

COURT FILE NUMBER B-200196
VANCOUVER REGISTRY
ESTATE NO. 11-2636236

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF TRUE LEAF INVESTMENTS CORP.**

SIXTH REPORT OF THE PROPOSAL TRUSTEE

NOVEMBER 4, 2020

INTRODUCTION

1. This report (“**Sixth Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the Trustee (the “**Proposal Trustee**”) under Notices of Intention to File a Proposal (“**NOI**”) signed by True Leaf Brands Inc. (“**TLB**”), True Leaf Cannabis Inc. (“**TLC**”), and True Leaf Investments Corp. (“**TLI**”) (collectively the “**Companies**”) as of April 1, 2020 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. TLI was incorporated under the Business Corporations Act of British Columbia on March 26, 2014. The Company was formerly known as 0997664 B.C. Ltd.
3. TLI is a wholly owned subsidiary of TLB, a publicly traded company. TLI is the parent company of TLC.
4. Since its inception, TLB has raised approximately \$25 million which provided the funding to acquire 40 acres of land in Lumby, BC on which TLC constructed an 18,000 square foot facility for its operations (the “**Facility**”).
5. TLB is also the parent company of True Leaf Pet Inc. (“**TLP**”).
6. TLC was established to hold a federal cannabis license that was applied for in 2013.
7. In late 2015, TLB pivoted into the pet industry by launching a line of hemp supplements through TLP.
8. TLP developed ‘soft chew’ and ‘oil’ product formulations with hemp seed and other active ingredients to support calming, joint-pain relief and omega 3 supplementation, and marketed these products to the specialty pet industry in Canada, the USA and over 17 countries in Europe.
9. TLP’s 2019 revenues reached \$2.3 million with its products being sold in 3,500 stores globally.

10. In February 2019, TLB raised \$4.5 million through the issuance of a convertible, secured note (the “Notes”) with the intention of re-branding its pet supplement business and completing the construction of the Facility. The Notes were guaranteed by TLI, TLC and TLP.
11. In anticipation of a growth trajectory, TLB bolstered its executive suite and sales staff.
12. The Facility was completed in late 2019, however TLP’s sales did not meet expectation and as a result, the True Leaf group of companies began to experience liquidity issues.
13. TLB’s first payment on the Notes was due on March 23, 2020.
14. As a result of its lack of liquidity, TLB was unable to make the payment and accordingly the holder of the Notes (the “DIP Lender”) threatened to call its loan if TLB did not remedy its default.
15. With the onset of the COVID-19 pandemic and its implications on global trade in conjunction with its Note default, TLB’s management and board decided to seek a stay of proceedings pursuant to the BIA to allow it the time necessary to refinance and/or restructure its debts.
16. As a result, on April 1, 2020, TLB, along with TLI, TLC and TLP, signed NOI’s pursuant to the BIA which were filed by the Proposal Trustee and accepted by the Office of the Superintendent of Bankruptcy (the “OSB”) on April 2, 2020.
17. On May 1, 2020, the Companies and TLP sought the following relief and were granted an order by this Honourable Court providing:
 - a) An extension of the Companies’ and TLP’s stay of proceedings and time to file a proposal to June 16, 2020;
 - b) Approval of a DIP Loan for an amount not to exceed \$700,000 as provided by the DIP Lender;

- c) Approval of an administrative charge over all of the assets and undertakings of TLC in favour of the Proposal Trustee, its counsel and the Companies' and TLP's counsel (the "**Administrative Charge**") in the amount of \$150,000; and
 - d) Approval of a first ranking charge against all of TLP's and the Companies' assets and undertakings in favour of the DIP Lender (the "**Interim Financing Charge**"), subject only to the priority of the Administrative Charge.
18. The DIP Loan included a covenant by TLP and the Companies to obtain Court approval of a sales process providing for the separate marketing and sale of TLP's pet business and the Facility, in form and substance acceptable to the DIP Lender.
19. The order was to be sought by TLP and the Companies prior to May 14, 2020.
20. Accordingly, on May 13, 2020 TLP and the Companies sought and obtained an order of this Honourable Court providing:
- a) Authorization for the Proposal Trustee to carry out the Sales Process as described in Schedule B attached to the Sales Process Order;
 - b) Authorization for TLC to engage Colliers Macaulay Nicolls Inc. ("**Colliers**") as the designated agent to market the Facility; and
 - c) In the event TLC does engage Colliers, directing Colliers to report, discuss and provide information to the Proposal Trustee regarding the marketing of the Facility and to assist the Proposal Trustee in the negotiation and finalization of any offers received.
21. On June 16, 2020, TLP and the Companies sought and obtained an order of this Honourable Court providing an extension of the stay of proceedings and time to file a proposal to July 31, 2020.
22. On July 30, 2020, TLP and the Companies sought and obtained an order of this Honourable Court providing an extension of the stay of proceedings and time to file a proposal to September 15, 2020.

23. On August 28, 2020, TLP and the Companies sought and obtained an order of this Honourable Court providing an extension of the stay of proceedings and time to file a proposal to October 2, 2020, the maximum date allowable pursuant to the BIA.
24. On September 18, 2020, TLC lodged a proposal with the Proposal Trustee which was filed with the OSB on September 23, 2020.
25. TLC's creditor meeting was held on October 6, 2020 at which TLC obtained unanimous acceptance of its proposal.
26. On September 30, 2020, TLB lodged a proposal with the Proposal Trustee which was filed with the OSB on October 1, 2020.
27. TLB's creditor meeting was held on October 20, 2020 at which TLB obtained unanimous acceptance of its proposal.
28. On October 2, 2020, TLI lodged a proposal with the Proposal Trustee which was filed with the OSB on October 2, 2020.
29. TLI's creditor meeting was held on October 20, 2020 at which TLI obtained unanimous acceptance of its proposal.
30. TLP did not file a proposal and accordingly was deemed to have made an assignment into bankruptcy as of October 3, 2020.
31. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee's website at <http://cfcanada.fticonsulting.com/TrueLeaf/>.

PURPOSE

32. The purpose of the Sixth Report is to provide this Honourable Court with an update on the following:
- a) A summary overview of the sale process for TLP and the Facility;
 - b) The details of the Term Sheet which provided the basis for the proposals lodged by the Companies; and
 - c) The Proposal Trustee's support for the transactions contemplated by the Term Sheet as well as the Vesting Orders being sought by the Companies.

TERMS OF REFERENCE

33. In preparing this report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Companies' books and records and discussions with various parties (collectively, the "**Information**").
34. Except as described in this report:
- a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

35. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
36. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

THE SALES PROCESS

37. TLI's primary asset is its ownership interest in TLC.
38. On May 13, 2020 the Court granted an order (the "**Sales Process Order**") approving a sale process for the sale of the assets or shares of TLC and TLP (the "**Sales Process**").

The TLP Sales Process

39. In accordance with the Sales Process:
 - a) On May 15, 2020, TLP issued a news release announcing its Sales Process; and
 - b) On May 22, 2020, the Proposal Trustee placed an advertisement in a national edition of the Globe and Mail newspaper.
40. Commencing on May 14, 2020 and continuing throughout the week of May 18, 2020, TLP forwarded a Teaser document to all known parties that had either previously expressed an interest in the company or were identified as a party that may have a strategic interest in TLP.
41. Subsequent to forwarding the Teaser, TLP's management followed up directly with 28 of the parties offering to make themselves available for calls to answer any detailed questions.
42. 15 parties signed NDA's and were provided access to an electronic data room in which detailed information and financial reports had been uploaded.
43. All 15 parties accessed the data room and held meetings with TLP's management via electronic means.
44. The deadline for the receipt of offers was set as June 19, 2020.

45. On June 19, 2020 four offers and two expressions of interest were received. One additional offer was received on June 22, 2020.
46. The offers and expressions of interest were summarized and discussed with the DIP Lender.
47. Some of the offers included consideration in a form other than cash and accordingly, the Proposal Trustee and TLP's management had to follow up with each party to gain a better understanding of the potential value of the alternative consideration.
48. The Proposal Trustee, in consultation with the DIP Lender, entered into negotiations with the interested parties to try to increase the transaction value of their offers.
49. After prolonged discussions and negotiations with the interested parties, TLP with the agreement of the DIP Lender, signed an Offer to Purchase and Agreement of Purchase and Sale for all of the assets of TLP.
50. The sale transaction was approved by the Court and subsequently closed on September 14, 2020.
51. The gross proceeds from the sale of TLP's assets was \$300,000.

The TLC Sale Process

52. The Sales Process Order authorized TLC to engage Colliers Macaulay Nicolls Inc. ("**Colliers**") as the designated agent to market the Facility. With the assistance of Colliers, the following steps were taken in accordance with the Sales Process:
 - a) On May 22, 2020, the Proposal Trustee placed an advertisement in the national edition of the Globe and Mail newspaper;
 - b) On May 15, 2020, TLB issued a news release announcing its Sales Process;

- c) On May 15, 2020, Colliers forwarded a brochure providing an overview of the Facility to over 60 parties who had either been identified through its previous sale process or who had been identified subsequently as a party that may have an interest in the Facility; and
 - d) On May 18, 2020, Colliers posted the listing for the Facility on its website as well as on the LinkedIn accounts of the two Colliers' sales agents.
53. Colliers established an electronic data room and provided access to 60 parties upon receipt of an NDA.
54. Site tours and meetings with TLC's management were arranged for several parties.
55. The Proposal Trustee prepared a checklist for interested parties summarizing the details required to be provided in support of any offer submitted. This document was posted in Colliers' data room.
56. Finally, draft forms of an Asset Purchase Agreement and a Share Purchase Agreement for the Facility and for TLC's shares were prepared by the Companies' legal counsel and provided to all interested parties. The document was provided in Word format to enable interested parties to edit with tracked changes for ease of review by the Proposal Trustee, Colliers and the Company.
57. The date for receipt of offers on the Facility was set for June 15, 2020 pursuant to the Sales Process. However, as some of the interested parties had not finalized their offers, the Proposal Trustee, in consultation with the DIP Lender, Colliers and the Companies, agreed to extend the deadline for receipt of offers to June 17, 2020.
58. On June 15, 2020 Colliers received one Expression of Interest and on June 17, 2020 an additional two offers were received from interested parties.
59. An additional interested party indicated to Colliers that it was continuing to work on its offer which was received on June 20, 2020.

