



COURT FILE NUMBER B-200191  
VANCOUVER REGISTRY  
ESTATE NO. 11-2636060

**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 BRANDS INC.**

**SUPPLEMENTAL SIXTH REPORT OF THE PROPOSAL TRUSTEE**

**NOVEMBER 24, 2020**

## INTRODUCTION

1. This report (“**Supplemental Sixth Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the Trustee (the “**Proposal Trustee**”) under a Notice of Intention to File a Proposal (“**NOI**”) signed by True Leaf Brands Inc. (“**TLB**” or the “**Company**”) 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. TLB (formerly known as True Leaf Medicine International Ltd.) was incorporated under the Business Corporations Act of British Columbia (the “**BCABC**”) on June 9, 2014.
3. The Company was used as the fundraising vehicle for the True Leaf group of companies.
4. TLB is the parent company of two wholly owned subsidiaries, namely True Leaf Investment Corp. (“**TLI**”) and True Leaf Pet Inc. (“**TLP**”).
5. TLI is the parent company of True Leaf Cannabis Inc. (“**TLC**”).
6. In February 2019, TLB raised \$4.5 million through the issuance of a convertible, secured note (the “**Notes**”). The Notes were guaranteed by TLI, TLC and TLP.
7. TLB’s first payment on the Notes was due on March 23, 2020.
8. 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.
9. 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.

10. As a result, on April 1, 2020, TLB signed a 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.
11. After seeking and obtaining approval for several extensions of its stay of proceedings and time to file a proposal, on September 30, 2020, TLB lodged a proposal with the Proposal Trustee which was filed with the OSB on October 1, 2020.
12. TLB's creditor meeting was held on October 20, 2020 at which TLB obtained unanimous acceptance of its proposal.
13. On November 6, 2020, TLI, TLC and TLB sought the approval of this Honourable Court for the proposals that had been accepted by their creditors.
14. However, given that TLB's proposal was subject to the approval of a plan of arrangement by the requisite majority of its shareholders and the Court in accordance with the provisions of the BCABC. As this had not yet occurred, TLB's counsel requested to adjourn the application for the approval of TLB's proposal.
15. The purpose of this Supplemental Sixth Report is to provide the Court with an update regarding TLB's Amended Proposal dated November 19, 2020.
16. 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/>.

## TERMS OF REFERENCE

17. 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**").
18. 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.
19. 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.
20. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## THE COMPANY'S AMENDED PROPOSAL

21. As noted in the Sixth Report, TLB, TLI and TLC entered 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**”).
22. 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 TLI from TLB for a purchase price of \$1.
  - d) The closing of the above noted transactions (the “**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 TLI held by TLB to a nominee of InvestorCo; and
    - v. Approval of TLI and TLB’s proposals dated October 2, 2020 and October 1, 2020, respectively.
  - e) The closing of the Transactions are also subject to the granting of a vesting order by this Honourable Court, for the sale of TLI’s shares owned by TLB and the discharge of all claims and encumbrances against TLI including the Administrative Charge and the Interim Financing Charge.
23. On November 6, 2020, four orders were granted by this Honourable Court as follows:
- a) An order authorizing TLB to enter into the Transactions as indicated above and vesting all of the shares of TLI owned by TLB in InvestorCo free and clear of all claims and encumbrances and discharging all claims and encumbrances against TLI;

- b) An order approving TLI's proposal dated October 2, 2020;
  - c) An order authorizing TLI to enter into the Transactions as indicated above and vesting all of the shares of TLC owned by TLI in InvestorCo free and clear of all claims and encumbrances and discharging all claims and encumbrances against TLC; and
  - d) an order approving TLC's proposal dated September 18, 2020.
24. On November 16, 2020, the Transactions closed. Attached as Appendix A and B are the certificates of closing signed by the Proposal Trustee for TLB and TLI respectively.
25. Accordingly, the only remaining order to be sought from this Honourable Court is the approval of TLB's proposal.
26. Subsequent to the November 6, 2020 court hearing, counsel for InvestorCo discovered that, in November 2015, the shareholders of TLB approved certain amendments to TLB's articles of incorporation.
27. One such amendment involved providing for certain changes to TLB's capital structure to be authorized by way of a resolution of TLB's directors rather than by way of a resolution of its shareholders.
28. The reorganization of TLB's shares that were to be the subject of a plan of arrangement was determined to be a transaction that TLB's articles of incorporation were now permitted to be effected by way of a resolution of TLB's directors.
29. As a result, InvestorCo's counsel sought the agreement of TLB's directors to authorize the shareholder reorganization as contemplated.

