

IN THE MATTER OF THE PROPOSAL OF
VITALITY CBD NATURAL HEALTH PRODUCTS INC.
OF THE CITY OF OTTAWA
IN THE PROVINCE OF ONTARIO

REPORT OF THE PROPOSAL TRUSTEE ON THE
FINANCIAL SITUATION OF THE DEBTOR AND THE PROPOSAL
(Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act*)

This report provides an outline of the background and financial position of Vitality CBD Natural Health Products Inc. (“**Vitality**” or the “**Company**”), including relevant information that should be of assistance to the Company’s creditors in considering their position with respect to the Proposal (as defined herein) being presented by the Company to its creditors.

Enclosed are the following documents:

- Notice of Proposal to Creditors;
- Proposal of Vitality, under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3 (the “**BIA**”) lodged with Deloitte Restructuring Inc. (“**Deloitte**” or the “**Proposal Trustee**”) by the Company and filed with the Official Receiver on June 12, 2020 (the “**Proposal**”);
- The Company’s Statement of Affairs sworn June 12, 2020;
- A Proof of Claim form and general Proxy; and
- A Voting Letter.

In preparing this report, the Proposal Trustee has relied upon prior year comparative audited financial information, and unaudited financial information prepared by the Company’s representatives (“**Management**”), the Company’s books and records, discussions with Management and the Company’s legal counsel (the “**Information**”). The Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Generally Accepted Assurance Standards (“**Canadian GAAS**”) pursuant to the *Chartered Professional Accountants Canada Handbook*. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.

Some of the information referred to in this report consists of financial projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

Future oriented financial information referred to in this report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

While this report does reference some of the known impacts of the Coronavirus pandemic (“**COVID-19**”) on the Company’s operations, there may be further impacts not yet identified that may impact sales, production, supply chain or any other aspect of the business, which may have an adverse impact on the performance of the Company and its ability to meet its financial projections. Readers should consider the increasingly broad effects on the financial condition of the Company, as a result of the negative impact on Canada, the global economy and major financial markets from COVID-19.

Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this report have the meanings attributed to such items in the Proposal. Should there be any discrepancy between this report and the Proposal, or any amended Proposal, the terms of the Proposal, or amended Proposal, shall govern. Creditors are advised to read the Proposal.

Section A – Introduction and Background

Eureka 93 Inc.

Vitality is a member of a group of companies (the “**Eureka Group**”) that was formed to participate in the growing cannabis industry. The ultimate parent of the Eureka Group is Eureka 93 Inc. (“**Eureka 93**”), which was originally incorporated in June 2014 under the name “Percy Street Capital Corporation” (“**Percy Street**”), as a Capital Pool Corporation. In June 2018, Percy Street completed a transaction to acquire LiveWell Foods Canada Inc. (“**LiveWell**”) and changed its name to “LiveWell Canada Inc.” (“**LiveWell Canada**”) and traded on the Canadian Stock Exchange (the “**CSE**”) under the symbol “CSE:LVWL”. In April 2019, LiveWell Canada completed a transaction to acquire Vitality CBD Natural Health Products Inc. (“**Vitality**”) in a reverse take-over and changed its name to Eureka 93, and traded on the CSE under the symbol “CSE:ERKA”.

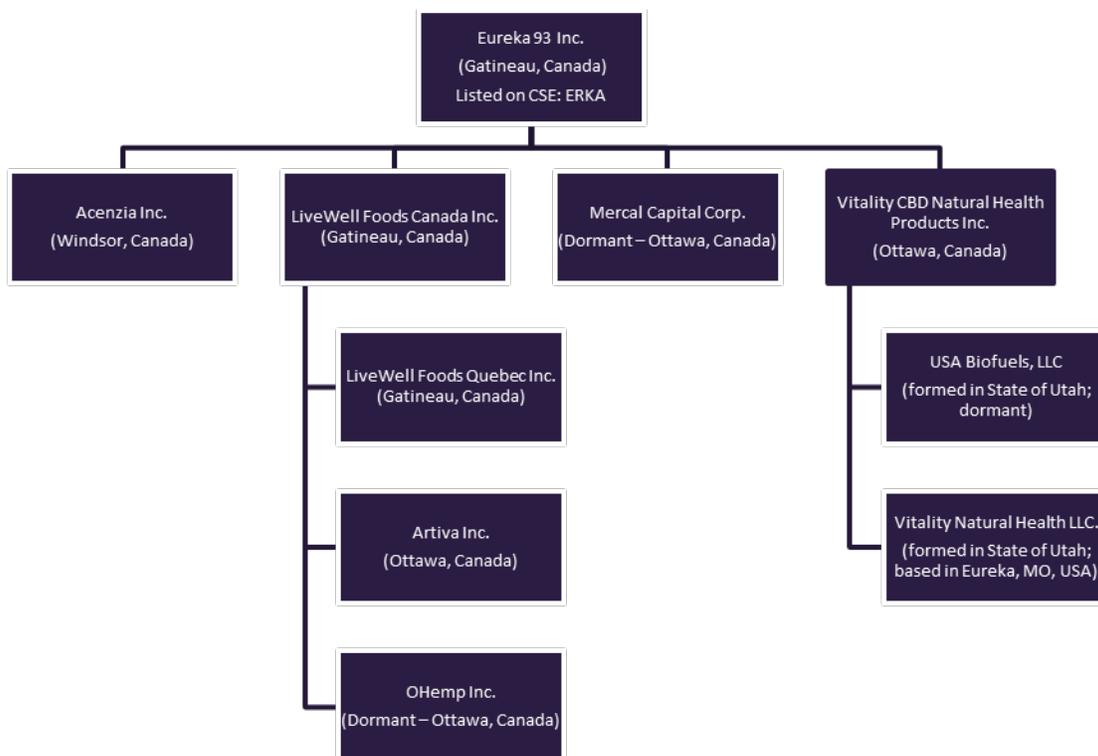
The Eureka 93 Group was intended to be a vertically integrated hemp and cannabis company focused on research in CBD and other cannabinoids, as well as the development and distribution of consumer health products. The Eureka 93 Group's corporate headquarters is located in Ottawa, Ontario.

