE RELIED ON

1. Report of the Trustee on the Proposal dated October 22, 2020.
2. Report of the Trustee on the Proposal dated October 7, 2020.
3. Sixth Report of the Trustee, to be filed.
4. Such further and other evidence as may be filed.

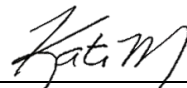
The applicant(s) estimate(s) that the application will take 60 minutes.

This matter is not within the jurisdiction of a master.

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

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: October 30, 2020



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

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

To be completed by the court only:

Order made

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

with the following variations and additional terms:

Date: _____

Signature of Judge Master

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

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

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

Schedule A

SERVICE LIST

Updated: October 30, 2020

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

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

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.

**ORDER MADE AFTER APPLICATION
(APPROVAL OF PROPOSAL)**

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

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

THIS COURT ORDERS AND DECLARES that:

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

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

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

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

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

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

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

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

BY THE COURT

Registrar

Schedule A

Counsel

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Schedule B

Proposal of True Leaf Brands Inc.

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

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

“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.

“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 Brands 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.

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

"Plan of Arrangement" shall have the meaning ascribed to it in Section 2.1 of the Proposal.

"Plan Sponsor" shall mean 1263809 B.C. Ltd.

"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.

"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 to the extent of their Secured Creditor Claims.

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

“Shareholders” means the shareholders of the Company.

“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 reorganize its affairs through filing a plan of arrangement pursuant to the *Business Corporations Act* (British Columbia) (the “**Plan of Arrangement**”) and compromising its Unsecured Creditor Claims pursuant to the Proposal Proceedings.

The Proposal will provide for the sum of \$85,000 to be distributed to the Unsecured Creditors (the “**Funds for Distribution**”). The Funds for Distribution will be provided by the Plan Sponsor.

The implementation of the Proposal is subject to the Conditions Precedent, including the approval of the Plan of Arrangement by the requisite majority of Shareholders and the Court in accordance with the *Business Corporations Act* (British Columbia) and the fulfilment or waiver, as applicable, of all other conditions precedent to the implementation of the Plan of Arrangement.

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.

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 in accordance with the BIA.

3.4 COMPROMISE AND RELEASE

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

- (a) released 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) released 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 Sanction Order has been granted by the Court and has not been stayed;

- (c) The Plan of Arrangement has been approved by the requisite majority of Shareholders in accordance with the *Business Corporations Act* (British Columbia) and the fulfilment or waiver, as applicable, of all other conditions precedent to the implementation of the Plan of Arrangement, and has been approved by the Court and has not been stayed;
- (d) The Funds for Distribution have been paid to the Proposal Trustee pursuant to Subsection 60(2) of the BIA; and
- (e) 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(b) may be waived by the Company, with the consent of the Plan Sponsor 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 Plan Sponsor 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 Plan Sponsor 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**

10.1 APPLICATION FOR SANCTION 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.

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

(c) If to the Plan Sponsor:

MLT Aikins LLP
Suite 2600, 1066 West Hastings Street

Vancouver, B.C. V6E 3X1

Attn: William E.J. Skelly
Tel: (604) 608-4597
Email: wskelly@mltaikins.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.

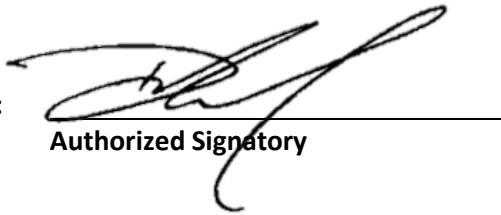
11.4 SUCCESSORS AND ASSIGNS

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

DATED this 30th day of September, 2020.

True Leaf Brands Inc.

Per:



Authorized Signatory

Schedule C

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.

ORDER MADE AFTER APPLICATION

APPROVAL AND VESTING ORDER

BEFORE THE HONOURABLE MADAM)
)
JUSTICE FITZPATRICK) dd/mmm/yyyy

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

THIS COURT ORDERS AND DECLARES that:

1. The transactions (collectively, the “**Transactions**”) contemplated by (a) the offer to purchase and agreement of purchase and sale dated ♦, 2020 between TL Brands, True Leaf Investments Corp. (“**TLI**”) and ♦ (the “**Purchaser**”), a copy of which is attached as Appendix “♦” to the Report, and (b) the binding term sheet dated September 11, 2020 between TL Brands, TLI, True Leaf Cannabis Inc., the Purchaser, Canguard Mortgage Investment Corporation, Lind Asset Management XV, LLC and other parties, a copy of which is attached as Appendix “♦” to the Report (together, the “**Sale Agreements**”) are hereby approved, and the Sale Agreements are commercially reasonable.

2. This Order shall constitute the only authorization required by TL Brands to proceed with the Transaction and no shareholder, director or other approval shall be required in connection therewith.

3. The execution of the Sale Agreements by TLB is hereby authorized and approved, and TLB 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 Transactions and for the conveyance to the Purchaser of the shares of TLI as described in the Sale Agreements (the “**Purchased Shares**”).