60. The offers were summarized and reviewed with the DIP Lender. All of the offers had some form of conditionality to them and accordingly the Proposal Trustee and Colliers systematically worked with the perceived superior offer to get it to a definitive agreement capable of being brought before the court for approval.
61. Unfortunately, the indicative offers received from interested parties were not at a price in excess of the amount owed to the DIP Lender and the DIP Lender would not agree to release its security at the prices indicated. The other interested parties were unable to satisfy their conditions and ultimately withdrew their offers.
62. Subsequently, several additional parties came forward indicating their interest in acquiring the Facility and discussions regarding a proposed sales transaction continued to occur with these parties.
63. To date, no Expressions of Interest or binding offers capable of being approved by the Court have been received on the Facility.
64. Concurrently with the proposed sale discussions with interested parties, two parties contacted the DIP Lender and commenced discussions regarding the purchase of the DIP Lender's debt and security.
65. Those negotiations concluded with the DIP Lender, TLB, TLI and TLC entering into a term sheet with Canguard Mortgage Investment Corporation ("**Canguard**") and certain other companies for the refinancing of the DIP Lender's secured debt (the "**Term Sheet**").
66. The term sheet allows for the refinancing of the Companies and the proposals filed by the Companies provides a path to enable the Companies to exit these proceedings.

THE TERM SHEET

67. A copy of the Term Sheet is attached as Appendix A to this report.
68. The provisions of the Term Sheet are summarized as follows:
- a) At closing:
 - i. Canguard will loan \$3 million to TLC (the “**Canguard Loan**”) secured by a first mortgage on the Facility and a first priority security interest in all of TLC’s present and after-acquired personal property;
 - ii. 1263815 B.C. Ltd. (“**InvestorCo**”) will loan \$1.5 million to TLC (the “**InvestorCo Loan**”) secured by a second mortgage on the Facility and a second priority security interest in all of TLC’s present and after-acquired personal property;
 - iii. TLC will use all of the proceeds of the Canguard Loan and \$1.15 million of the InvestorCo Loan to pay an aggregate sum of \$4.15 million (inclusive of a deposit of \$415,000 held by the Proposal Trustee) (the “**Loan Proceeds**”) to the DIP Lender in settlement of all amounts owed by TLP and the Companies including the Note and the DIP Loan; and
 - iv. TLB, TLI and TLC will pay to the DIP Lender all of their cash balances in excess of \$100,000 in the aggregate (the “**Excess Cash**”).
 - b) Any outstanding property taxes owing on the Facility will be for the account of TLC and will not reduce the Loan Proceeds or the Excess Cash.
 - c) Subject to approval by this Honourable Court, a nominee of InvestorCo will purchase all the issued and outstanding shares of TLC from TLI for a purchase price of \$1.

- d) The closing of the above noted transactions are subject to the following approvals by this Honourable Court:
- i. The Canguard Loan and the creation and perfection of the related security;
 - ii. The InvestorCo Loan and the creation and perfection of the related security;
 - iii. The immediate payment by TLC to the DIP Lender of the Loan Proceeds and the Excess Cash;
 - iv. The sale of all of the issued and outstanding shares of TLC held by TLI to a nominee of InvestorCo (a copy of which is attached as Appendix B); and
 - v. Approval of TLC and TLI's proposals dated September 18, 2020 and October 2, 2020, respectively.
- e) The closing of the transactions is also subject to the granting of a vesting order by this Honourable Court, for the sale of TLC's shares and the discharge of all claims and encumbrances against TLC including the Administrative Charge and the Interim Financing Charge.

PROPOSAL TRUSTEE'S RECOMMENDATIONS

69. As detailed in an earlier section of this report, the assets of TLC and TLP were subjected to a robust sale process as set out in the Sales Process Order approved by this Honourable Court.
70. The Sales Process did not result in any binding offers either for the shares of TLC owned by TLI or the Facility.
71. The DIP Lender is currently owed approximately \$7 million including the Notes and the DIP Loan which has now been fully drawn.

72. The proceeds generated from the sale of TLP's assets when combined with the indicative offers for the Facility that were received, would be significantly below the amount due to the DIP Lender.
73. As a result, given that the security held by the DIP Lender is less than the debt owed to the DIP Lender, the shares of TLC owned by TLI would have minimal, if any value.
74. The closing of the transactions contemplated by the Term Sheet would provide for:
- a) The DIP Lender to be paid out for an amount considered acceptable by the DIP Lender based on the results of the Sales Process;
 - b) The unsecured creditors of TLC to receive full recovery and the unsecured creditors of TLI to receive some recovery on their claims (less the levy payable to the OSB);
 - c) The recapitalization of the Companies providing for their ability to continue as going concerns and provide employment to workers in the community; and
 - d) Allow the Companies to emerge from these proceedings.
75. Accordingly, the Proposal Trustee is of the view that it is in the interest of all stakeholders to approve the transactions as outlined previously.
76. The DIP Lender was a party to the Term Sheet and therefore is aware of the vesting of the Interim Financing Charge.
77. In lieu of the vesting of the Administrative Charge, the Proposal Trustee and the Companies' legal counsel have been provided with retainers funded by the DIP Lender and Canguard/InvestorCo expected to be sufficient to conclude the proposal proceedings of the Companies.

78. The Proposal Trustee notes that despite it not being required by statute, the Proposal Trustee provided notice of the creditor meeting to vote on TLC's proposal and/or to file a claim in the proposal proceedings to not only creditors currently owed a debt according to TLC's books and records, but also all vendors who had conducted business with TLC within the prior two calendar years.
79. In addition, newspaper advertisements were taken out in two local newspapers providing notice of the creditor meeting and calling of claims.
80. Given the results of the Sales Process, the Proposal Trustee is of the view that the only party with an economic interest in the assets of TLC and TLI is the DIP Lender and therefore is supportive of the vesting orders being sought.

All of which is respectfully submitted this 4th day of November, 2020.

FTI Consulting Canada Inc.,
in its capacity as Proposal Trustee under a NOI
filed by True Leaf Investments Corp.



Name: Craig Munro
Title: Managing Director,
FTI Consulting Canada Inc.

APPENDIX A

**REFINANCING OF SECURED DEBT OF
TRUE LEAF CANNABIS INC.
AND RELATED TRANSACTIONS**

Binding Term Sheet

September 11, 2020

Parties	<p>Nominee of 1263809 B.C. Ltd. ("AcquireCo #1")</p> <p>1263809 B.C. Ltd. ("AcquireCo #2")</p> <p>Canguard Mortgage Investment Corporation ("Canguard")</p> <p>1263815 B.C. Ltd. ("InvestorCo" and collectively with AcquireCo #1, AcquireCo #2 and Canguard, the "Canguard Entities")</p> <p>Lind Asset Management XV, LLC ("Lind")</p> <p>The Australian Special Opportunity Fund, LP ("Vendor")</p> <p>True Leaf Brands Inc. ("TLB")</p> <p>True Leaf Cannabis Inc. ("TLC")</p> <p>True Leaf Investments Corp. ("TLI")</p>
New Canguard Financing	<p>At Closing (as defined below), Canguard will loan Cdn\$3 million to TLC (the "Canguard Loan") secured by a first mortgage on the real property located at 1837 Shuswap Avenue, Lumby, B.C. (the "Lumby Property") and a first priority security interest in all of TLC's present and after-acquired personal property (together, the "Canguard Security").</p>
New InvestorCo Financing	<p>At Closing, InvestorCo will loan Cdn\$1.5 million to TLC (the "InvestorCo Loan") secured by a second mortgage on the Lumby Property and a second priority security interest in all of TLC's present and after-acquired personal property (together, the "InvestorCo Security").</p>
Proof of Funds	<p>Within forty-eight (48) hours of execution of this Term Sheet by all parties, the Canguard Entities will:</p> <ul style="list-style-type: none">(a) deliver to the Vendor a letter from Canguard's lender, Canadian Western Bank, confirming that the proceeds of the Canguard Loan may be drawn down by Canguard from its existing line of credit at anytime without any conditions or restrictions; and(b) deposit with its counsel, MLT Aikins LLP, in trust, Cdn\$1.15 million, representing a portion of the InvestorCo Loan, and provide confirmation of same to the Vendor.
Use of Proceeds	<p>At Closing, TLC will use all of the proceeds of the Canguard Loan and Cdn\$1.15 million of the proceeds of the InvestorCo Loan, being an aggregate of Cdn\$4.15 million ("Loan Proceeds"), to pay down all amounts owing to Lind:</p> <ul style="list-style-type: none">(a) under the DIP Credit Facility Agreement dated April 29, 2020, as amended, approved in connection with the Notice of Intention process under the <i>Bankruptcy and Insolvency Act</i> (Canada) commenced by, among others, TLB, TLC and TLI on April 1, 2020 (the "BIA Process");

- (b) pursuant to a Convertible Security Funding Agreement dated February 12, 2019; and
- (c) pursuant to a Convertible Security Funding Agreement dated October 7, 2019

(collectively, the "**Lind Loans**").

Excess Cash Sweep

At Closing, TLB, TLC and TLI will pay to Lind all of their cash balances in excess of Cdn\$100,000 in the aggregate (the "**Excess Cash**").

Lumby Property Taxes:

Any and all property taxes owing in respect of the Lumby Property will be for the account of TLC and will not reduce the Loan Proceeds or Excess Cash payable to Lind.

Commitment Letters:

Upon acceptance by all parties of this Term Sheet:

- (a) Canguard will deliver a written commitment to TLC to fund the Canguard Loan; and
- (b) InvestorCo will deliver a written commitment to TLC to fund the InvestorCo Loan,

in each case, subject only to the creation and perfection of the Canguard Security and InvestorCo Security (together, the "**TL Security Interests**"), respectively, and Court Approval (as defined below).

Deposit

The Canguard Entities will, upon execution by all parties of this Term Sheet, furnish written confirmation to Lind that they have deposited with FTI Consulting Canada Inc. ("**FTI**") the sum of Cdn\$415,000 (the "**Deposit**") together with irrevocable and unconditional instructions, and hereby confirm their intention to be legally bound by these instructions as their joint and several contractual obligations, that:

- (a) upon Court Approval and the creation and perfection of the TL Security Interests, FTI will promptly disburse the funds representing the Deposit to, or to the direction of, Lind as part of the pay down in respect of the funds advanced under the Canguard Loan and the InvestorCo Loan;
- (b) if, for any reason other than the Court (defined below) having declined to give Court Approval within fifty days from the date of this Term Sheet or TLC having failed to create and perfect the TL Security Interests, either Canguard fails to advance Canguard Loan or InvestorCo fails to advance the InvestorCo Loan, FTI will promptly disburse the funds representing the Deposit to, or to the direction of, Lind as liquidated damages;
- (c) if the Court declines to give Court Approval (including the vesting order referred to below) within fifty days from the date of this Term Sheet, or TLC fails to create and perfect the TL Security Interests, FTI will promptly return the Deposit to the Canguard Entities; or
- (d) if any of the Canguard Entities do not comply with their obligations under this Term Sheet or seek to amend the transactions contemplated by this Term Sheet in a way that would be expected to, in the opinion of the Vendor, acting reasonably, result in Court Approval not being obtained within fifty days from the date of this Term Sheet, FTI will promptly disburse the funds representing the Deposit to, or to the direction of, Lind as liquidated damages

(each, a "**Release Event**").

The parties acknowledge and agree that the obligations under this heading "Deposit"

shall survive termination or expiration of this Term Sheet.