Management advises that due to a lack of financial resources and complex accounting and financial reporting associated with the transaction that resulted in the acquisition of Vitality, Eureka 93 was not able to prepare and file its unaudited condensed interim consolidated financial statements and MD&A for the quarter ending June 30, 2019. Consequently, on September 5, 2019, the Ontario Securities Commission (“**OSC**”) issued a Cease Trade Order in respect of Eureka 93's common stock.

On September 6, 2019, the then directors of Eureka 93 announced that they were beginning "a review of the strategic and financing alternatives" available to the Eureka 93 Group. Concurrent with the initiation of that review, non-critical work was suspended and a substantial portion of the Eureka 93 Group's employees in Canada were laid off.

On or about September 20, 2019, all of the management and the then Board of Directors except one individual at the Eureka 93 Group resigned.

The following is the corporate chart for the Eureka Group:



Eureka 93’s only property consists of the shares of various subsidiary companies, those being LiveWell, Vitality CBD Natural Health Products Inc. (“**Vitality**”), Acenzia Inc. (“**Acenzia**”), and Mercal Capital Corp. (“**Mercal**”) (collectively, the “**Subsidiaries**”). Eureka raised capital through a number of private placements to fund the costs incurred in the growth and operation of its Subsidiaries. Eureka 93 further raised capital through two Securities Purchase Agreements entered into in February and March 2019 pursuant to which Dominion Capital LLC, Nomis Bay Ltd., MM Asset management, Inc. and BPY Limited (the “**Noteholders**”) acquired Secured Notes (“**Notes**”) from Eureka 93. The proceeds received by Eureka 93 from the sale of the Secured Notes were primarily used to fund subsidiaries of Vitality Natural Health LLC (“**Vitality USA**”) in the United States. The obligations owing under the Secured Notes were guaranteed by, among other companies, Vitality, Artiva and LiveWell and each of those companies granted a security interest on all of the property to secure the obligations owing to the Noteholders.

Vitality

Vitality is a holding company that holds the shares of two subsidiary corporations in the United States, USA Biofuels LLC (“**Biofuels**”) and Vitality USA. The shares of Vitality are owned by Eureka 93.

As discussed above, Vitality guaranteed the obligations owing by Eureka 93 to the Noteholders. The funds received by Eureka 93 from the sale of the Notes were used primarily to fund Biofuels and Vitality USA.

The Proposal Trustee has been advised that in December 2019, the Noteholders took ownership of a plant owned by one of Biofuels in the State of New Mexico in return for a USD \$3 million reduction in the debt owing to the Noteholders. Also in December of 2019, Surety LLC (“**Surety**”), a secured creditor with security over a plant in the State of Montana owned by Vitality USA, took ownership of that property subject to its security in full and final satisfaction of the obligations owing to Surety.

LiveWell

In June 2018, Eureka 93 (then known as Percy Street) acquired LiveWell. LiveWell initially focused on pursuing the functional foods market, through the creation of innovative healthy functional food products.

After being acquired by Eureka 93, LiveWell adjusted its focus towards becoming a vertically integrated hemp and cannabis company focused on research in CBD and other cannabinoids, as well as to develop and distribute consumer health products. In March 2017, as noted above, LiveWell incorporated Artiva to own and operate a proposed Canadian cannabis business.

LiveWell owns the shares of Artiva, OHemp Inc. (“**OHemp**”) and LiveWell Foods Quebec Inc. (“**LiveWell Quebec**”). OHemp has never carried on active business. It has no property and no obligations.

In April 2018, LiveWell Quebec acquired land in Pontiac, PQ (the “**Quebec Land**”), to build a cannabis facility as well as a research and development center focused on cannabinoids. The buildings on the Quebec Land were demolished, but development of Quebec Land was never completed. The Proposal Trustee understands that the obligations owing by LiveWell Quebec and secured by the Quebec Land exceed the value of the Quebec Land. LiveWell guaranteed the obligations owing by LiveWell Quebec to 3303374 Nova Scotia Company in connection with the purchase of the Quebec Land. LiveWell currently has no employees or assets other than approximately \$18.5 million of non-capital tax loss carryforwards as noted in the corporate tax returns filed by LiveWell.

Artiva

The shares of Artiva are owned by LiveWell.

