



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

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.

ORDER MADE AFTER APPLICATION

BEFORE))
) THE HONOURABLE JUSTICE) May 1, 2020
) MADAM JUSTICE FITZPATRICK)

ON THE APPLICATION of True Leaf Cannabis Inc. (the "**Applicant**") coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on May 1, 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 First Report to the Court of FTI Consulting Canada Inc. in its capacity as proposal trustee (the "**Trustee**") dated April 30, 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.

Extension of Stay

2. The stay of proceedings and the time for the filing of a proposal by the Applicant is extended to June 16, 2020.

The Administrative Charge

3. The Trustee, counsel to the Trustee, if any, and counsel to the Applicant shall be entitled to the benefit of and are hereby granted a charge (the “**Administrative Charge**”) on the Applicant’s current and future assets, undertakings and properties of every nature and kind whatsoever, whether real or personal, and wherever situate including all proceeds thereof (the “**Property**”), which charge shall not exceed an aggregate amount of \$150,000, as security for their respective fees and disbursements incurred at their standard rates, both before and after the making of this order, in this proceeding. The Administrative Charge shall have the priority set out in paragraph 11 hereof.

Interim Financing and the Interim Financing Charge

4. The Applicant is hereby authorized and empowered to enter into an agreement for True Leaf Brands Inc. (“**True Leaf**”) to obtain and borrow under a credit facility from Lind Asset Management XV, LLC (the “**Interim Lender**”) in order to finance the continuation of True Leaf’s business and preservation of True Leaf’s current and future assets, undertakings and properties of every nature and kind whatsoever, whether real or personal, and wherever situate including all proceeds thereof, which borrowings under such credit facility shall be jointly and severally guaranteed by the Applicant, True Leaf Pet Inc. (Estate No. 11-2636224) and True Leaf Investments Corp. (Estate No. 11-2636236) (collectively, the “**Guarantors**”), as guarantors, and provided that the borrowings under such credit facility shall not exceed the principal amount of \$700,000 unless permitted by further Order of this Court.

5. Such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Interim Lender, True Leaf and the Guarantors dated April 29, 2020 (the “**Interim Financing Agreement**”) attached as Exhibit B to the Trustee’s Report.

6. The Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, pledges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Interim Financing Agreement or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Interim Financing Agreement and the Definitive Documents (collectively, the “**Obligations**”) as and when the same become due and are to be performed, notwithstanding any other provision of this Order or the BIA.

7. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Interim Financing Charge**”) on the Property for all amounts provided for in the Interim Financing Agreement limited to \$700,000, and for greater certainty which Interim Financing Charge shall not secure an obligation that exists before this Order is

made. The Interim Financing Charge shall have the priority set out in paragraph 11 hereof.

8. Notwithstanding any other provision of this Order:
- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Financing Charge or any of the Definitive Documents;
 - (b) upon the occurrence of an event of default under the Interim Financing Agreement, the Definitive Documents or the Interim Financing Charge, the Interim Lender may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Interim Financing Agreement, Definitive Documents and the Interim Financing Charge, including, without limitation, to cease making advances to the Applicant, set off and/or consolidate any amounts owing by the Interim Lender to the Applicant against the obligations of the Applicant to the Interim Lender under the Interim Financing Agreement, the Definitive Documents or the Interim Financing Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant; and
 - (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

9. The Interim Lender shall be treated as unaffected in the proposal filed by the Applicant under the BIA, or any plan filed by the Applicant under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), with respect to any advances made under the Interim Facility, the Interim Financing Agreement or the Definitive Documents.

10. Subject to the terms of this order, the Interim Lender is hereby exempted from the stay of proceedings in these proceedings arising from section 69(1) of the BIA.

Validity and Priority of the Charges Created by this Order

11. The priorities of the Administrative Charge and the Interim Financing Charge, as between them, shall be as follows:

First – Administrative Charge (to the maximum amount of \$150,000); and

Second – Interim Financing Charge (to the maximum amount of \$700,000).

12. Notwithstanding the priority of the Interim Financing Charge granted by this order, the Interim Financing Charge shall rank behind validly perfected purchase money security interests registered against the Property.

13. Any security documentation evidencing, or the filing, registration or perfection of the Administration Charge and the Interim Financing Charge (together, the "**Charges**") shall not be required, and the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Charges coming into existence, notwithstanding any failure to file, register or perfect any such Charges.

14. Each of the Charges shall constitute a fixed and specific mortgage, security interest, assignment by way of security and charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any person or entity (a "**Person**").

15. Except as otherwise expressly provided herein, or as may be approved by this Court, the Applicant shall not grant or suffer to exist any Encumbrances over any Property that ranks in priority to, or *pari passu* with the Charges, unless the Applicant obtains the prior written consent of the Trustee, the Interim Lender and the beneficiaries of the Administrative Charge.

16. The Interim Financing Agreement, the Definitive Documents, the Administrative Charge, or Interim Financing Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the Interim Lender shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application for bankruptcy order issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications, including the Applicant being deemed to be a bankrupt pursuant to the BIA; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the initiation of any other proceedings under the BIA; (e) the initiation of any proceedings under the CCAA; (f) the provisions of any federal or provincial statutes; or (g) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Interim Financing Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the

Applicant entering into the Interim Financing Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by the Applicant pursuant to this Order, the Interim Financing Agreement or the Definitive Documents, and the granting of the Charges, does not and will not constitute a preference, fraudulent conveyance, transfer at undervalue, oppressive conduct, a settlement or other challengeable or voidable transaction under any applicable law.

17. Any Charge created by this Order over leases of real property in Canada shall only be a charge in the Applicant's interest in such real property leases.

Service and Notice

18. The Applicant is at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to any of the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

19. The Applicant, the Trustee, and any interested party may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsel's email addresses as record on the service list maintained by counsel to the Applicant from time to time.

General

20. This Court requests the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court, in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Trustee in any foreign proceeding, or to assist the Applicant and the Trustee and their respective agents in carrying out the terms of this Order.

21. The Applicant, the Trustee and the Interim Lender be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the

purpose of having this Order or these proceedings recognized in a jurisdiction outside Canada.

22. This Order and all of its provisions are effective as of 12:01 a.m. local time on the date of this Order.

23. 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 *in Bankruptcy*

Schedule A

Ashley Taylor	Proposed Interim Lender

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