**Purchase and Sale of
TLC Shares and/or
TLI Shares**

Subject to Court Approval, the advance by Canguard and InvestorCo of the Canguard Loan and the InvestorCo Loan, respectively, AcquireCo #1 will, at Closing, elect either to:

- (a) purchase from TLI, and TLI will sell to AcquireCo #1, all of the issued and outstanding shares of TLC; or
- (b) purchase from TLB, and TLB will sell to AcquireCo #1, all of the issued and outstanding shares of TLI; or
- (c) make both of the purchases contemplated by (a) and (b) above;

in any event, for total consideration of Cdn\$1. The purchase and sale transaction in respect of the shares of TLC, TLI or both, as applicable, (the "**Purchased True Leaf Companies**") will be completed substantially on the terms and conditions set out in the draft purchase and sale agreement prepared by TLC in respect of the sales and investor solicitation process under the BIA Process, a copy of which is attached as Schedule A to this Term Sheet.

**Purchase and Sale of
Lind Shares**

Subject to the advance by Canguard and InvestorCo of the Canguard Loan and the InvestorCo Loan, respectively, AcquireCo #2 will, at Closing, purchase from the Vendor, and the Vendor will sell to AcquireCo #2, all of the issued and outstanding shares of Lind for total consideration of Cdn\$1. The purchase and sale of the shares of Lind will be on an "as is, where is" basis, other than with respect to standard reps and warranties as to corporate power and authority, no conflict or contravention, title to shares and no liabilities.

Court Approval

The following transactions are subject to the approval ("**Court Approval**") of the Supreme Court of British Columbia (the "**Court**") to be sought in connection with a proposal under the BIA Process:

- (a) the Canguard Loan and the creation and perfection of the Canguard Security;
- (b) the InvestorCo Loan and the creation and perfection of InvestorCo Security;
- (c) the immediate payment by TLC to Lind of the Loan Proceeds and the immediate payment by each of TLB, TLC and TLI to Lind of the Excess Cash, if any; and
- (d) the sale to AcquireCo #1 of all of the issued and outstanding shares of the Purchased True Leaf Companies.

As part of the application for Court Approval, a vesting order will be sought from the Court for the sale of the shares of the Purchased True Leaf Companies to AcquireCo #1 and the discharge of all claims and encumbrances against the Purchased True Leaf Companies (including the Administrative Charge and the Interim Financing Charge created pursuant to the BIA Process, but excluding the balance of the Lind Loans over and above Cdn\$4.15 million).

**BIA Proposal and
Timing**

In connection with the Court Approval, the Canguard Entities agree to pay out all of the unsecured creditors of TLC in an amount not to exceed Cdn\$30,000, so as to ensure that all unsecured creditors of TLC are deemed to have voted in favor of the Proposal (as defined below).

Upon execution of this Term Sheet by all parties, TLC and the Canguard Entities agree to use their commercial best efforts to:

- (a) file a proposal with the trustee under the BIA Process setting out the

transactions contemplated under this Term Sheet (other than the Purchase and Sale of the Lind Shares, which the parties acknowledge and agree can be effected outside of the BIA Process) (the "**Proposal**") on or before September 18, 2020;

(b) if required, cause a meeting of TLC's creditors (the "**Creditor Meeting**") to occur no later than 21 days after filing of the Proposal by the trustee under the BIA Process; and

(c) seek Court Approval no later than 20 days after the Creditor Meeting.

Closing

Provided that Court Approval is obtained, the parties agree to use their commercial reasonable efforts to complete the transactions contemplated by this Term Sheet (the "**Closing**") as soon as practicable following receipt of Court Approval, but in any event no later than five (5) business days thereafter.

Exclusivity

In consideration of the payment of the Deposit, the Vendor and Lind, with the intention to be legally bound, agree, for a period of the shorter of fifty (50) days from the date of this Term Sheet and the date of occurrence of a Release Event, to refrain from, directly or indirectly, soliciting, initiating or encouraging any expression of interest, proposal or offer from, or negotiation with, or providing information to or facilitating discussions with, any person relating to any competing offer from a third party to acquire or otherwise facilitate the repayment of, in whole or in part, directly or indirectly, the Lind Loans or continue any previous, or initiate any new, discussions or negotiations with a third party that could reasonably be expected to be inconsistent with or limit the likelihood of the successful implementation of the transactions contemplated by this Term Sheet.

Confidentiality

Except as may be required by applicable law, the parties will keep the existence of this Term Sheet, the terms of the transactions contemplated by this Term Sheet and the fact that discussions concerning the transactions contemplated by this Term Sheet are ongoing, strictly confidential. Each party will restrict disclosure of such matters to those of its directors, officers, employees and advisors who have a need to know such information in connection with the evaluation and execution of the transactions described in this Term Sheet and will advise those persons of the confidential nature of such information.

Definitive Documents

Each party will, in good faith and using its commercial reasonable efforts, negotiate all definitive documents necessary to give effect to the transactions contemplated by this Term Sheet.

Termination

This Term Sheet (other than the provisions under the headings "Deposit", "Confidentiality" and "Governing Law", each of which shall survive termination or expiration of this Term Sheet) will automatically terminate and be of no further force or effect if Court Approval is not obtained within forty five days from the date of this Term Sheet.

Costs and Expenses

The Canguard Entities will reimburse the Vendor for up to Cdn\$10,000 of its legal costs in connection with the negotiation and execution of the transactions contemplated by this Term Sheet. Other than as set out herein, each party will bear its respective costs and expenses in connection with the negotiation and execution of the transactions contemplated by this Term Sheet.

Binding Term Sheet

The parties agree that this Term Sheet is, and is intended to be, a legally binding agreement between the parties.

Assignability

No party may assign its rights or obligations under this Term Sheet without the prior written approval of the other parties.

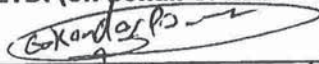
Governing Law

This Term Sheet shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

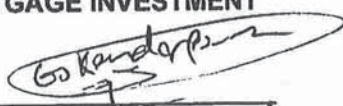
[Signature page follows]

The undersigned are executing this Term Sheet with the intention to be legally bound by its terms this 11th day of September, 2020.

1263809 B.C. LTD. (on behalf of its nominee)

Per: 
Authorized Signatory Mohammad Eskandarpoor

CANGUARD MORTGAGE INVESTMENT CORPORATION

Per: 
Authorized Signatory Mohammad Eskandarpoor

LIND ASSET MANAGEMENT XV, LLC

Per: _____
Authorized Signatory

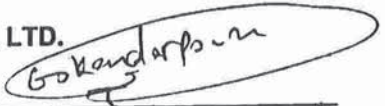
TRUE LEAF BRANDS INC.

Per: _____
Authorized Signatory

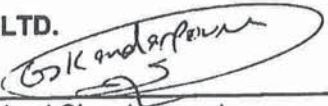
TRUE LEAF INVESTMENTS CORP.

Per: _____
Authorized Signatory

1263809 B.C. LTD.

Per: 
Authorized Signatory Mohammad Eskandarpoor

1263815 B.C. LTD.

Per: 
Authorized Signatory Mohammad Eskandarpoor

THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Per: _____
Authorized Signatory

TRUE LEAF CANNABIS INC.

Per: _____
Authorized Signatory

The undersigned are executing this Term Sheet with the intention to be legally bound by its terms this 11th day of September, 2020.

1263809 B.C. LTD. (on behalf of its nominee)

Per: _____
Authorized Signatory

1263809 B.C. LTD.

Per: _____
Authorized Signatory

CANGUARD MORTGAGE INVESTMENT CORPORATION

Per: _____
Authorized Signatory

1263815 B.C. LTD.

Per: _____
Authorized Signatory

LIND ASSET MANAGEMENT XV, LLC

Per:  _____
Authorized Signatory

THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Per:  _____
Authorized Signatory

TRUE LEAF BRANDS INC.

Per: _____
Authorized Signatory

TRUE LEAF CANNABIS INC.

Per: _____
Authorized Signatory

TRUE LEAF INVESTMENTS CORP.

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Per: _____
Authorized Signatory

THE AUSTRALIAN SPECIAL OPPORTUNITY FUND, LP

Per: _____
Authorized Signatory

TRUE LEAF CANNABIS INC.

Per: _____
Authorized Signatory

Schedule A

Please see attached.

**OFFER TO PURCHASE AND AGREEMENT OF PURCHASE AND SALE
(SHARE PURCHASE)**

THIS OFFER is made on the _____ day of ♦, 2020,

BY:

♦

(the “Purchaser”)

[AND

♦

(the “Purchaser’s Parent Company”) [NTD: If Purchaser is a special purpose vehicle]

TO:

TRUE LEAF BRANDS INC.

(the “Vendor”)

♦ [NTD: insert address]

AND

TRUE LEAF CANNABIS INC.

(“TLC”)

WITNESSES THAT WHEREAS:

- A. Terms utilized in these Recitals and defined in this Agreement will, for all purposes of this Agreement, have the meanings respectively ascribed thereto in Section 3.1 or as otherwise defined herein;
- B. TLC is a licensed producer preparing to cultivate, process and sell medicinal cannabis under Canada’s *Cannabis Act* from an 18,000 square foot facility located in Lumby, British Columbia in accordance with the Cannabis License;
- C. The Vendor owns all of the issued and outstanding shares in the capital of TLC (the “Shares”);

- D. The Vendor, TLC, True Leaf Pet Inc. and True Leaf Investments Corp. each filed a NOI with the Office of the Superintendent of Bankruptcy on April 1, 2020 pursuant to Part III, Division I of the BIA;
- E. FTI Consulting Canada Inc. was appointed as the Proposal Trustee in each of the BIA Proceedings;
- F. Pursuant to the order of the Court pronounced May 13, 2020, the Proposal Trustee, in consultation with the Vendor and TLC, initiated a sales process in order to solicit offers for the sale of all or substantially all of the Shares or the Property of the Vendor; and
- G. The Purchaser is prepared to purchase the Shares from the Vendor, and the Vendor is prepared to sell the Shares to the Purchaser, upon the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein set forth, the Vendor and the Purchaser hereby covenant, acknowledge and agree as follows:

ARTICLE 1 – SUMMARY OF BASIC TERMS

1.1 Summary of Basic Terms

The basic terms of this Agreement are as follows:

- | | | |
|-----|-----------------------|--|
| (a) | Address of Purchaser: | ◆ |
| | | Attention: ◆ |
| | | Email: ◆ |
| (b) | Address of Vendor: | 32-100 Kalamalka Lake Rd
Vernon, BC V1T 9G1 |
| | | Attention: Allen Fujimoto |
| | | Email: allen@trueleaf.com |
| (c) | Purchase Price: | \$◆ |
| (d) | Deposit: | \$◆ [Note: 10% of the Purchase Price] |

The foregoing basic terms are approved by the parties. Any reference in this Agreement to a basic term will be construed to include the provision set forth above as well as any additional terms and conditions of this Agreement where the basic term is more fully set forth. In the event of a conflict between any of the foregoing basic terms and the terms of the Agreement set forth below, the terms of the Agreement set forth below shall be determinative.