Artiva was incorporated in March 2017 under the *Canada Business Corporations Act* (“**CBCA**”). In January 2018, Artiva amalgamated with 1019884 Ontario Inc., a corporation formed under the laws of Ontario and 1496013 Ontario Inc., a corporation formed under the laws of Ontario. This amalgamation was a share transfer transaction whereby Artiva acquired a vegetable farm located at 5130 & 5208 Ramsayville Rd, Ottawa, Ontario which was comprised of 100 acres of land and 740,000 sq. ft. of greenhouses (the “**Artiva Facility**”). Funding for the acquisition of the Artiva Facility was provided by Olympia Trust Company secured by a first mortgage over the Artiva Facility. Since acquisition, Artiva has undertaken the retrofitting of approximately 61,000 sq. ft. of space for the cultivation, processing and distribution of cannabis with funds raised by LiveWell through private placements. On September 20, 2019, Artiva was issued a cannabis cultivation licence by Health Canada. Artiva did not, however, have sufficient funds to complete the Artiva Facility and was unable to raise further capital, resulting in the cessation of construction in the fall of 2019. Prior to the halting of construction, Artiva engaged 4 people. Other than the Artiva Facility, the only other significant asset of Artiva is approximately \$3.9 million of non-capital tax loss carryforwards as noted in the corporate tax returns filed by Artiva.

Acenzia

Acenzia, a Windsor, Ontario based developer and manufacturer of natural health products, was acquired by Eureka in October 2018 for the purpose of expanding Eureka 93’s offerings beyond cannabis and hemp. In December 2019, as a result of defaults incurred by Acenzia with its operating lender, The Toronto-Dominion Bank, Management reached an agreement to unwind the Acenzia acquisition. The Proposal Trustee understands that the unwinding of the transaction has not yet been executed but that there is no equity in Acenzia’s assets and the unwinding of the acquisition will result in the forgiveness of \$2 million debt owing by Eureka 93 to the principals of Acenzia.

The new Eureka 93 management team, which came onboard after the resignation on September 20, 2019 of the entire former management team and all but one Board member, determined that the best path forward for the remainder of the Eureka Group was to restructure under the provisions of the BIA, through which it could obtain interim financing to complete construction of the Artiva Facility so that the cultivation of cannabis clones could commence, and set the stage for a restructured enterprise that could generate future cash flow to fund proposals to the Eureka Group’s unsecured creditors. As a result, on February 14, 2020 (the “**NOI Filing Date**”), Eureka 93, Artiva, LiveWell, and Vitality (collectively, the “**Debtors**”), each filed Notices of Intention to Make a Proposal (“**NOIs**”) under Subsection 50.4(1) of the BIA.

On June 12, 2020, the enclosed Proposal naming Deloitte as Proposal Trustee, was filed with the Official Receiver.

Section B – Summary of the Proposal

A brief summary of the Proposal is provided below. The terms of the Proposal would be effective upon the fulfilment or satisfaction of the following conditions:

- (a) The Creditors comprising the class of Unsecured Creditors vote for acceptance of the Proposal by a majority in number and two thirds in value of the Creditors comprising such class that are present, personally or by proxy, at the Creditors' Meeting and voting on the resolution; and
- (b) The making of the Approval Order by the Court approving the Proposal and all applicable appeal periods have expired.

The Proposal

The Proposal provides for the restructuring of the Company's liabilities through the distribution to Unsecured Creditors of Certificates, as further described below. The Proposal is not being made to the Secured Creditors, who are comprised of the Interim Lenders and the beneficiaries of the Administrative Charge. For the purposes of the Proposal, the security held by the Noteholders, the security held by International Process Plants and Equipment Corp. ("**International Process**"), the security held by Perley-Robertson, Hill & McDougall LLP ("**Perley-Robertson**"), and the security held by Bennett Jones LLP ("**Bennett Jones**") shall be valued at \$Nil and those creditors are to be included in the class of Unsecured Creditors for the purposes of voting on and receiving a distribution under the Proposal.

The Proposal provides for the following:

1. The fees and expenses of the Proposal Trustee and the Company, including legal fees and expenses of the Proposal Trustee and the Company in connection with the preparation of and proceedings arising out of or relating to the Proposal, are to be paid by the Company in priority to all Proven Claims of Unsecured Creditors in accordance with the scheme of distribution set forth in the BIA.
2. Claims as of the NOI Filing Date that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* (Canada) (the "**ITA**"), any provision of the *Canada Pension Plan or Employment Insurance Act* that refers to subsection 224(1.2) of the ITA, or any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the ITA, shall be paid within six (6) months after the issuance of the Approval Order.
3. Amounts owing to the Company's employees and former employees that they would qualify to receive as claims under paragraph 136(1)(d) of the BIA if the Company became bankrupt on the NOI Filing Date, as well as all wages, salaries, commissions or compensation for services rendered after the NOI Filing Date but before Court approval of the Proposal, are to be paid immediately after the issuance of the Approval Order or as otherwise agreed. For greater certainty, amounts due or which may become due do not include claims for severance or termination pay or any compensation in lieu of notice of termination.
4. On the Implementation Date, the Unsecured Creditors and Related Creditors will receive from the Company Certificates with a face value equal to that Unsecured Creditor's Claim as set forth in the Unsecured Creditor's Proof of Claim or the Statement of Affairs, whichever is greater, subject to that Unsecured Creditor's Claim being determined to be a Proven Claim. Once an Unsecured Creditor's Claim becomes a Proven Claim, a new Certificate shall be issued to that Unsecured Creditor with a

face value equal to that Unsecured Creditor's Proven Claim if that Proven Claim is different from the amount set out on the Certificate originally issued to the Unsecured Creditor.