30. Accordingly, TLB amended its proposal to remove the condition for the approval of the requisite majority of its shareholders and the court for a plan of arrangement pursuant to the provisions of the BCABC. A copy of the amended proposal dated November 19, 2020 (the “**Amended Proposal**”) is attached as Appendix C.
31. Paragraph 9.2 of TLB’s proposal dated October 1, 2020 provides that after the company’s meeting of creditors, the proposal can be modified if the amendment is considered to be non-substantive in nature by the Proposal Trustee and the inspectors (if any are appointed).
32. The amendment does not affect the distribution funds or the dividend payable to the unsecured creditors, and in fact removes one of the conditions precedent to the implementation of the proposal.
33. As a result, the Proposal Trustee considers the amendment to be non-substantive in nature.
34. The Proposal Trustee also sought the approval of the estate inspector that was duly appointed at the meeting of creditors on October 20, 2020.
35. A copy of the minutes of the inspector meeting held on November 23, 2020 is attached as Appendix D.
36. Accordingly, the Proposal Trustee supports the order being sought to approve the Amended Proposal.



All of which is respectfully submitted this 24<sup>th</sup> day of November, 2020.

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



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

# **APPENDIX A**

Schedule B

No. B-200191  
Estate No. 11-2636060  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

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

PROPOSAL TRUSTEE'S CERTIFICATE

1. On April 2, 2020, True Leaf Brands Inc. ("**TL Brands**") filed a notice of intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended with the Office of the Superintendent of Bankruptcy and FTI Consulting Canada Inc. ("**FTI**") was appointed as proposal trustee in TL Brand's proposal proceeding (the "**Proposal Trustee**").

2. Pursuant to an Order of the Court dated November 6, 2020 (the "**Approval and Vesting Order**"), the Court ordered that, effective upon the delivery by the Proposal Trustee of this Certificate to the Purchaser confirming that the Transactions contemplated by the Sale Agreements have been implemented:

(a) all of the right, title and interest of TL Brands in the Purchased Shares vest in Purchaser; and

(b) all Claims and Encumbrances shall be discharged against TLI.

3. Unless otherwise defined herein, capitalized terms shall have the meanings ascribed thereto in the Approval and Vesting Orders.

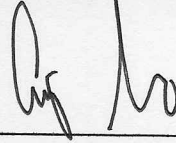
**THE PROPOSAL TRUSTEE HEREBY CERTIFIES as follows:**

The Transactions contemplated by the Sale Agreements have been implemented.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th, day of November, 2020.

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

By:



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Name: Craig Munro

Title: Managing Director

# **APPENDIX B**

**Schedule B**

**Proposal Trustee's Certificate**

No. B-200196  
Estate No. 11-2636236  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE BANKRUPTCY AND INSOLVENCY**

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

**PROPOSAL TRUSTEE'S CERTIFICATE**

1. On April 2, 2020, True Leaf Investments Corp. ("TLI") filed a notice of intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended with the Office of the Superintendent of Bankruptcy and FTI Consulting Canada Inc. ("FTI") was appointed as proposal trustee in TLI's proposal proceeding (the "Proposal Trustee").
2. Pursuant to an Order of the Court dated November 6, 2020 (the "Approval and Vesting Order"), the Court ordered that, effective upon the delivery by the Proposal Trustee of this Certificate to the Purchaser confirming that the Transactions contemplated by the Sale Agreements have been implemented:
  - (a) all of the right, title and interest of TLI in the Purchased Shares vest in Purchaser; and
  - (b) all Claims and Encumbrances shall be discharged against TLC.
3. Unless otherwise defined herein, capitalized terms shall have the meanings ascribed thereto in the Approval and Vesting Orders.

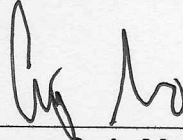
**THE PROPOSAL TRUSTEE HEREBY CERTIFIES as follows:**

The Transactions contemplated by the Sale Agreements have been implemented.