ARTICLE 2 – OFFER AND ACCEPTANCE

2.1 Offer

The Purchaser hereby offers to purchase (the “**Offer**”) from the Vendor the Shares, free and clear of all liens, charges, encumbrances and title notations, save and except the Permitted Encumbrances, upon the terms and conditions contained herein, with the result that the Purchaser shall become the sole shareholder of TLC upon Closing. In acquiring the Shares, the Purchaser hereby acknowledges, confirms and agrees that it is acquiring the Shares subject to all of the rights, liabilities, obligations, assets, priorities and undertakings of TLC as of the Closing Date, including without limitation the Permitted Encumbrances.

2.2 Acceptance

The acceptance of this Offer by the Vendor and TLC will convert this Offer into a binding agreement (the “**Agreement**”) for the purchase and sale of the Shares on the terms and conditions contained herein.

ARTICLE 3 – INTERPRETATION

3.1 Definitions

In this Agreement, each of following terms will have the meaning respectively set out below unless the context or subject matter is inconsistent with that meaning:

- (a) “**Agreement**” means this Offer to Purchase and Agreement of Purchase and Sale, and all schedules attached hereto, as may be amended in writing from time to time with the agreement of both parties;
- (b) “**Alternative Transaction**” means a transaction pursuant to a Successful Bid with a party, including the Purchaser, from the Auction or a financial restructuring transaction of the Vendor and/or TLC outside the Sales Process;
- (c) “**Auction**” means the auction held by the Proposal Trustee for the sale of the Shares or the Property in accordance with the Sales Process;
- (d) “**BIA**” means the *Bankruptcy and Insolvency Act (Canada)*;
- (e) “**BIA Proceedings**” means the proceedings pursuant to which the Vendor and TLC have filed for and were granted protection under the BIA;
- (f) “**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia;
- (g) “**Cannabis License**” means the license issued to TLC from Health Canada under license number ♦ in respect of the site located at the Lands issued on ♦ and expiring on ♦;

- (h) **“Closing”** means the closing of the purchase and sale of the Shares in accordance with the provisions of this Agreement;
- (i) **“Closing Date”** means a date no later than 10 Business Days following the date of the Vesting Order, or at such other date as may be agreed to in writing by the parties;
- (j) **“Court”** means the Supreme Court of British Columbia;
- (k) **“Deposit”** means the “Good Faith Deposit” as defined in the Sales Process and is the sum set forth in Subsection 1.1(d) to be paid by the Purchaser to the Vendor pursuant to Subsection 4.2(a);
- (l) **“Encumbrances”** means all claims, Liabilities (direct, indirect, absolute or contingent), obligations, prior claims, right of retention, liens, security interests, charges, hypothecs, deemed trusts (statutory or otherwise), judgments, writs of seizure or execution, notices of sale, contractual rights (including purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual rights) and encumbrances, whether or not they have been registered, published or filed and whether secured, unsecured or otherwise;
- (m) **“Execution Date”** means the date upon which the Vendor accepts the Purchaser’s offer herein contained by delivering a fully executed copy of this Agreement to the Purchaser;
- (n) **“Goods”** means all assets, undertakings and personal property, other than the Lands and the Rights, of TLC, that are located at, placed or installed upon the Lands, but excluding any assets, undertakings or personal property that are subject to a valid purchase money security interest, as defined by the PPSA.
- (o) **“Lands”** means real property located at 1837 Shuswap Avenue, Lumby, British Columbia, with PID: 008-974-241 and legally described as Lot 3, District Lot 18, Osoyoos Division Yale, District Plan 14627, Except Plans 25260, 30965 and 31773;
- (p) **“Liability”** means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;
- (q) **“Mutual Condition”** has the meaning assigned to it in Section 7.1 of this Agreement;

- (r) **“Permitted Encumbrances”** means the Encumbrances related to the Shares, save and except those set out in Schedule B, and any other Encumbrances agreed to by the Purchaser;
- (s) **“Person”** means an individual, partnership (limited or general), corporation, trust, unincorporated organization, government or any department or agency thereof, and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual;
- (t) **“PPSA”** means *Personal Property Security Act*, R.S.B.C. 1996, c. 359, as amended;
- (u) **“Property”** means the Lands, the Rights and the Goods;
- (v) **“Proposal Trustee”** means FTI Consulting Canada Inc., in its capacity as proposal trustee under the BIA Proceedings and not in its personal or any other capacity.
- (w) **“Purchase Price”** means the sum set forth in Subsection 1.1(c) to be paid by the Purchaser to the Vendor in consideration of the purchase and sale of the Shares in accordance with this Agreement;
- (x) **“Purchaser’s Solicitors”** means ♦ of ♦;
- (y) **“Qualified Bid”** has the meaning given to it in the Sales Process;
- (z) **“Qualified Bidder”** has the meaning given to it in the Sales Process;
- (aa) **“Rights”** means all rights, obligations and/or interest of TLC in respect of all Service Contracts and the Cannabis License;
- (bb) **“Sales Process”** means the sale solicitation and bidding procedures attached as Schedule A;
- (cc) **“Sales Process Order”** means the order of the Court granted on May 13, 2020 approving the implementation of the Sales Process;
- (dd) **“Sale Process”** has the meaning given to it in the Sales Process;
- (ee) **“Service Contracts”** means all contracts pertaining to the Lands entered into by or binding upon TLC, together with all modifications, extensions, renewals and assignments thereof, relating to the management, servicing, maintenance, repair, cleaning and advertising or the provision of any other goods or services in respect of the Lands or the furnishing of supplies or services thereto, including contracts for leasing equipment or chattels;
- (ff) **“Shares”** has the meaning given to it in the Recitals;
- (gg) **“Successful Bid”** has the meaning given to it in the Sales Process;

- (hh) **“Successful Bidder”** has the meaning given to it in the Sales Process;
- (ii) **“TLC Bid Deadline”** has the meaning given to it in the Sales Process;
- (jj) **“Vendor’ Solicitors”** means Clark Wilson LLP of 900-885 West Georgia Street, Vancouver, British Columbia, V6C 3H1; and
- (a) **“Vesting Order”** means an order (or separate orders) of the Court, substantially in the British Columbia model order form, approving the transactions contemplated herein and transferring and conveying registered and beneficial title and ownership to the Shares to the Purchaser free and clear of all encumbrances except for Permitted Encumbrances.

3.2 Interpretation

In this Agreement:

- (a) words importing the singular number include the plural and *vice versa* and words importing the neutral gender include all genders;
- (b) the division of this Agreement into Articles, Sections and Subsections and the insertion of headings are for convenience only and will not affect the construction or interpretation of this Agreement;
- (c) references to any Article, Section, Subsection or Schedule will, unless the context otherwise requires, mean that Article, Section, Subsection or Schedule of this Agreement;
- (d) the captions contained in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement or in any way affect this Agreement; and
- (e) all payments to be made will be deemed to be payments in lawful currency of Canada.

ARTICLE 4 – PURCHASE PRICE

4.1 Agreement of Purchase and Sale

Subject to the terms and conditions of this Agreement:

- (a) the Vendor agrees to sell the Shares to the Purchaser in consideration of payment of the Purchase Price by the Purchaser to the Vendor on the dates stipulated herein; and

- (b) the Purchaser agrees to purchase the Shares from the Vendor, subject only to the Permitted Encumbrances, and to pay the Purchase Price to the Vendor on the dates stipulated herein.

4.2 Payment of Purchase Price

The Purchaser will pay the Purchase Price, subject to the adjustments provided for in this Agreement, as follows:

- (a) the Deposit will be paid by the Purchaser to the Vendor by way of wire transfer to Colliers Macaulay Nicolls Inc., in trust, to the account details set out in Schedule C, upon the Purchaser's submission of this Agreement; and
- (b) the balance of the Purchase Price in accordance with Article 9.

4.3 Deposit

The Deposit will be held by the Proposal Trustee. The Deposit will be dealt with as follows:

- (a) in the event the Purchaser is not the Successful Bidder, the Deposit will be immediately returned to the Purchaser; or
- (b) on the Closing Date, the Deposit will be credited on account of the Purchase Price; or
- (c) if, following satisfaction of the Mutual Condition, the Purchaser fails to complete the purchase of the Shares in accordance with this Agreement or if the Purchaser repudiates this Agreement, then the Deposit will be forfeited to the Vendor as liquidated damages in full and final satisfaction of any claims, rights or remedies whatsoever of the Vendor or Proposal Trustee against the Purchaser whether at law or in equity; or
- (d) if the Mutual Condition is satisfied on or before the date specified therein and if the Purchaser is not in default of any of its obligations under this Agreement and the Vendor fails to complete the sale of the Shares in accordance with this Agreement or if, following satisfaction of the Mutual Condition, the Vendor repudiates this Agreement, then the Deposit will be returned to the Purchaser upon demand by the Purchaser on or after the Closing Date; or

in the event of termination of this Agreement pursuant to Section 7.1, then the Deposit will be forthwith returned to the Purchaser, this Agreement will be terminated and each of the parties will have no further obligations to, nor rights against, the other in respect of this Agreement except for any obligations of the Purchaser under Section 5.1.

ARTICLE 5 – “AS IS, WHERE IS”, INSPECTION AND INQUIRY

5.1 Acknowledgement by Purchaser

The Purchaser acknowledges and agrees that it has had the opportunity to conduct its own due diligence investigations in respect of the Shares and the Purchaser expressly acknowledges and agrees that it is acquiring the Shares on an “as is and where is” basis, without any representation or warranty by the Vendor with respect to the Shares or the state of the affairs of the Vendor or TLC, except as otherwise set forth in this Agreement. In this regard, the Purchaser is relying solely on its own due diligence investigations in entering into this Agreement. The Purchaser will forthwith return to the Vendor and/or TLC, all documentation obtained by the Purchaser from the Vendor and/or TLC (including, without limitation, the Vendor’s agents or the Proposal Trustee) with respect to the Shares and/or the Property and all copies thereof, together with copies of all surveys, studies and reports and the results of all inspections and tests made by or on behalf of the Purchaser with respect to the Shares and/or the Property, if the sale of the Shares by the Vendor to the Purchaser pursuant to this Agreement is not completed. The Purchaser will cause its directors, officers, consultants and agents to keep in strict confidence all information with respect to the Shares and/or the Property and the documentation obtained by the Purchaser with respect to the Shares and/or the Property until the sale of the Shares by the Vendor to the Purchaser is completed, except to the extent the Purchaser needs to release such information and documentation to its partners, investors accountants, counsel, lenders, consultants and financial advisers in connection with the purchase of the Shares and/or the Property or the Purchaser is required to release such information or documentation in order to comply with applicable laws or a court order. In circumstances where information and documents have been released to the Purchaser’s accountants, counsel, lenders, consultants and financial advisers, the provisions of Section 12.11 shall apply. Following the Execution Date, the Purchaser will not disturb or interfere with the business or operations of the Vendor or TLC without the Vendor’s prior written consent.