5. The Proposal provides for 100% of the net proceeds of (a) the proceeds realized by the Company from any property (as defined in the BIA): (i) that is not required to satisfy amounts secured by the Administrative Charge or the Interim Lending Charge, and (ii) that is not subject to a valid, enforceable and perfected security interest in favour of a Secured Creditor; and (b) the net proceeds, if any, from any proceedings taken by the Proposal Trustee pursuant to sections 95 and 101 of the BIA, meaning any proceedings to contest preferences and transfers at undervalue, shall be distributed *pro rata* to Creditors to reduce the amount owing pursuant to the Certificates with 60 days of such amounts being received.
6. Pursuant to the Proposal, no Creditor is entitled to receive more than 100% of that Creditor's Proven Claim. All payments to Creditors shall be net of the applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA, which will be issued a Certificate in respect of the amount payable in respect of the levy.
7. The Proven Claims of Related Creditors shall be fully subordinated to the Proven Claims of the Unsecured Creditors and shall not be entitled to receive a distribution unless and until the Proven Claims of the Unsecured Creditors are paid in full.
8. The Proposal will be fully implemented by the Company on delivery of the Certificates.
9. On the date that the Approval Order becomes final and binding,
 - a) the treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Unsecured Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns); and
 - b) the Proposal shall constitute: (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor and the Directors of or in respect of the Claims.
10. On the Implementation Date, the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, directors (provided that, in respect of the Company, only the Directors are released), officers, shareholders, advisors, consultants and solicitors will be released from any and all claims arising out of any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date relating to the Claims, the business and affairs of the Company or the Proposal.

Section C – Financial Position and Causes of Difficulties

The operating results for the fiscal years ended December 31, 2018 and 2019 for the Company are summarized in the table below (in \$000's):

	Vitality	
	FY 2018	FY 2019
Gross Revenue	\$ 41.9	\$ -
Total Direct Operating Expenses	(281.4)	140.7
Gross Profit	323.3	(140.7)
Total Expenses	2,328.7	2,282.3
Total Other Income and Expenses	405.6	(3,187.5)
Net Income	\$ (1,599.8)	\$ (5,610.5)

The Company has informed the Proposal Trustee that its financial difficulties resulted from several factors, including decisions of former management to invest in the Quebec Land that did not generate a return, significant investments in various CBD focused businesses in the U.S. that were not successful, combined with a negative change in the market's mood in 2019 for investing in cannabis entities all resulting in the inability to raise further funding to become a revenue producing business.

Section D – Interim Receiver

Not applicable.

Section E – Identification and Evaluation of Assets

According to the Company's Statement of Affairs, the Company has no assets other than intercompany receivable due from Vitality USA in the amount of \$10,278,113. As discussed above, secured creditors have taken possession of the assets of Vitality USA pursuant to their security such that there are no assets available to repay the intercompany debt owing to Vitality.

In a liquidation scenario, as there are no realizable assets in Vitality, there would be no proceeds available for unsecured creditors.

Section F – Conduct of the Debtor

The Proposal Trustee has been made aware of certain allegations concerning certain transactions in various entities in the Eureka Group that may constitute preferences or transfers for undervalue. To date, the Proposal Trustee has not been able to obtain any details on these transactions.

The Company has made a motion for, among other things, an order for a representative of the Noteholders to attend to an examination by the Proposal Trustee with respect to, *inter alia*: (a) the transaction referenced in paragraph 42 of the Affidavit of Philip Gross sworn on February 28, 2020; (b) the transfer of a property in New Mexico to the Noteholders in return for a \$3 million reduction in the debt owing by the Debtors to the Noteholders; and (c) the transaction pursuant to which Eureka 93 agreed to return approximately USD \$3.6 million to the Noteholders in or about the summer or fall of 2019. The date for the hearing of the motion has not been established as of the date of this report. The Trustee intends to provide the Creditors with an update on this matter at the Creditors' Meeting.

Section G – Creditor Claims

According to the Statements of Affairs, the Company's creditors are summarized in the table below:

Creditor Classification	Estimated Claim per SOA
Secured	\$ -
Preferred	-
Unsecured	11,988,097
Contingent	29,522,243
Total	\$ 41,510,340

Secured Creditors

Based on the Company's books and records, the Secured Creditors, which include the Interim Lenders, and the amount of their respective claims, as of June 15, 2020 (excluding any accrued interest and other recovery costs), are as follows:

Secured Creditor	Estimated Claim per SOA
Noteholders	\$ 11,131,680
International Process	316,513
Perley-Robertson	68,621
Bennett Jones	179,670
Total	\$ 11,696,484

The Proposal is not being made to the Interim Lenders, who are owed \$2.3 million and which is secured by the Interim Lending Charge, or to the beneficiaries of the Administration Charge, both of which were granted under the Order of Justice MacLeod dated March 9, 2020. As noted in Section B of this report, the Claims of the Secured Creditors are to be dealt with in accordance with existing agreements between the Company and the respective Secured Creditors or as otherwise agreed between the Company and the Secured Creditors.