DATED at the City of Vancouver, in the Province of British Columbia, this 16<sup>th</sup> day of November, 2020.

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

By:



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Name: Craig Munro

Title: Managing Director

# **APPENDIX C**



**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE BANKRUPTCY AND INSOLVENCY**

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

**AMENDED PROPOSAL**

**ARTICLE I  
DEFINITIONS & INTERPRETATION**

**1.1 DEFINITIONS**

In the Proposal:

**“Administrative Charge”** means the charge granted pursuant to paragraph 3 of the order of the Court made May 1, 2020 in the Proposal Proceedings, as more particularly set out therein, in favour of the Trustee, counsel to the Trustee, if any, and the Company’s Solicitors.

**“BIA”** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

**“Business Day”** means any day which is not a Saturday or Sunday, or statutory holiday in British Columbia.

**“Claim”** means any right or claim of any person against the Company, whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such person, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable, or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Company, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to or at the Filing Date, and, for certainty, includes Priority Claims.

**“Claims Process”** means the process pursuant to the BIA by which the Trustee will determine the Proven Claims against the Company.

**“Company”** means True Leaf Brands Inc.

**“Company’s Solicitors”** means Clark Wilson LLP.

**“Conditions Precedent”** means the conditions precedent set out in Section 5.1 of the Proposal.

**“Court”** means the Supreme Court of British Columbia.

**“Creditor”** means any person that has a Claim against the Company.

**“Creditors Meeting”** means the meeting of the Creditors to be called and held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

**“Crown”** means Her Majesty in the Right of Canada or a province.

**“Crown Claim”** means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are of the kind that could be subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
  - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
  - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

**“Disputed Claim”** means any Claim of an Unsecured Creditor which has been received by the Trustee in accordance with the BIA but has not been accepted as a Proven Claim, or which is being disputed in whole or in part by the Trustee or any other person entitled to do so and has not been resolved by agreement or in accordance with the BIA.

**"Employee Claims"** means any Proven Claim of any employees and former employees of the Company, including the amounts that such employees and former employees would have been qualified to receive under Paragraph 136(1)(d) of the BIA if the Company had become bankrupt on the Filing Date.

**"Excluded Claim"** means, subject to further order of the Court:

- (a) any Secured Creditor Claims;
- (b) any Employee Claims;
- (c) any Priority Claims; and
- (d) any Crown Claims.

**"Excluded Creditors"** means Creditors having Excluded Claims.

**"Filing Date"** means April 2, 2020, the date when the Notice of Intention to File a Proposal pursuant to the BIA was filed by the Company.

**"Funds for Distribution"** shall have the meaning ascribed to it in Section 2.1 of the Proposal.

**"Inspectors"** has the meaning ascribed to it in Section 8.5 of the Proposal.

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

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

**"Priority Claim"** means a Proven Claim of a Creditor entitled to receive a payment of any amount owed to it in priority to any payments to Unsecured Creditors as provided for in Section 136 of the BIA.

**"Proof of Claim"** means the proof of claim delivered to the Trustee in accordance with the BIA.

**"Proposal"** means the proposal herein among the Company and the Unsecured Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and the Unsecured Creditors, as provided for herein or pursuant to any Creditors Meeting.

**"Proposal Proceeding"** means the proceeding commenced by the Company under the BIA, being British Columbia Supreme Court, Vancouver Registry Action No. B-200191.

**"Proven Claim"** means the aggregate amount of any and all Claims held by a Creditor which has been accepted by the Trustee and the Company in accordance with the BIA.

**"Required Majority"** means the affirmative vote, at the Creditors Meeting, of:

- (a) a simple majority in number of those Unsecured Creditors with Proven Claims in the Unsecured Creditor Class who vote upon the Proposal (in person or by proxy); and

- (b) a two-thirds majority in value of the Proven Claims of Unsecured Creditors in the Unsecured Creditor Class who vote upon the Proposal (in person or by proxy).

**“Sanction Order”** means the order of the Court made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

**“Secured Creditors”** means those Creditors holding perfected security interests against the Company registered in the British Columbia Personal Property Registry or holding a mortgage, charge or encumbrance in the assets or property of the Company to the extent of their Secured Creditor Claims.