5.2 Authorization

The Vendor and TLC will promptly, at the Purchaser’s request, execute and deliver any authorizations reasonably required by the Purchaser to permit statutory or governmental authorities to release information to the Purchaser concerning the Shares and/or the Property and the existence of any liens against the Shares, provided that such authorizations will not permit or authorize, and the Purchaser agrees not to request or cause, any inspections of the Shares and/or the Property by any such authorities.

ARTICLE 6 – REPRESENTATIONS AND WARRANTIES

6.1 Vendor’s Representations and Warranties

The Vendor hereby represents and warrants to the Purchaser as representations and warranties made as of the date hereof and as of the Closing Date, unless otherwise specified,

with the intent that the Purchaser will rely on such representations and warranties in entering into this Agreement, that:

- (a) there are no agreements, options, contracts or commitments to sell, transfer or otherwise dispose of the Shares or which would restrict the ability of the Vendor to transfer the Shares to the Purchaser, subject to the terms of the Cannabis License or applicable regulations;
- (b) the Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

6.2 TLC's Representations and Warranties

TLC hereby represents and warrants to the Purchaser as representations and warranties made as of the date hereof and as of the Closing Date, unless otherwise specified, with the intent that the Purchaser will rely on such representations and warranties in entering into this Agreement, that:

- (a) the Shares represents all issued and outstanding shares in the capital of TLC;
- (b) the Shares are registered in the name of, and are beneficially owned by the Vendor;
- (c) none of the Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights;
- (d) the Cannabis License is in full force and effect and no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or creation of any Encumbrance in respect of, the Cannabis License, other than Encumbrances created prior to the commencement of the NOI or in the NOI proceedings.

6.3 Purchaser's Representation and Warranty

The Purchaser hereby represents and warrants to the Vendor and TLC as a representation and warranty made as of the date hereof and as of the Closing Date, with the intent that the Vendor and TLC will rely on such representation and warranty in entering into this Agreement:

- (a) that the Purchaser has the financial ability to complete the purchase of the Shares and there is no action or proceeding pending before any court, arbitrator, arbitration panel, administrative tribunal or agency which, if decided adversely to the Purchaser might materially affect the Purchaser's ability to perform its obligations under this Agreement;
- (b) the Purchaser is and will on the Closing Date be authorized and have the capacity to complete the purchase of the Shares as contemplated in this Agreement;

- (c) neither the Purchaser entering into this Agreement, nor the performance of its terms will result in a breach of or constitute a default under any term or provision of any indenture, mortgage, deed of trust or other agreement to which the Purchaser is bound or subject; and
- (d) the Purchaser is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

6.4 Survival of Representations and Warranties

All of the representations and warranties set out in Section 6.1 and Section 6.2 shall not merge on, but shall survive, Closing.

6.5 Vendor and TLC Covenants

The Vendor and TLC hereby covenant and agree with the Purchaser as follows:

- (a) TLC will continue to operate, manage and maintain the Property until the Closing Date as it is currently being operated, managed and maintained, subject to any order of the Court and the other provisions of this Agreement and provided however, and notwithstanding the foregoing or any other provision of this Agreement, the Vendor and TLC will have no obligation to make any capital repairs or replacements to the Property whatsoever; and
- (b) to maintain the existing insurance coverage in respect of the Property in full force and effect up to and including the Closing Date.

ARTICLE 7 – VESTING ORDER, TERMINATION, SALES PROCESS AND AUCTION PROCEDURES

7.1 Vesting Order Condition

The Purchaser's obligation to complete the purchase of the Shares, and the Vendor's corresponding obligation to complete the sale of the Shares, is subject to the issuance of the Vesting Order, and the approval by the Court of this Agreement without amendment on the terms and conditions herein, and all applicable appeal periods therefrom have lapsed (the "**Mutual Condition**"), all within 30 days of the Execution Date. The Purchaser and the Seller agree that if the application(s) for the foregoing relief is set for hearing within 30 days of the Execution Date then, whether or not that application is adjourned, the date for satisfaction of the Mutual Condition shall be extended to the date an order determining the application is made, and all applicable appeal periods therefrom have lapsed.

The Vendor covenants and agrees to use all reasonable commercial efforts to obtain the Vesting Order and the above noted approval of this Agreement to satisfy the Mutual Condition on or before the dates provided herein. The Mutual Condition is for the benefit of both the Purchaser and the Vendor and cannot be waived, in whole or in part, by either party. In the

event that the Vesting Order is not issued and/or the Court does not approve this Agreement within the time herein limited to satisfy the Mutual Condition, the Deposit will be returned to the Purchaser, this Agreement will be terminated and each of the parties hereto will have no further obligations to, nor rights against, the other in respect of this Agreement, except for any obligations of the Purchaser under Section 5.1.

7.2 Termination

This Agreement will automatically terminate if the Vendor enters into an Alternative Transaction.

In the event of termination of this Agreement pursuant to this Section 7.2, notice thereof will forthwith be given by the Vendor to the Purchaser and this Agreement will terminate, the Deposit will forthwith be returned to the Purchaser and the transactions contemplated hereby will be abandoned, without further action by any of the parties; provided, however, that this Section 7.2 and Section 5.1 will remain in full force and effect and survive any termination of this Agreement.

7.3 Sales Process and Auction Procedures

The Purchaser agrees to be bound by and accepts the terms and conditions of the Sales Process as authorized by the Sales Process Order. The Purchaser agrees and acknowledges that the Sale Process contained in the Sales Process may be supplemented by other customary procedures not inconsistent with the matters otherwise set forth therein and the terms of this Agreement.

Notwithstanding any other provision of this Agreement, the Vendor and the Purchaser **[and the Purchaser's Parent Company]** acknowledge that this Agreement and the sale of the Shares are subject to the Vendor's right to seek one or more Qualified Bids from Qualified Bidders in accordance with the Sales Process. The Vendor and the Purchaser **[and the Purchaser's Parent Company]** acknowledge that the Vendor, with the assistance of the Proposal Trustee, must take reasonable steps to demonstrate that they have sought to obtain the highest or otherwise best price for the Shares or the Property, by entertaining higher and better Qualified Bids from Qualified Bidders, and that the Proposal Trustee may enter into negotiations with one or more Qualified Bidders regarding the terms of the bidder's proposed asset purchase agreement for the purpose of maximizing value for the Vendor's estate. The Vendor and the Purchaser **[and the Purchaser's Parent Company]** acknowledge that the Proposal Trustee may, in its discretion, regardless of whether it has entered into negotiations with one or more Qualified Bids, hold the Auction and invite two or more Qualified Bids to participate in the Auction in accordance with the Sales Process.

The Vendor and the Purchaser **[and the Purchaser's Parent Company]** agree that the provisions of this Agreement, including this Section 7.3, are reasonable, were a material inducement to the Vendor and the Purchaser to enter into this Agreement and are designed to achieve the highest and best price for the Shares or the Property.

7.4 Agreement Subject to Sales Process

The terms of this Agreement will be subject to the terms and conditions of the Sales Process; provided, however, if there is any conflict between this Agreement and the Sales Process the terms of this Agreement will prevail.

ARTICLE 8 – POSSESSION

8.1 Possession

The Purchaser will be entitled to have possession of the Shares on the Closing Date, subject only to the Permitted Encumbrances.

ARTICLE 9 – CLOSING PROCEDURES

9.1 Vendor's Documents

On or before the Closing Date, the Vendor will deliver to the Purchaser's Solicitors, properly executed and acknowledged, all documents reasonably required and prepared by the Purchaser's Solicitors in form and substance reasonably approved by the Vendor's Solicitors, in order to complete this transaction in accordance with its terms, including, without limitation:

- (a) a Closing Certificate;
- (b) a certified copy of the Vesting Order;
- (c) all corporate records and books of account of TLC that are in the possession of the Vendor;
- (d) Share certificate(s) in the name of the Vendor representing the Shares duly endorsed for transfer; and
- (e) such other transfers, assignments and documents as the Purchaser's Solicitors and the Vendor's Solicitors may reasonably require in order to complete the transaction herein contemplated.

9.2 Purchaser's Documents

On or before the Closing Date the Purchaser will deliver to the Purchaser's Solicitors the following:

- (a) one or more certified cheques or bank drafts payable to the Purchaser's Solicitors in trust (or bank wire to the Purchaser's Solicitors' trust account) for the balance of the adjusted Purchase Price; and
- (b) such other transfers, assignments and documents as the Purchaser's Solicitors and the Vendor's Solicitors may reasonably require to complete the transaction herein contemplated.

9.3 Terms of Tender

On the Closing Date, if all documents and funds have been delivered as herein provided, all documents will be held in trust by the Purchaser's Solicitors. Upon submission for registration of the Vesting Order and the other documents required to be submitted for registration and receipt by the Purchaser's Solicitors of a satisfactory post-index search confirming that all charges and encumbrances except Permitted Encumbrances being discharged on the basis of an undertaking acceptable to the Purchaser, the Purchaser's Solicitors will forthwith pay to the Vendor the Purchase Price, as adjusted herein, and the parties will exchange all closing documents referred to in Sections 9.1 and 9.2.

9.4 Concurrent Requirements

All of the matters of payment and delivery of documents by each party to the other will be deemed to be concurrent requirements so that nothing is complete until everything has been paid, delivered and registered.

ARTICLE 10 – COSTS AND TAXES

10.1 Responsibility for Transaction Costs

The Vendor will be responsible for the cost of discharging any liens, charges and encumbrances from the Shares which are not Permitted Encumbrances and for the cost of registering any instruments, the registration of which by the Vendor is required or permitted hereby. Each party will pay its own legal fees with respect to the transactions contemplated in this Agreement.

ARTICLE 11 – NOTICES AND TENDER

11.1 Delivery of Notices

Any demand, notice, approval, consent or other communication to be given under the provisions of this Agreement by any party will be validly given if delivered personally or sent by email addressed to the respective parties as follows:

- (a) to the Purchaser at the following address:



with a copy to the Purchaser's Solicitors at:



- (b) to the Vendor at the following address:

32 – 100 Kalamalka Lake Rd
Vernon, BC V1Y 9G1

Attention: Allen Fujimoto
Email: allen@trueleaf.com

with a copy to the Vendor's Solicitors at:

Clark Wilson LLP
900-885 West Georgia St.
Vancouver, BC V6C 3H1

Attention: Christopher J. Ramsay / Katie G. Mak
Email: CRamsay@cwilson.com / KMak@cwilson.com

and a copy to the Trustee at:

Suite 1450, P.O. Box 10089
701 West Georgia St.
Vancouver, BC V7Y 1B6

Attention: Craig Munro
Email: craig.munro@fticonsulting.com

11.2 Deemed Date of Receipt

The date of receipt of any such notice or communication will be deemed to be the date of delivery or transmittal by email if delivered by 5:00 p.m. (Vancouver time) on a Business Day, and if otherwise delivered or transmitted by email, on the next Business Day following the date of such delivery or transmittal.