The Noteholders' claim relates to the issuance of USD \$11.4 million in convertible notes in 2019. As of the NOI Filing Date, the amount remaining owing under the convertible notes is USD \$8.4 million (Cdn\$11.1 million). The obligation under the notes is secured against Eureka 93 as well as other Eureka Group entities. For the purposes of the Proposal, the security of the Noteholders has been valued at \$Nil such that the entirety of the Noteholders' claim is being treated as an Unsecured Claim in the Proposal.

International Process's claim relates to security over certain equipment that was purchased by Vitality in 2018 but was delivered to one of the Vitality's subsidiaries in the U.S. The Proposal Trustee understands that there was no equipment in Canada and International Process has taken steps to enforce security over its equipment in the U.S.

Perley-Robertson's claim relates to unpaid legal fees for which it was granted security by Eureka 93 in August 2019. For the purposes of the Proposal, the security of Perley-Robertson has been valued at \$Nil such that the entirety of Perley-Robertson's claim is being treated as an Unsecured Claim in the Proposal.

Bennett Jones's provided tax and securities advice to Vitality in connection with the Reverse Take-over. Vitality did not pay the invoices rendered by Bennett Jones. Bennett Jones is claiming a solicitor's lien over Vitality's books and records that they hold in their possession. Bennett Jones is also acting as counsel to the Noteholders and there is a dispute with respect to the ability of the firm to do so given that its role as counsel to Vitality. For the purposes of the Proposal, the security of Bennett Jones has been valued at \$Nil such that the entirety of Bennett Jones's claim is being treated as an Unsecured Claim in the Proposal.

As at the date of this report, the Proposal Trustee has not been provided with copies of the security documents executed in favour of the secured creditors discussed above and, consequently, the Proposal Trustee has not obtained an independent legal opinion on the validity and enforceability of the security granted by the Company in favour of the secured creditors listed above. Given that each of the secured creditors listed above is being treated as an unsecured creditor for the purposes of the Proposal, the Proposal Trustee does not intend to obtain any security opinions at this time.

Preferred Creditors

According to the Statement of Affairs, the Company has no Preferred Creditors.

Unsecured Creditors

According to the Company's Statement of Affairs, Unsecured Creditors are owed \$11,988,097. This amount includes the claims of the Noteholders, International Process, Perley-Robertson and Bennett Jones, whose security has been valued at \$Nil under the Proposal.

Contingent Creditors

Contingent Creditors totaling \$29,522,243 consist of claims by Eureka 93 for \$28,476,408 and LiveWell for \$1,045,835 in respect of amounts advanced to Vitality. Pursuant to the Proposal, these claims represents Related Creditor claims which are fully subordinated to the Proven Claims of the Unsecured Creditors and shall not be entitled to receive a distribution under the Proposal unless and until the Proven Claims of the Unsecured Creditors are paid in full.

Section H – Previous Dealings with the Company

The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the Company in any capacity other than consulting with the Company in respect of its consideration to file the NOI and the preparation and filing of the Proposal. The Proposal Trustee further confirms that he does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee.

Section I – Informal Meetings with Major Creditors

The Proposal Trustee has not had any informal meetings with major creditors.

Section J – Remuneration of Proposal Trustee

Payment of the fees and expenses of the Proposal Trustee, including the legal fees and disbursements of the Proposal Trustee, are provided for in the Proposal.

Prior to the filing of the NOIs, Deloitte received an indemnity from the Interim Lenders in the amount of \$20,000 in respect of the Debtors to secure Deloitte's fees should it become Trustee in Bankruptcy in respect of the Company.

Section K – Cash Flow Statement

In accordance with the BIA, the Proposal Trustee reviewed the cash flow statement and assumptions for the period June 12 to September 4, 2020 that were prepared by the Company (the "**Cash Flow Statement**") and which were filed with the Official Receiver. In reviewing the Cash Flow Statement, nothing has come

to the Proposal Trustee's attention which would lead the Proposal Trustee to believe that the hypothetical and probable assumptions used by the Company in the preparation of the Cash Flow Statement are inconsistent with the purpose of the Cash Flow Statement.

Section L – Statement of Estimated Realizations

Proposal Accepted

According to the Proposal, if the Proposal is accepted by the requisite majority of Creditors, Unsecured Creditors with Proven Claims will receive Certificates which will afford those Creditors an opportunity to receive a dividend up to a maximum amount equal to 100% their Proven Claims against the Company. As set out earlier in this report, payments against the Certificates will be made by Vitality based on the amount of 100% of the net proceeds of (a) the proceeds realized by the Company from any property (as defined in the BIA): (i) that is not required to satisfy amounts secured by the Administrative Charge or the Interim Lending Charge, and (ii) that is not subject to a valid, enforceable and perfected security interest in favour of a Secured Creditor; and (b) the net proceeds, if any, from any proceedings taken by the Proposal Trustee pursuant to sections 95 and 101 of the BIA, meaning any proceedings to contest preferences and transfers at undervalue, shall be distributed *pro rata* to Creditors to reduce the amount owing pursuant to the Certificates within 60 days of such amounts being received.