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

**“Shareholders”** means the shareholders of the Company.

**“Trustee”** means FTI Consulting Canada Inc. in its appointed capacity as trustee of the Proposal, and not in its personal capacity.

**“Trustee’s Fees”** means all proper fees, expenses and legal costs of the Trustee on and incidental to the proceedings arising out of the Proposal and all proper fees, expenses and legal costs of the Trustee arising in relation to the Proposal.

**“Trustee’s Final Certificate”** means the certificate filed by the Trustee in the Proposal Proceeding confirming that the distributions to Creditors have been made in accordance with the Proposal.

**“Unsecured Creditor Claim”** means an unsecured Proven Claim of a Creditor against the Company.

**“Unsecured Creditor Class”** means the class comprising all Creditors with Unsecured Creditor Claims.

**“Unsecured Creditors”** means those Creditors with an Unsecured Creditor Claim.

## **1.2 HEADINGS**

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

## **1.3 STATUTORY REFERENCE**

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

## **1.4 NUMBER AND GENDER**

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

## **1.5 CURRENCY**

All references to amounts of money means lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in any other currency will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

## **1.6 DATE FOR ANY ACTION**

In the event that any date on which any action is required to be taken under the Proposal by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day that is a Business Day.

## **1.7 GOVERNING LAW**

The Proposal shall be governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable thereto. All questions as to the interpretation or application of the Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

# **ARTICLE II PURPOSE AND EFFECT OF THE PROPOSAL**

## **2.1 PURPOSE OF THE PROPOSAL**

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

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

The implementation of the Proposal is subject to fulfilment or waiver, as applicable, of all Conditions Precedent.

If the Proposal is not accepted by the Unsecured Creditors, the Company will be deemed bankrupt. The liquidation and sale of the Company’s assets upon bankruptcy will result in no distribution to Unsecured Creditors.

## **2.2 EFFECT OF THE PROPOSAL**

Upon the Company meeting its obligation to the Unsecured Creditors under the Proposal and subject to the satisfaction or waiver of the Conditions Precedent, all Claims which the Unsecured Creditors have against the Company shall be irrevocably extinguished, released and discharged. On the Implementation Date, the Proposal will be binding on the Company and the Unsecured Creditors.

The Proposal does not affect Excluded Creditors.

The Proposal is made pursuant to the provisions of the BIA.

### **2.3 VOTE BY UNSECURED CREDITORS**

Subject to order of the Court, the Unsecured Creditors shall be entitled to attend and vote at the Creditors Meeting.

Subject to order of the Court, in order to be approved, the Proposal must receive an affirmative vote, in accordance with the provisions of the BIA, by the Required Majority of the Unsecured Creditor Class.

### **2.4 TRUSTEE UNDER THE PROPOSAL**

Subject to the provisions of the BIA the Trustee shall act as the administrator for certain purposes connected with the Proposal, including administration of the Creditors Meeting and any adjournments thereof.

## **ARTICLE III CREDITOR CLASS AND PRIORITY OF PAYMENTS**

### **3.1 UNSECURED CREDITOR CLASS**

There will be one class of Creditors for the purpose of considering and voting upon the Proposal being the Unsecured Creditor Class.

### **3.2 PAYMENT TO THE UNSECURED CREDITORS**

If the Proposal is approved by the Required Majority, and the Conditions Precedent have been satisfied or waived, then Unsecured Creditors shall be paid their pro rata share of the Funds for Distribution on account of their Unsecured Creditor Claims within 5 (five) Business Days of the Implementation Date, in full and final satisfaction of their Unsecured Creditor Claims.

### **3.3 CREDITORS WITH DISPUTED CLAIMS**

Unsecured Creditors with Disputed Claims shall be entitled to attend the Creditors Meeting and cast a vote in respect of the Proposal up to the value of their Disputed Claim. The Trustee shall keep a separate record and tabulation of any votes cast in respect of Disputed Claims. The Trustee shall report the result of the vote and the tabulation of votes of Proven Claims and Disputed Claims to the Court and, if the decision by Unsecured Creditors whether to approve or reject the Proposal is affected by the votes cast in respect of Disputed Claims, the Company shall seek direction from the Court in respect thereof. The fact that a Disputed Claim is allowed for voting purposes shall not preclude the Company or the Trustee from disputing the Disputed Claim for distribution purposes.