11.3 Change of Address

Either party may at any time give notice in writing to the other of any change of address of the party giving such notice to be given in the manner aforesaid, and from and after giving such notice, the address therein specified will be deemed to be the address of such party for the giving of such notice.

11.4 Tender

Tender of any money to be paid hereunder may be made by certified cheque (including a certified solicitor's trust cheque), bank draft or wire transfer payable to the party to whom tender is made, and drawn on a Canadian chartered bank or trust company, and tender may be made on an officer or director of the party or a solicitor known to the tendering party to be acting for the other in this matter.

ARTICLE 12 – MISCELLANEOUS

12.1 Assignment

The Purchaser will have the right to assign its rights under this Agreement to any entity which remains, at all times up to and including the Closing Date, an Affiliate (which has the meaning ascribed to it in the *Business Corporations Act* (British Columbia)) without the consent of the Vendor, provided that:

- (a) the Purchaser will deliver written notice to the Vendor of any such assignment at least 5 Business Days prior to the Vendor's application for the Vesting Order;
- (b) the Purchaser will remain fully liable to the Vendor for the performance by any such Affiliate of the obligations of the Purchaser under the Agreement and will not be released from the performance hereof; and
- (c) the Affiliate enters into an agreement with the Vendor assuming the rights and obligations of the Purchaser under this Agreement.

Otherwise, the Purchaser may only assign this Agreement with the prior written consent of the Vendor, which consent may be withheld in the Vendor's sole and absolute discretion.

12.2 Agency and Commission

The Purchaser will be responsible for any and all fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Shares or the Property. The Vendor reserve the right to retain the services of any real estate agent or salesperson in connection with the sale of the Shares or the Property, but will not be responsible for any fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Shares or the Property.

12.3 Further Assurances

The Vendor and the Purchaser will each deliver to or cause to be delivered to the other all such further documents and assurances as may be reasonably required to give full effect to the intent and meaning of this Agreement and registration of all the requisite documents in all appropriate offices of public record.

12.4 Entire Agreement

This Agreement contains the whole of the agreement between the parties and there are no agreements, representations or warranties save as herein set out or incorporated by reference.

12.5 Time of the Essence

Time will be of the essence of this Agreement.

12.6 Business Days

If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited will extend to the next following Business Day.

12.7 Counterparts

This Agreement may be executed in one or more counterparts, each of which is deemed to be an original, and all of which constitute one Agreement. This Agreement will be considered executed and delivered when either:

- (a) an originally executed copy has been delivered to each party; or
- (b) a facsimile or electronic copy of this Agreement, evidencing the signatures of both of the parties, has been transmitted by facsimile or e-mail to each party.

12.8 Execution by Facsimile or E-Mail

If execution and delivery of this Agreement has been completed in whole or in part by facsimile or by e-mail (by delivery of PDF copies of this Agreement), then the parties will ensure that originally executed copies of the Agreement are delivered to each party as soon as reasonably practicable.

12.9 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada having application in the Province of British Columbia.

12.10 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

12.11 Confidentiality

The Purchaser expressly agrees to keep the terms of this Agreement and the transaction contemplated hereby strictly confidential, except that the foregoing information may be disclosed by either the Purchaser to:

- (a) its directors, officers, employees, agents or advisors, including, accountants, counsel, lenders, consultants and financial advisors; and
- (b) such other persons as the Vendor may approve in writing,

and such individuals will be made aware of the provisions of this Section 12.11 and will agree to be bound hereby. The provisions of this Section 12.11 will terminate as to a particular portion of such confidential information in the circumstances where such confidential information:

- (c) is or becomes generally available to the public (other than as a result of disclosure directly or indirectly by the Purchaser);
- (d) is or becomes available to the Purchaser on a non-confidential basis from a source other than the Vendor provided such source does not owe a duty of confidentiality to the Vendor or to any other person; or
- (e) is or was independently acquired or developed by the Purchaser without use of any information disclosed by the Vendor.

ARTICLE 13 – ACCEPTANCE

This Offer is open for acceptance by the Vendor by the delivery or transmission by facsimile by the Vendor of a copy of this Offer with the Vendor’s Acceptance executed by the Vendor to the Purchaser no later than 5:00 p.m. (Vancouver time) within ten (10) Business Days following the delivery or transmissions by e-mail of the Offer by the Purchaser to the Vendor, failing which this Offer will be null and void.

IN WITNESS WHEREOF the Purchaser has executed this Offer this ____ day of ♦, 2020.

♦[PURCHASER]

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

◆ [PURCHASER'S PARENT COMPANY]

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

VENDORS AND TLC'S ACCEPTANCE OF OFFER

For and in consideration of the covenants and agreements of the Purchaser contained in the within Offer, the Vendor hereby irrevocably accepts the Offer and agrees to perform its obligations thereunder this __ day of ◆, 2020.

TRUE LEAF BRANDS INC.

Per: _____
Allen Fujimoto
CEO

TRUE LEAF CANNABIS INC.

Per: _____
Allen Fujimoto
◆

Schedule A
SALES PROCESS

SCHEDULE B

LEGAL NOTATIONS, CHARGES AND ENCUMBRANCES TO BE DISCHARGED



SCHEDULE C

RE: Banking Information – COLLIERS MACAULAY NICOLLS INC.

Please include the following banking information when sending payments.

CAD fund via Wire payment

Institution name: HSBC Bank Canada
Branch address: 885 West Georgia Street Vancouver BC V6C3G1 CANADA
Institution number: 016
Transit number: 10020
Currency: CAD
Account number: 020294603020
Account name: COLLIERS MACAULAY NICOLLS INC
Account address: 200 GRANVILLE STREET VANCOUVER BC V6C2R6 CANADA
Swift Code: HKBCCATT

CAD fund via EFT payment

Bank: 016
Transit: 10020
Account number: 294603020

APPENDIX B

**OFFER TO PURCHASE AND AGREEMENT OF PURCHASE AND SALE
(SHARE PURCHASE)**

THIS OFFER is made on the _____ day of November, 2020,

BY:

1273096 B.C. LTD., a company incorporated pursuant to the laws of British Columbia, having a registered and records office at 1066 West Hastings Street, Suite 2600, Vancouver, B.C.

(the “Purchaser”)

TO:

TRUE LEAF INVESTMENTS CORP., a company incorporated pursuant to the laws of British Columbia, having a registered and records office at 1055 West Hastings Street, Suite 1700, Vancouver, B.C.

(the “Vendor”)

AND

TRUE LEAF CANNABIS INC., a company incorporated pursuant to the laws of British Columbia, having a registered and records office at 1055 West Hastings Street, Suite 1700, Vancouver, B.C.

(“TLC”)

WITNESSES THAT WHEREAS:

- A. Terms utilized in these Recitals and defined in this Agreement will, for all purposes of this Agreement, have the meanings respectively ascribed thereto in Section 3.1 or as otherwise defined herein;
- B. TLC is a licensed producer preparing to cultivate, process and sell medicinal cannabis under Canada’s *Cannabis Act* from an 18,000 square foot facility located in Lumby, British Columbia in accordance with the Cannabis License;
- C. The Vendor owns all of the issued and outstanding shares in the capital of TLC (the “Shares”);
- D. The Vendor, TLC, True Leaf Pet Inc. and TLB each filed a Notice of Intention to Make a Proposal (“NOI”) with the Office of the Superintendent of Bankruptcy on April 2, 2020 pursuant to Part III, Division I of the BIA;

- E. FTI Consulting Canada Inc. was appointed as the Proposal Trustee in each of the BIA Proceedings;
- F. Pursuant to the order of the Court pronounced May 13, 2020, the Proposal Trustee, in consultation with the Vendor and TLC, initiated a sales process in order to solicit offers for the sale of all or substantially all of the Shares or the Property of the Vendor; and
- G. The Purchaser is prepared to purchase the Shares from the Vendor, and the Vendor is prepared to sell the Shares to the Purchaser, upon the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein set forth, the Vendor and the Purchaser hereby covenant, acknowledge and agree as follows:

ARTICLE 1 – SUMMARY OF BASIC TERMS

1.1 Summary of Basic Terms

The basic terms of this Agreement are as follows:

- | | | |
|-----|-----------------------|---|
| (a) | Address of Purchaser: | 12877 76 Avenue
Surrey, BC V3W 1E6

Attention: Moe Eskandarpour
Email: moe@canguard.ca |
| (b) | Address of Vendor: | 32-100 Kalamalka Lake Rd
Vernon, BC V1T 9G1

Attention: Darcy Bomford
Email: darcy@trueleafbrands.com |
| (c) | Purchase Price: | Cdn\$1.00 |

The foregoing basic terms are approved by the parties. Any reference in this Agreement to a basic term will be construed to include the provision set forth above as well as any additional terms and conditions of this Agreement where the basic term is more fully set forth. In the event of a conflict between any of the foregoing basic terms and the terms of the Agreement set forth below, the terms of the Agreement set forth below shall be determinative.

ARTICLE 2 – OFFER AND ACCEPTANCE

2.1 Offer

The Purchaser hereby offers to purchase (the “**Offer**”) from the Vendor the Shares, free and clear of all liens, charges, encumbrances and title notations, upon the terms and conditions contained herein, with the result that the Purchaser shall become the sole shareholder of TLC

upon Closing. In acquiring the Shares, the Purchaser hereby acknowledges, confirms and agrees that it is acquiring the Shares subject to all of the rights, liabilities, obligations, assets, priorities and undertakings of TLC as of the Closing Date.

2.2 Acceptance

The acceptance of this Offer by the Vendor and TLC will convert this Offer into a binding agreement (the “**Agreement**”) for the purchase and sale of the Shares on the terms and conditions contained herein.