Proposal Not Accepted

If the Proposal is not accepted, the Company would become bankrupt on July 3, 2020 and the Company's assets would vest with the trustee in bankruptcy, subject to the rights of the Company's secured creditors. The Proposal Trustee is of the view that in the event of a bankruptcy of the Company, a trustee would be unable to take possession of any assets of the Company. As a result, there would be no realizations available for unsecured creditors.

Section M – Recommendations

If Vitality becomes bankrupt, the Unsecured Creditors would only receive a dividend if the net realizations from the Company's assets were sufficient to pay (i) the claims of Secured Creditors (including their costs in realizing on the Company's assets), (ii) Preferred Creditors, and (iii) the fees and disbursements of the trustee and/or receiver. As there are not apparent assets to realize on, there would be no realizations available for unsecured creditors in a liquidation.

While the potential realizations for the unsecured creditors are unknown, the Proposal at least offers the Unsecured Creditors the possibility of some recovery should they wish to pursue any transactions at under value.

Accordingly, the Trustee recommends that the Unsecured Creditors accept the Proposal in order to provide the Company's Unsecured Creditors with the opportunity to maximize their return from the Company's indebtedness to them.

Section N – Meeting of Creditors

In completing the Proof of Claim form enclosed herewith, Creditors should only include all amounts outstanding as of February 14, 2020.

It is expressly noted and should be clearly understood that Deloitte, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any claims against the Company before, on, or after the NOI Filing Date.

Due to the restrictions imposed by the Ontario Government as a result of COVID-19, the Creditors Meeting will be held by Zoom Meeting on **July 28, 2020 at 4:00 pm**. Creditors may attend the meeting to consider the Proposal either in person via Zoom call or by proxy. The Zoom Meeting details are as follows:

Zoom Link: <https://deloitte.zoom.us/j/91340055316?pwd=a1BsUGxVUTgwZjRyS01rYVVIdU5QZz09>

Password: 164391

-or-

Dial In # 1-647-558-0588

Meeting ID: 913 4005 5316

Password: 164391

Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed documents prior to the meeting.

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee to the email address as noted below, or by facsimile at 416-601-6690 so as to be received prior to the meeting.

Should you have any questions in connection with the Proposal or this report, please contact the undersigned at (416) 775-7326 or via email at hbricks@deloitte.ca.

Dated at Toronto, Ontario, this 15th day of July, 2020

Deloitte Restructuring Inc.
in its capacity as Proposal Trustee re
the Proposal of Vitality CBD Natural Health Products Inc.



Per: Hartley Bricks, MBA, CA, CIRP, LIT
Senior Vice President

District of: Ontario
Division No. 12 - Ottawa
Court No. 33-2618511
Estate No. 33-2618513

FORM 92
Notice of Proposal to Creditors
(Section 51 of the Act)

In the matter of the proposal of
Vitality CBD Natural Health Products Inc.
of the City of Ottawa, in the Province of Ontario

Take notice that Vitality CBD Natural Health Products Inc. of the City of Ottawa in the Province of Ontario has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.

A general meeting of the creditors will be held at Zoom Meeting (see Link on Trustee's Webpage) or Call In #: 1-647-558-0588 - Meeting ID: 913 4005 5316, Password: 164391 on the 28th day of July 2020 at 4:00 PM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Toronto in the Province of Ontario, this 17th day of July 2020.

Deloitte Restructuring Inc. - Licensed Insolvency Trustee

Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Phone: (416) 601-6072 Fax: (416) 601-6690

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Bennett Jones	1 First Canadian Place Suite 3400, P.O. Box 130 Toronto ON M5X 1A4		179,670.00
Brian Baker	[REDACTED]		130,000.00
Canada Revenue Agency	875 Heron Rd., Ottawa ON K1A 1A2		4,045.00
Dominion Capital LLC, BPY Limited, Normis Bay Ltd. and MMCAP International Inc. SPC	341 West 38th St., Suite 800 New York NY 10018 USA		11,131,680.00
International Process Plants and Equipment	410 Princeton Heightstown Rd Princeton Junction NJ 09550 USA		316,513.00
Karen E. Wootton Legal Services	300 N. Main Street, 2nd Floor Las Cruces NM 88001 USA		1,166.00
MNP LLP	1155, Boul, Rene-Levesque O., 23 E Stage Montreal QC H3B 2K2		147,865.00
Parsons Behle & Latimer	201 South Main St., Suite 1800 Salt Lake City Utah 84111 USA		8,537.00
Perley-Robertson, Hill & McDougall LLP	340 Albert St # 1400 Ottawa ON K1R 7Y6		68,621.00
Total			11,988,097.00

ONTARIO
SUPERIOR COURT OF JUSTICE
(In Bankruptcy and Insolvency)

Estate Number: **33-261513**
Court File No.: **33-261513**

**AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF VITALITY CBD NATURAL HEALTH PRODUCTS INC. OF THE CITY OF
OTTAWA IN THE PROVINCE OF ONTARIO**

PROPOSAL VITALITY CBD NATURAL HEALTH PRODUCTS INC.

VITALITY CBD NATURAL HEALTH PRODUCTS INC. hereby submit the following Proposal to its Creditors pursuant to Part III of the BIA.