4. Upon delivery by the Proposal Trustee to the Purchaser of a certificate substantially in the form attached as **Schedule “B”** hereto (the “**Proposal Trustee’s Certificate**”), the following shall occur and be deemed to have occurred commencing at the time of delivery of the Proposal Trustee’s Certificate (the “**Effective Time**”) in the following sequence:

- (a) all of the debts, liabilities, options, 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, 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 “C”** hereto (all of which are collectively referred to as the “**Claims and Encumbrances**”, which term shall not include the permitted encumbrances, easements and restrictive covenants listed on **Schedule “D”** hereto), and, for greater certainty, shall be expunged, discharged and released as against TLI. For greater certainty, this Court orders that from and after the Effective Time, no Person shall have any right, claim or interest against or in respect of TLI in respect of the Claims and Encumbrances and all Persons shall be and hereby are forever stayed, estopped and enjoined from commencing or continuing any action or proceeding against TLI in any way relating to or in respect of the Claims and Encumbrances; and
- (b) all of TL Brand’s right, title and interest in the Purchased Shares shall vest absolutely in the Purchaser, free and clear of any and all Claims and Encumbrances, and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Purchased Shares are hereby expunged, discharged and released as against the Purchased Shares.

5. From and after the Effective Time, all Persons, including any and all counterparties to any contract, lease or agreement with TLI, are prohibited and forever stayed, estopped and enjoined from exercising, enforcing or relying on any rights, remedies, claims or benefits in respect of or as against TLI, in any way arising from or relating to:

- (a) the insolvency of TLI prior to the Effective Time;
- (b) the commencement or existence of these proposal proceedings, including any deferral or interruption of payments and any incurrence or creation of charges arising from or relating to these CCAA proceedings; or

- (c) the entering into and implementation of the Sale Agreement and the Transactions, including, without limitation, as a result of a change of control of TL Brands or TLI resulting from the completion of the Transactions.

6. Following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against TLI and the Purchased Shares.

7. For the purposes of determining the nature and priority of Claims and Encumbrances, the net proceeds from the sale of the Purchased Shares shall stand in the place and stead of the Purchased Shares, and from and after the delivery of the Proposal Trustee's Certificate all Claims shall attach to the net proceeds from the sale of the Purchased Shares with the same priority as they had with respect to the Purchased Shares immediately prior to the sale, as if the Purchased Shares had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale.

8. The Proposal Trustee is to file with the Court a copy of the Proposal Trustee's Certificate forthwith after delivery thereof.

9. TL Brands, with the consent of the Purchaser, shall be at liberty to extend the closing date under the Sale Agreements to such later date as those parties may agree without the necessity of a further Order of this Court.

10. Notwithstanding:

- (a) these proceedings;
- (b) any applications for a bankruptcy order in respect of TL Brands 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 TL Brands,

the vesting of the Purchased Shares in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of TL Brands, 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.

11. 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 TL Brands, the Purchaser and the Proposal Trustee and their 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 TL Brands, the Purchaser and the Proposal Trustee, as an officer of this Court, and their agents, as may be necessary or desirable to give effect to this Order or to assist them and their agents in carrying out the terms of this Order.

12. TL Brands 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.

13. The approval of counsel as to form, except for counsel to TL Brands, is 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 Brands Inc.

Lawyer:

BY THE COURT

Registrar

Schedule A

Counsel

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| | |

Schedule B

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.

PROPOSAL TRUSTEE'S CERTIFICATE

1. On April 2, 2020, True Leaf Brands Inc. ("**TL Brands**") filed a notice of intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended with the Office of the Superintendent of Bankruptcy and FTI Consulting Canada Inc. ("**FTI**") was appointed as proposal trustee in TL Brand's proposal proceeding (the "**Proposal Trustee**").
2. Pursuant to an Order of the Court dated **◆**, 2020 (the "**Approval and Vesting Order**"), the Court ordered that, effective upon the delivery by the Proposal Trustee of this Certificate to the Purchaser confirming that the Transactions contemplated by the Sale Agreements have been implemented:
 - (a) all of the right, title and interest of TL Brands in the Purchased Shares vest in Purchaser; and
 - (b) all Claims and Encumbrances shall be discharged against TLI.
3. Unless otherwise defined herein, capitalized terms shall have the meanings ascribed thereto in the Approval and Vesting Orders.

THE MONITOR HEREBY CERTIFIES as follows:

The Transactions contemplated by the Sale Agreements have been implemented.

DATED at the City of Vancouver, in the Province of British Columbia, this ♦, day of ♦, 2020.

**FTI Consulting Canada Inc. in its capacity as
Proposal Trustee of TLI and not in its personal
capacity**

By:

Name:

Title:

Schedule C
Claims and Claims and Encumbrances to be Discharged



Schedule E
Permitted Claims and Encumbrances

1. The reservations, limitations, provisos and conditions expressed in the original grant thereof from the Crown.
2. Base Registration No. 320721L, in favour of Lind Asset Management XV, LLC as the secured party, against True Leaf Medicine International Ltd., True Leaf Investments Ltd. and True Leaf Medicine Inc., with respect to each debtor, against all of the debtor's present and after-acquired personal property.