ARTICLE 3 – INTERPRETATION

3.1 Definitions

In this Agreement, each of following terms will have the meaning respectively set out below unless the context or subject matter is inconsistent with that meaning:

- (a) “**Agreement**” means this Offer to Purchase and Agreement of Purchase and Sale, and all schedules attached hereto, as may be amended in writing from time to time with the agreement of both parties;
- (b) “**BIA**” means the *Bankruptcy and Insolvency Act (Canada)*;
- (c) “**BIA Proceedings**” means the proceedings pursuant to which the Vendor and TLC have filed for and were granted protection under the BIA;
- (d) “**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia;
- (e) “**Canguard**” means Canguard Mortgage Investment Corporation;
- (f) “**Canguard Entities**” means Canguard and its related acquisition entities;
- (g) “**Canguard Loan**” means a loan by Canguard to TLC in the principal amount of Cdn\$3,000,000;
- (h) “**Canguard Security**” means a first mortgage on the Lands and a first priority security interest in all of TLC's present and after-acquired personal property;
- (i) “**Cannabis License**” means the license issued to TLC from Health Canada under license number LIC-ICNMH3TOMG-2019 in respect of the site located at the Lands issued on November 22, 2019 and expiring on November 22, 2022;
- (j) “**Closing**” means the closing of the purchase and sale of the Shares in accordance with the provisions of this Agreement;
- (k) “**Closing Date**” means as soon as practicable following receipt of Court Approval, but in any event no later than five (5) Business Days thereafter;

- (l) **“Court”** means the Supreme Court of British Columbia;
- (m) **“Court Approval”** means, collectively:
 - (i) the acceptance by the majority of the required unsecured creditors of TLC and subsequent approval by the Court of the Proposal; and
 - (ii) the granting by the Court of the Vesting Order and the discharge of all claims and encumbrances against TLC (including the administrative charge and the interim financing charge created pursuant to the BIA Proceedings, but excluding the balance of the Lind Loans over and above Cdn\$4,150,000);
- (n) **“Encumbrances”** means all claims, Liabilities (direct, indirect, absolute or contingent), obligations, prior claims, right of retention, liens, security interests, charges, hypothecs, deemed trusts (statutory or otherwise), judgments, writs of seizure or execution, notices of sale, contractual rights (including purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual rights) and encumbrances, whether or not they have been registered, published or filed and whether secured, unsecured or otherwise;
- (o) **“Excess Cash”** means an amount equal to all of the cash balances of TLB, TLC and the Vendor as at the Closing Date in excess of Cdn\$100,000 in the aggregate;
- (p) **“Execution Date”** means the date upon which the Vendor accepts the Purchaser’s offer herein contained by delivering a fully executed copy of this Agreement to the Purchaser;
- (q) **“Funds for Distribution”** means up to \$30,000 in funds to be distributed to the unsecured creditors of TLC as set out in the Proposal;
- (r) **“Goods”** means all assets, undertakings and personal property, other than the Lands and the Rights, of TLC, that are located at, placed or installed upon the Lands, but excluding any assets, undertakings or personal property that are subject to a valid purchase money security interest, as defined by the PPSA;
- (s) **“InvestorCo”** means 1263815 B.C. Ltd.;
- (t) **“InvestorCo Loan”** means a loan by InvestorCo to TLC in the principal amount of Cdn\$1,700,000;
- (u) **“InvestorCo Security”** means a second mortgage on the Lands and a second priority security interest in all of TLC’s present and after-acquired personal property
- (v) **“Lands”** means real property located at 1837 Shuswap Avenue, Lumby, British Columbia, with PID: 008-974-241 and legally described as Lot 3, District Lot 18,

Osoyoos Division Yale, District Plan 14627, Except Plans 25260, 30965 and 31773;

- (w) **“Liability”** means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;
- (x) **“Lind Loans”** means all amounts owing by TLC to Lind Asset Management XV, LLC:
 - (i) under the DIP Credit Facility Agreement dated April 29, 2020, as amended, approved in connection with the BIA Proceedings;
 - (ii) pursuant to a Convertible Security Funding Agreement dated February 12, 2019; and
 - (iii) pursuant to a Convertible Security Funding Agreement dated October 7, 2019;
- (y) **“Loan Proceeds”** means all of the proceeds of the Canguard Loan and Cdn\$1,150,000 of the proceeds of the InvestorCo Loan;
- (z) **“Mutual Conditions”** has the meaning assigned to it in Section 7.1 of this Agreement;
- (aa) **“Person”** means an individual, partnership (limited or general), corporation, trust, unincorporated organization, government or any department or agency thereof, and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual;
- (bb) **“PPSA”** means *Personal Property Security Act*, R.S.B.C. 1996, c. 359, as amended;
- (cc) **“Property”** means the Lands, the Rights and the Goods;
- (dd) **“Proposal”** means the proposal filed with the Proposal Trustee, providing for:
 - (i) the Canguard Entities providing the Funds for Distribution to certain unsecured creditors of TLC as set out in the Proposal; and
 - (ii) the discharge of all claims and encumbrances against TLC (including the administrative charge and the interim financing charge created pursuant to the BIA Proceedings, but excluding the balance of the Lind Loans over and above Cdn\$4,150,000);

- (ee) **“Proposal Trustee”** means FTI Consulting Canada Inc., in its capacity as proposal trustee under the BIA Proceedings and not in its personal or any other capacity;
- (ff) **“Purchase Price”** means the sum set forth in Subsection 1.1(c) to be paid by the Purchaser to the Vendor in consideration of the purchase and sale of the Shares in accordance with this Agreement;
- (gg) **“Purchaser’s Solicitors”** means MLT Aikins LLP of 2600-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1;
- (hh) **“Rights”** means all rights, obligations and/or interest of TLC in respect of all Service Contracts and the Cannabis License;
- (ii) **“Service Contracts”** means all contracts pertaining to the Lands entered into by or binding upon TLC, together with all modifications, extensions, renewals and assignments thereof, relating to the management, servicing, maintenance, repair, cleaning and advertising or the provision of any other goods or services in respect of the Lands or the furnishing of supplies or services thereto, including contracts for leasing equipment or chattels;
- (jj) **“Shares”** has the meaning given to it in the Recitals;
- (kk) **“TLB”** means True Leaf Brands Inc.;
- (ll) **“Vendor’s Solicitors”** means Clark Wilson LLP of 900-885 West Georgia Street, Vancouver, British Columbia, V6C 3H1; and
- (a) **“Vesting Order”** means an order (or separate orders) of the Court, substantially in the British Columbia model order form, approving the transactions contemplated herein and transferring and conveying registered and beneficial title and ownership to the Shares to the Purchaser free and clear of all Encumbrances.

3.2 Interpretation

In this Agreement:

- (a) words importing the singular number include the plural and *vice versa* and words importing the neutral gender include all genders;
- (b) the division of this Agreement into Articles, Sections and Subsections and the insertion of headings are for convenience only and will not affect the construction or interpretation of this Agreement;
- (c) references to any Article, Section, Subsection or Schedule will, unless the context otherwise requires, mean that Article, Section, Subsection or Schedule of this Agreement;

- (d) the captions contained in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement or in any way affect this Agreement; and
- (e) all payments to be made will be deemed to be payments in lawful currency of Canada.

ARTICLE 4 – PURCHASE PRICE

4.1 Agreement of Purchase and Sale

Subject to the terms and conditions of this Agreement:

- (a) the Vendor agrees to sell the Shares to the Purchaser in consideration of payment of the Purchase Price by the Purchaser to the Vendor on the dates stipulated herein; and
- (b) the Purchaser agrees to purchase the Shares from the Vendor, and to pay the Purchase Price to the Vendor on the dates stipulated herein.

4.2 Payment of Purchase Price

The Purchaser will pay the Purchase Price in accordance with Article 9.

ARTICLE 5 – “AS IS, WHERE IS”, INSPECTION AND INQUIRY

5.1 Acknowledgement by Purchaser

The Purchaser acknowledges and agrees that it has had the opportunity to conduct its own due diligence investigations in respect of the Shares and the Purchaser expressly acknowledges and agrees that it is acquiring the Shares on an “as is and where is” basis, without any representation or warranty by the Vendor with respect to the Shares or the state of the affairs of the Vendor or TLC, except as otherwise set forth in this Agreement. In this regard, the Purchaser is relying solely on its own due diligence investigations in entering into this Agreement. The Purchaser will forthwith return to the Vendor and/or TLC, all documentation obtained by the Purchaser from the Vendor and/or TLC (including, without limitation, the Vendor’s agents or the Proposal Trustee) with respect to the Shares and/or the Property and all copies thereof, together with copies of all surveys, studies and reports and the results of all inspections and tests made by or on behalf of the Purchaser with respect to the Shares and/or the Property, if the sale of the Shares by the Vendor to the Purchaser pursuant to this Agreement is not completed. The Purchaser will cause its directors, officers, consultants and agents to keep in strict confidence all information with respect to the Shares and/or the Property and the documentation obtained by the Purchaser with respect to the Shares and/or the Property until the sale of the Shares by the Vendor to the Purchaser is completed, except to the extent the Purchaser needs to release such information and documentation to its partners, investors accountants, counsel, lenders, consultants and financial advisers in connection with

the purchase of the Shares and/or the Property or the Purchaser is required to release such information or documentation in order to comply with applicable laws or a court order. In circumstances where information and documents have been released to the Purchaser's accountants, counsel, lenders, consultants and financial advisers, the provisions of Section 12.11 shall apply.

5.2 Authorization

The Vendor and TLC will promptly, at the Purchaser's request, execute and deliver any authorizations reasonably required by the Purchaser to permit statutory or governmental authorities to release information to the Purchaser concerning the Shares and/or the Property and the existence of any liens against the Shares, provided that such authorizations will not permit or authorize, and the Purchaser agrees not to request or cause, any inspections of the Shares and/or the Property by any such authorities.

ARTICLE 6 – REPRESENTATIONS AND WARRANTIES

6.1 Vendor's Representations and Warranties

The Vendor hereby represents and warrants to the Purchaser as representations and warranties made as of the date hereof and as of the Closing Date, unless otherwise specified, with the intent that the Purchaser will rely on such representations and warranties in entering into this Agreement, that:

- (a) there are no agreements, options, contracts or commitments to sell, transfer or otherwise dispose of the Shares or which would restrict the ability of the Vendor to transfer the Shares to the Purchaser, subject to the terms of the Cannabis License or applicable regulations; and
- (b) the Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

6.2 TLC's Representations and Warranties

TLC hereby represents and warrants to the Purchaser as representations and warranties made as of the date hereof and as of the Closing Date, unless otherwise specified, with the intent that the Purchaser will rely on such representations and warranties in entering into this Agreement, that:

- (a) the Shares represents all issued and outstanding shares in the capital of TLC;
- (b) the Shares are registered in the name of, and are beneficially owned by the Vendor;
- (c) none of the Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights; and

- (d) the Cannabis License is in full force and effect and no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or creation of any Encumbrance in respect of, the Cannabis License, other than Encumbrances created prior to the commencement of the NOI or in the NOI proceedings.

6.3 Purchaser's Representation and Warranty

The Purchaser hereby represents and warrants to the Vendor and TLC as a representation and warranty made as of the date hereof and as of the Closing Date, with the intent that the Vendor and TLC will rely on such representation and warranty in entering into this Agreement:

- (a) that the Purchaser has the financial ability to complete the purchase of the Shares and there is no action or proceeding pending before any court, arbitrator, arbitration panel, administrative tribunal or agency which, if decided adversely to the Purchaser might materially affect the Purchaser's ability to perform its obligations under this Agreement;
- (b) the Purchaser is and will on the Closing Date be authorized and have the capacity to complete the purchase of the Shares as contemplated in this Agreement;
- (c) neither the Purchaser entering into this Agreement, nor the performance of its terms will result in a breach of or constitute a default under any term or provision of any indenture, mortgage, deed of trust or other agreement to which the Purchaser is bound or subject; and
- (d) the Purchaser is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

6.4 Survival of Representations and Warranties

All of the representations and warranties set out in Section 6.1 and Section 6.2 shall not merge on, but shall survive, Closing.