Any Unsecured Creditors with a Disputed Claims on the date of distribution of payments under Section 3.2 shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless, until and to the extent that such Disputed Claim is accepted as a Proven Claim, either by agreement or in accordance with the Claims Process.

Pending resolution of each Disputed Claim, either by agreement or by Order of the Court, the Trustee shall withhold such amount as would be payable to the Unsecured Creditor with such Disputed Claim if

that Disputed Claim were a Proven Claim. If and to the extent a Disputed Claim is determined to be a Proven Claim, the Trustee shall distribute the appropriate payment to that Unsecured Creditor in respect of its Proven Claim within 10 days of that determination. If a Disputed Claim is not determined to be a Proven Claim, then such withheld amount shall be dealt with in accordance with the BIA.

### **3.4 COMPROMISE AND RELEASE**

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

- (a) released the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (b) released the directors and officers of the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers for the payment of such obligation but shall not include claims that are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

## **ARTICLE IV PRIORITY PAYMENTS**

### **4.1 TRUSTEE'S FEES**

The Trustee's Fees will be paid by the Company in priority to payment of all Proven Claims in accordance with the provisions of the BIA.

### **4.2 PAYMENT OF PRIORITY CLAIMS**

The Trustee shall pay the following from funds provided by the Company if applicable:

- (a) all Crown Claims within 6 months of the date the Sanction Order is made;
- (b) all Employee Claims immediately after the granting of the Sanction Order; and
- (c) any other Priority Claims in accordance with Subsection 136(1) of the BIA prior to any distribution to the Unsecured Creditors Class.

**ARTICLE V  
PAYMENT TO THE UNSECURED CREDITORS**

**5.1 CONDITIONS PRECEDENT TO THE IMPLEMENTATION DATE**

The Implementation Date is subject to the satisfaction or waiver of the following Conditions Precedent:

- (a) The Proposal has been approved by the Required Majority of the Unsecured Creditor Class;
- (b) The Sanction Order has been granted by the Court and has not been stayed;
- (c) The duly appointed directors (the “**Directors**”) have passed a resolution to effect a consolidation of the issued and outstanding common shares of the Company in accordance with the constating documents of the Company;
- (d) The Funds for Distribution have been paid to the Proposal Trustee pursuant to Subsection 60(2) of the BIA; and
- (e) All other actions, documents and agreements necessary to implement the Proposal have been effected and executed.

**5.2 WAIVER OF CONDITIONS PRECEDENT**

Any of the Conditions Precedent contained in Section 5.1, other than Subsections 5.1(a) and 5.1(b) may be waived by the Company, with the consent of the Plan Sponsor and the Trustee.

**5.3 TRUSTEE’S CERTIFICATE OF PROPOSAL IMPLEMENTATION**

Upon being advised in writing by counsel to the Company that the Conditions Precedent have been satisfied or waived in accordance with Section 5.2 hereto and that the Proposal is capable of being implemented, the Trustee shall file with the Court a certificate stating that all Conditions Precedent have been satisfied or waived in accordance with the Proposal and that the Proposal is capable of being implemented forthwith.

**5.4 Failure to Satisfy Conditions to Plan Implementation**

If the Conditions Precedent are not satisfied or waived in accordance with Section 5.2 hereof on or before the day which is five (5) Business Days after the date on which the Sanction Order is issued or such later date as may be specified by the Company, with the consent of the Plan Sponsor and the Trustee or by order of the Court, the Proposal shall not be implemented and the Proposal and the Sanction Order shall cease to have any further force or effect.



**ARTICLE VI  
DELIVERY OF NOTICES UNDER THE PROPOSAL**

**6.1 NOTICES AND PAYMENTS TO CREDITORS**

Any notices, correspondence and payments to Creditors under or in relation to the Proposal shall be a) delivered to the address provided by each Creditor in its Proof of Claim unless the Trustee is notified by a Creditor in writing of an alternative address for delivery, or b) made in accordance with an order of the Court.