ARTICLE 1

DEFINITIONS

1.1 Definitions

In this Proposal:

- (a) “**Administrative Charge**” has the meaning assigned by the Order dated 9 March 2020;
- (b) “**Administrative Fees and Expenses**” means the proper fees, expenses, including legal fees and disbursements, of the Trustee and the Debtor, including the fees and disbursements of Gowlings, on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal;
- (c) “**Approval Order**” means an Order of the Court approving the Proposal;
- (d) “**Artiva**” means Artiva Inc.
- (e) “**Bennett Jones**” means Bennett Jones LLP;
- (f) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and in force as at the Proposal Date;

- (g) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (h) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (i) “**Certificates**” has the meaning ascribed by **Article [5.1]**;
- (j) “**Claim**” means any right of any Person against the Debtor or a Director in connection with any indebtedness, liability or obligation of any kind of the Debtor which indebtedness, liability or obligation is in existence at the Proposal Date, whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, 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 in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or as of the Proposal Date;
- (k) “**Court**” means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (l) “**Creditor**” means any Person, having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (m) “**Creditors’ Meeting**” means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (n) “**Creditors’ Meeting Date**” means the date and time as may be called by the Trustee for the meeting of creditors to consider this Proposal, but in any event shall be no later than twenty-one (21) days following the Proposal Date, or as may otherwise be extended;
- (o) “**Debtor**” means Vitality CBD Natural Health Products Inc.;
- (p) “**Directors**” means the Debtor’s current directors;
- (q) “**Employee Creditors**” means employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph **[136(l)(d)]** of the BIA if the Debtor became bankrupt on the Proposal Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Debtor’s business during the same period;

- (r) “**Employment Insurance Act**” means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (s) “**Gowlings**” means Gowling WLG (Canada) LLP;
- (t) “**Implementation Date**” means the date upon which the conditions set forth in **Article [7.4]** have been satisfied;
- (u) “**Income Tax Act**” means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (v) “**Inspectors**” means one or more inspectors appointed pursuant to the BIA as provided for in the Proposal;
- (w) “**Interim Lending Charge**” has the meaning assigned by the Order dated 9 March 2020;
- (x) “**Interim Lenders**” means Sprouter Corporation Inc., David Van Segbrook and Donna Van Segbrook;
- (y) “**International Process**” means International Process Plants and Equipment Corp.;
- (z) “**Noteholders**” means Dominion Capital LLC Nomis Bay Ltd., MM Asset Management, Inc. and BPY Limited;
- (aa) “**Official Receiver**” shall have the meaning ascribed thereto in the BIA;
- (bb) “**Perley-Robertson**” means Perley-Robertson, Hill & McDougall LLP;
- (cc) “**Person**” means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (dd) “**Preferred Creditors**” means Creditors with Proven Claims that are required by the BIA to be paid in priority to all other claims under a proposal made by a debtor save and except for Employee Creditors and Source Deduction Creditors.
- (ee) “**Proof of Claim**” shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;
- (ff) “**Proposal**” means this proposal together with any amendments or additions thereto;
- (gg) “**Proposal Date**” means the date of the filing of the Proposal with the Official Receiver;

- (hh) “**Proven Claim**” of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the BIA;
- (ii) “**Related Creditors**” means any company the majority of the shares of which are owned by a Debtor or that owns the majority of the shares of a Debtor;
- (jj) “**Source Deduction Creditors**” means Her Majesty in Right of Canada or a Province for all amounts that were outstanding on the Proposal Date and are of a kind that could be subject to a demand under,
- (i) subsection [224(1.2)] of the *Income Tax Act*;
 - (ii) 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
 - (iii) 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;
 - (A) 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
 - (B) 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;
- (kk) “**Secured Creditor**” means any person, holding a valid and perfected mortgage, hypothec, pledge, charge or lien on or against the property or assets of the Debtor as security for a debt due or accruing due to the person from the Debtor and whose security is of a value sufficient to satisfy that person’s Proven Claim, but shall not include: (i) the Interim Lenders and the beneficiaries of the Administrative Charge, which are not affected by this Proposal; or (ii) the Noteholders, Perley-Robertson, Bennett Jones and International Process whose security is valued at \$0 for the purposes of this Proposal;
- (ll) “**Trustee**” means Deloitte Restructuring Inc. or its duly appointed successor or successors;

- (mm) “**Unsecured Creditors**” means the Preferred Creditors and any Creditor who is not a Secured Creditor and, for greater certainty, includes the Noteholders, Perley-Robertson, Bennett Jones and International Process, but not the Related Creditors; and
- (nn) “**Voting Letter**” shall mean the voting letter required by subsection [51(1)] of the BIA to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

ARTICLE 2

CLASSIFICATION AND TREATMENT OF CREDITORS

2.1 Classes of Creditors

For the purposes of voting on the Proposal, the Unsecured Creditors and the Secured Creditors will be entitled to vote on the Proposal. There shall be one (1) class of Unsecured Creditors and one (1) class of Secured Creditors.

2.2 Related Creditors

The Related Creditors shall not be entitled to vote on the Proposal or receive a distribution under the Proposal.

2.3 Secured Creditors

Subject to the claims of the beneficiaries of the Administrative Charge and the Interim Lenders, the Secured Creditors shall, subject to the Claim of that Secured Creditor becoming a Proven Claim, be entitled to realize on the assets and property of the Debtor that is subject to a valid, enforceable and properly perfected first-ranking security interest in favour of that Secured Creditor.