6.5 Vendor and TLC Covenants

The Vendor and TLC hereby covenant and agree with the Purchaser as follows:

- (a) TLC will continue to operate, manage and maintain the Property until the Closing Date as it is currently being operated, managed and maintained, subject to any order of the Court and the other provisions of this Agreement and provided however, and notwithstanding the foregoing or any other provision of this Agreement, the Vendor and TLC will have no obligation to make any capital repairs or replacements to the Property whatsoever; and
- (b) to maintain the existing insurance coverage in respect of the Property in full force and effect up to and including the Closing Date.

ARTICLE 7 – MUTUAL CONDITIONS

7.1 Mutual Conditions

The Purchaser's obligation to complete the purchase of the Shares, and the Vendor's corresponding obligation to complete the sale of the Shares, is subject to:

- (a) the advancement of the Canguard Loan and the creation and perfection of the Canguard Security;
- (b) the advancement of the InvestorCo Loan and the creation and perfection of InvestorCo Security;
- (c) the payment by TLC to Lind of the Loan Proceeds and the immediate payment by each of TLB, TLC and the Vendor to Lind of the Excess Cash, if any;
- (d) the payment of the Funds for Distribution to the required unsecured creditors of TLC, in accordance with the Proposal; and
- (e) obtaining Court Approval (including the issuance of the Vesting Order), and the approval by the Court of this Agreement without amendment on the terms and conditions herein, and all applicable appeal periods therefrom have lapsed

(collectively, the "**Mutual Conditions**"),

all within 30 days of the Execution Date. The Mutual Conditions are for the benefit of both the Purchaser and the Vendor and cannot be waived, in whole or in part, by either party. In the event that the Mutual Conditions are not satisfied within the time herein limited to satisfy the Mutual Condition, this Agreement will be terminated and each of the parties hereto will have no further obligations to, nor rights against, the other in respect of this Agreement, except for any obligations of the Purchaser under Section 5.1.

ARTICLE 8 – POSSESSION

8.1 Possession

The Purchaser will be entitled to have possession of the Shares on the Closing Date.

ARTICLE 9 – CLOSING PROCEDURES

9.1 Vendor's Documents

On or before the Closing Date, the Vendor will deliver to the Purchaser's Solicitors, properly executed and acknowledged, all documents reasonably required and prepared by the Purchaser's Solicitors in form and substance reasonably approved by the Vendor's Solicitors, in order to complete this transaction in accordance with its terms, including, without limitation:

- (a) a Closing Certificate;

- (b) a copy of the Vesting Order;
- (c) all corporate records and books of account of TLC that are in the possession of the Vendor;
- (d) Share certificate(s) in the name of the Vendor representing the Shares duly endorsed for transfer; and
- (e) such other transfers, assignments and documents as the Purchaser's Solicitors and the Vendor's Solicitors may reasonably require in order to complete the transaction herein contemplated.

9.2 Purchaser's Documents

On or before the Closing Date the Purchaser will deliver to the Purchaser's Solicitors the following:

- (a) A cheque or certified cheque payable to the Purchaser's Solicitors in trust (or bank wire to the Purchaser's Solicitors' trust account) for the Purchase Price; and
- (b) such other transfers, assignments and documents as the Purchaser's Solicitors and the Vendor's Solicitors may reasonably require to complete the transaction herein contemplated.

9.3 Terms of Tender

On the Closing Date, if all documents and funds have been delivered as herein provided, all documents will be held in trust by the Purchaser's Solicitors. Upon submission for registration of the Vesting Order and the other documents required to be submitted for registration and receipt by the Purchaser's Solicitors of a satisfactory post-index search confirming that all charges and encumbrances being discharged on the basis of an undertaking acceptable to the Purchaser, the Purchaser's Solicitors will forthwith pay to the Vendor the Purchase Price and the parties will exchange all closing documents referred to in Sections 9.1 and 9.2.

9.4 Concurrent Requirements

All of the matters of payment and delivery of documents by each party to the other will be deemed to be concurrent requirements so that nothing is complete until everything has been paid, delivered and registered.

ARTICLE 10 – COSTS AND TAXES

10.1 Responsibility for Transaction Costs

The Vendor will be responsible for the cost of discharging any liens, charges and encumbrances from the Shares and for the cost of registering any instruments, the registration of which by the

Vendor is required or permitted hereby. Each party will pay its own legal fees with respect to the transactions contemplated in this Agreement.

ARTICLE 11 – NOTICES AND TENDER

11.1 Delivery of Notices

Any demand, notice, approval, consent or other communication to be given under the provisions of this Agreement by any party will be validly given if delivered personally or sent by email addressed to the respective parties as follows:

- (a) to the Purchaser at the following address:

1273096 B.C. Ltd.
12877 76 Avenue
Surrey, BC V3W 1E6

with a copy to the Purchaser's Solicitors at:

MLT Aikins LLP
Suite 2600, 1066 West Hastings Street
Vancouver, BC, V6E 3X1

Attention: Mahdi Shams
Email: MShams@mltaikins.com

- (b) to the Vendor at the following address:

32 – 100 Kalamalka Lake Rd
Vernon, BC V1Y 9G1

Attention: Darcy Bomford
Email: darcy@trueleafbrands.com

with a copy to the Vendor's Solicitors at:

Clark Wilson LLP
900-885 West Georgia St.
Vancouver, BC V6C 3H1

Attention: Christopher J. Ramsay / Katie G. Mak
Email: CRamsay@cwilson.com / KMak@cwilson.com

and a copy to the Proposal Trustee at:

Suite 1450, P.O. Box 10089
701 West Georgia St.
Vancouver, BC V7Y 1B6

Attention: Craig Munro
Email: craig.munro@fticonsulting.com

11.2 Deemed Date of Receipt

The date of receipt of any such notice or communication will be deemed to be the date of delivery or transmittal by email if delivered by 5:00 p.m. (Vancouver time) on a Business Day, and if otherwise delivered or transmitted by email, on the next Business Day following the date of such delivery or transmittal.

11.3 Change of Address

Either party may at any time give notice in writing to the other of any change of address of the party giving such notice to be given in the manner aforesaid, and from and after giving such notice, the address therein specified will be deemed to be the address of such party for the giving of such notice.

11.4 Tender

Tender of any money to be paid hereunder may be made by cheque or certified cheque (including a certified solicitor's trust cheque), bank draft or wire transfer payable to the party to whom tender is made, and drawn on a Canadian chartered bank or trust company, and tender may be made on an officer or director of the party or a solicitor known to the tendering party to be acting for the other in this matter.

ARTICLE 12 – MISCELLANEOUS

12.1 Assignment

The Purchaser will have the right to assign its rights under this Agreement to any entity which remains, at all times up to and including the Closing Date, an Affiliate (which has the meaning ascribed to it in the *Business Corporations Act* (British Columbia)) without the consent of the Vendor, provided that:

- (a) the Purchaser will deliver written notice to the Vendor of any such assignment at least 5 Business Days prior to the Vendor's application for the Vesting Order;
- (b) the Purchaser will remain fully liable to the Vendor for the performance by any such Affiliate of the obligations of the Purchaser under the Agreement and will not be released from the performance hereof; and
- (c) the Affiliate enters into an agreement with the Vendor assuming the rights and obligations of the Purchaser under this Agreement.

Otherwise, the Purchaser may only assign this Agreement with the prior written consent of the Vendor, which consent may be withheld in the Vendor's sole and absolute discretion.

12.2 Agency and Commission

The Purchaser will be responsible for any and all fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Shares or the Property. The Vendor reserve the right to retain the services of any real estate agent or salesperson in connection with the sale of the Shares or the Property, but will not be responsible for any fees, commission or compensation payable to any real estate agent or salesperson engaged by the Purchaser in connection with the purchase of the Shares or the Property.

12.3 Further Assurances

The Vendor and the Purchaser will each deliver to or cause to be delivered to the other all such further documents and assurances as may be reasonably required to give full effect to the intent and meaning of this Agreement and registration of all the requisite documents in all appropriate offices of public record.

12.4 Entire Agreement

This Agreement contains the whole of the agreement between the parties and there are no agreements, representations or warranties save as herein set out or incorporated by reference.

12.5 Time of the Essence

Time will be of the essence of this Agreement.

12.6 Business Days

If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited will extend to the next following Business Day.

12.7 Counterparts

This Agreement may be executed in one or more counterparts, each of which is deemed to be an original, and all of which constitute one Agreement. This Agreement will be considered executed and delivered when either:

- (a) an originally executed copy has been delivered to each party; or
- (b) a facsimile or electronic copy of this Agreement, evidencing the signatures of both of the parties, has been transmitted by facsimile or e-mail to each party.

12.8 Execution by Facsimile or E-Mail

If execution and delivery of this Agreement has been completed in whole or in part by facsimile or by e-mail (by delivery of PDF copies of this Agreement), then the parties will ensure that originally executed copies of the Agreement are delivered to each party as soon as reasonably practicable.

12.9 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada having application in the Province of British Columbia.

12.10 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

12.11 Confidentiality

The Purchaser expressly agrees to keep the terms of this Agreement and the transaction contemplated hereby strictly confidential, except that the foregoing information may be disclosed by either the Purchaser to:

- (a) its directors, officers, employees, agents or advisors, including, accountants, counsel, lenders, consultants and financial advisors; and
- (b) such other persons as the Vendor may approve in writing,

and such individuals will be made aware of the provisions of this Section 12.11 and will agree to be bound hereby. The provisions of this Section 12.11 will terminate as to a particular portion of such confidential information in the circumstances where such confidential information:

- (c) is or becomes generally available to the public (other than as a result of disclosure directly or indirectly by the Purchaser);
- (d) is or becomes available to the Purchaser on a non-confidential basis from a source other than the Vendor provided such source does not owe a duty of confidentiality to the Vendor or to any other person; or
- (e) is or was independently acquired or developed by the Purchaser without use of any information disclosed by the Vendor.


ARTICLE 13 – ACCEPTANCE

This Offer is open for acceptance by the Vendor by the delivery or transmission by facsimile by the Vendor of a copy of this Offer with the Vendor's Acceptance executed by the Vendor to the

Purchaser no later than 5:00 p.m. (Vancouver time) within ten (10) Business Days following the delivery or transmissions by e-mail of the Offer by the Purchaser to the Vendor, failing which this Offer will be null and void.

IN WITNESS WHEREOF the Purchaser has executed this Offer this 4th day of November, 2020.

1273069 B.C. LTD.


Per: 
Authorized Signatory

Per: _____
Authorized Signatory

VENDORS AND TLC'S ACCEPTANCE OF OFFER


For and in consideration of the covenants and agreements of the Purchaser contained in the within Offer, the Vendor hereby irrevocably accepts the Offer and agrees to perform its obligations thereunder this __ day of November, 2020.

TRUE LEAF INVESTMENTS CORP.

Per: 

Darcy Bomford
CEO

TRUE LEAF CANNABIS INC.

Per: 

Darcy Bomford
CEO