**6.2 UNDELIVERABLE PAYMENTS**

If any payments to a Creditor under the Proposal is returned to the Trustee as undeliverable, no further payments to that Creditor shall be made unless and until the Trustee is notified by such Creditor, in writing, of their current address, at which time any missed payments shall be delivered to such Creditor without interest. Undeliverable payments shall be retained by the Trustee until they are claimed or until the date of the Trustee's discharge, after which they shall, subject to Section 154(1) of the BIA and Directive No. 18 of the Superintendent of Bankruptcy, be paid over by the Trustee to the Office of the Superintendent of Bankruptcy.

**6.3 WITHHOLDING TAXES AND SUPERINTENDENT'S LEVY**

All payments made by the Trustee to Creditors pursuant to the Proposal shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of the Proposal, each Creditor that is to receive a payment pursuant to the Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

**ARTICLE VII  
PROCEDURE FOR VALIDATION OF CLAIMS**

**7.1 FILING OF PROOFS OF CLAIM**

Each Unsecured Creditor must file a Proof of Claim to vote on the Proposal and receive a distribution under the Proposal.

**7.2 ALLOWANCE OR DISALLOWANCE OF CLAIMS BY THE TRUSTEE**

Upon receipt of the completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the BIA. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA. The Company and/or the Trustee reserve the right to seek the assistance of the Court in valuing the Claim of any Unsecured Creditor, if required, to ascertain the result of any vote on the Proposal, as the case may be.

## **ARTICLE VIII CREDITORS MEETING**

### **8.1 CREDITORS MEETING**

Subject to order of the Court:

- (a) the Creditors Meeting to consider and vote on the Proposal shall be conducted in accordance with Part III, Division I – General Scheme for Proposals of the BIA; and
- (b) the Creditors Meeting shall be held within 21 days after the date of filing of the Proposal.

### **8.2 VOTING**

Subject to order of the Court, the Proposal shall be voted on by the Unsecured Creditors Class at the Creditors Meeting. For the purposes of voting, each Unsecured Creditor shall have one vote for the purposes of determining a majority in number in the Unsecured Creditor Class and each shall be entitled to one vote for each \$1.00 of its Proven Claim for the purpose of determining two-thirds in value.

### **8.3 PROXIES AND VOTING LETTERS**

Unsecured Creditors will be entitled to vote at the Creditors Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the package provided to the Unsecured Creditors by the Trustee and will be binding upon the Unsecured Creditors.

### **8.4 ADJOURNMENT OF MEETING**

The Creditors Meeting may be adjourned in accordance with Section 52 of the BIA.

### **8.5 INSPECTORS**

At the Creditors Meeting, the Creditors may appoint one or more but not exceeding five inspectors (the “**Inspectors**”) under the Proposal pursuant to Section 56 of the BIA, whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under the Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) to advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under the Proposal;
- (c) to extend the date(s) of distribution of payments under Section 3.2; and
- (d) to advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee.

The powers of the Inspectors will be exercised by a majority of them in accordance with Section 116(3) of the BIA.

In the event Creditors do not elect to appoint Inspectors under the Proposal, the Trustee shall be entitled to proceed as if authorized by the Inspectors and, subject to taxation thereof, to be paid by the Company for services rendered by it pursuant and in relation to the Proposal.

The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability for any wrongful act, default or neglect (other than fraud, willful misconduct or gross negligence) in fulfilling any duties or exercising any powers conferred upon them by the Proposal, the BIA or generally in carrying out the terms of the Proposal.

## **ARTICLE IX AMENDMENTS AND MODIFICATIONS**

### **9.1 AMENDMENT OF PROPOSAL**

The Company reserves the right, with the consent of the Plan Sponsor and the Trustee, to amend the Proposal at any time prior to the Creditors Meeting, and after the Creditors Meeting and prior to obtaining the Sanction Order to amend any approved Proposal, and re-submit it to the Creditors.

### **9.2 MODIFICATION OF PROPOSAL**

After the Creditors Meeting, the Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors (should any be appointed) to be non-substantive in nature, with the approval of the Trustee and the majority of the Inspectors (should any be appointed);
- (b) upon a vote conducted by the Trustee at a further meeting of Creditors; or
- (c) by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company and the Trustee to be directly affected by the proposed modification, whether a Creditor or not.

### **9.3 WAIVERS**

Other than the Conditions Precedent contained in Section 5.1, any provision of the Proposal may be waived, with the consent of the Trustee, by the Inspectors, or if no Inspectors are appointed, with the consent of a simple majority of the Unsecured Creditors or by an Unsecured Creditor affected by the provision.

**ARTICLE X  
APPLICATION FOR SANCTION ORDER**

**10.1 APPLICATION FOR SANCTION ORDER**

Within 20 days after the Proposal has been approved by the Required Majority of the Unsecured Creditor Class, the Trustee will set a hearing date before the Court for a hearing of the application of the Sanction Order in accordance with Section 58 of the BIA.

**10.2 CONTINUATION OF THE STAY OF PROCEEDINGS**

The stay of proceedings provided for in Subsection 69.1(1) of the BIA will be continued in full force and effect from the date of filing of the Proposal until the later of the date of the completion of the distributions to the Creditors in accordance with the Proposal, or if the Company becomes bankrupt, the date of bankruptcy.

**ARTICLE XI  
GENERAL**

**11.1 CERTIFICATE OF COMPLETION AND DISCHARGE OF TRUSTEE**

Following the completion of the distributions to the Creditors in accordance with the Proposal, the terms of the Proposal shall be deemed to be fully performed and the Trustee shall give to the Company and the official receiver a certificate, in the prescribed form, in accordance with Section 65.3 of the BIA and the Trustee shall thereupon be entitled to be discharged.

**11.2 FURTHER ACTIONS**

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal and to give effect to the transactions contemplated hereby.

**11.3 NOTICES**

All notices and correspondence relating to the Proposal and to be delivered to the Company or the Trustee shall be made in writing and shall be delivered either personally, by email, by telecopy, by regular mail, by registered mail or by certified mail, return receipt request, at the following address:

- (a) If to the Company:

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

Attn: Christopher Ramsay / Katie Mak  
Tel: 604-687-6314 / 604-643-3105  
Email: cramsay@cwilson.com / kmak@cwilson.com

(b) If to the Trustee:

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

Attn: Craig Munro  
Tel: (604) 757-6108  
Email: craig.munro@fticonsulting.com

(c) If to the Plan Sponsor:

MLT Aikins LLP  
Suite 2600, 1066 West Hastings Street  
Vancouver, B.C. V6E 3X1

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

And if to a Creditor, at its address set forth in the last Proof of Claim deposited with the Trustee, or at such other address of which the Creditor has subsequently given the Trustee notice in writing.

#### **11.4 SUCCESSORS AND ASSIGNS**

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

DATED this 19th day of November, 2020.

**True Leaf Brands Inc.**

Per:

  
\_\_\_\_\_  
**Authorized Signatory**

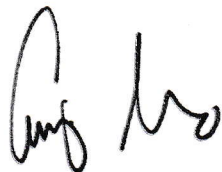
# **APPENDIX D**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
TRUE LEAF BRANDS INC.  
Minutes of the Meeting of the Inspectors**

**Meeting took place at 10:30 AM on Monday November 23, 2020**

1. In attendance at the meeting were:

Mr. Craig Munro	FTI Consulting Canada Inc.
Mr. Ben Chiu	FTI Consulting Canada Inc.
Mr. Paul Sullivan (via Teams)	Inspector
2. The Meeting of the Inspectors took place via Microsoft Teams Dial in: (866) 840-8976, Conference ID: 306 052 620.
3. Mr. Munro acted as the Chairman of the meeting and Ben Chiu acted as the Secretary.
4. Mr. Munro called the meeting to order.
5. Mr. Munro advised that the purpose of the meeting was to discuss and approve the amended proposal dated November 19, 2020.
6. Mr. Munro reviewed the amended proposal with Mr. Sullivan and a discussion ensued. Mr. Sullivan had no questions relating to the amended proposal.
7. **RESOLUTION 1:** The amended proposal dated November 19, 2020 as submitted by TLB to the Proposal Trustee is hereby approved.
8. Motion moved by Mr. Sullivan. **MOTION PASSED UNANIMOUSLY.**
9. There being no further business to be discussed or considered at the meeting, Mr. Munro declared the meeting adjourned at 10:42 AM.



\_\_\_\_\_  
**Craig Munro, Licensed Insolvency Trustee  
FTI Consulting Inc.**



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**Paul Sullivan, Inspector**