For the purposes of this Proposal, the security held by the Noteholders, Perley-Robertson, Bennett Jones and International Process shall be valued at \$0 such that the Noteholders, Perley-Robertson, Bennett Jones and International Process shall be included in the class of Unsecured Creditors for the purposes of voting on and receiving a distribution under this Proposal.

2.4 Administrative Fees and Expenses

The Administrative Fees and Expenses will be paid in full by the Debtor.

2.5 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid in full in priority to the Proven Claims of the Unsecured Creditors in accordance with the BIA and the Proposal.

2.6 Unsecured Creditors

The Proven Claims of the Unsecured Creditors, other than Preferred Creditors, will be satisfied or paid as provided by **Article [6]**.

ARTICLE 3

PROCEDURE FOR VALIDATION OF CLAIMS

3.1 Filing of Proofs of Claim

Each Creditor must file a Proof of Claim as required by the BIA.

3.2 Allowance or Disallowance of Claims by the Trustee

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each Proof of Claim in accordance with the provisions of the BIA. The procedure for valuing Claims of the Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA.

ARTICLE 4

MEETING OF CREDITORS

4.1 Creditors' Meeting

On the Creditors' Meeting Date, the Debtor shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

4.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the notice of Creditors' Meeting to be mailed to Creditors pursuant to the BIA.

4.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective

legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

4.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with section [52] of the BIA.

4.5 Voting by Creditors

To the extent provided for herein, each Creditor will be entitled to vote to the extent of the amount that is equal to that Creditor's Claim. Any Proof of Claim in respect of a Claim that is not a Proven Claim as at the Creditors' Meeting Date will be marked as objected to in accordance with subsection [108(3)] of the BIA. Related Creditors will not be entitled to vote at the Creditors' Meeting.

4.6 Approval by Creditors

The Proposal will be binding on all of the Unsecured Creditors of the Debtor in accordance with the BIA, it must first be accepted by the class of Unsecured Creditors by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Claims of the Unsecured Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

The Proposal will be binding on the Secured Creditors in accordance with the BIA if it is: (a) accepted by the class of Secured Creditors by a majority in the number of the Secured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Claims of the Secured Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter; and (b) the Approval Order is made.

4.7 Appointment of Inspectors

At the Meeting of Creditors the Unsecured Creditors may appoint up to five (5) Inspectors whose powers will be limited to: (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims; and (b) advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.

ARTICLE 5

CREDITOR CERTIFICATES

5.1 Certificates

On the Implementation Date, each Unsecured Creditor and Related Creditor will receive from the Debtor, in full and final satisfaction of their Claims, certificates (the “**Certificates**”) with a face value equal to that Creditor’s Claim as set forth in the Creditor’s Proof of Claim or the Statement of Affairs, whichever is greater, subject to that Creditor’s Claim being determined in accordance with **Article [3]**. Once a Creditor’s Claim becomes a Proven Claim a new Certificate shall be issued to that Creditor with a face value equal to that Creditor’s Proven Claim, if that Proven Claim is different from the amount set out on the Certificate originally issued to the Creditor.

ARTICLE 6

DISTRIBUTION

6.1 Payment of Employee Creditors

The Claims, if any, of the Employee Creditors shall be paid immediately after the making of the Approval Order in the ordinary course using proceeds from the operation of the Debtor’s business.

6.2 Payment of Source Deduction Creditors

Unless Her Majesty agrees otherwise, the Proven Claims, if any, of the Source Deduction Creditors shall be paid within six (6) months after the making of the Approval Order.

6.3 Payment of Certain Claims

The Debtor shall pay each Preferred Creditor in respect of its Proven Claim in the priority established by the BIA.

6.4 Payment of Certificates

One Hundred (100) per cent of: (a) the proceeds realized by the Debtor from any property (as defined by the BIA): (i) that is not required to satisfy amounts secured by the Administrative Charge and/or the Interim Lending Charge, and (ii) that is not subject to a valid, enforceable and perfected security interest in favour of a Secured Creditor; and (b) the net proceeds, if any, from any proceedings taken pursuant to section **[95 to 101]** of the BIA shall be distributed pro rate to the Creditors to reduce the amount owing pursuant to the Certificates within sixty (60) days of such amounts being received by the Debtor or the Proposal Trustee.

6.5 Related Creditors

The Proven Claims of Related Creditors shall be fully subordinated to the Proven Claim of the Unsecured Creditors and shall not be entitled to receive a distribution unless and until the Proven Claims of the Unsecured Creditors are paid in full.

6.6 Levy

Payments to each Unsecured Creditor and Related Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA, which amount shall be paid by the Debtor to the Office of the Superintendent of Bankruptcy. The Office of the Superintendent of Bankruptcy will receive a Certificate in respect of the amount payable in respect of levy.

ARTICLE 7

MISCELLANEOUS

7.1 Compromise Effective for all Purposes

The provisions of this Proposal will be binding upon each Unsecured Creditor and Related Creditor, their heirs, executors, administrators, successors and assigns, for all purposes. Subject to the limitations in section 50(14) of the BIA, the Claims against the Directors that arose before the Proposal Date and that relate to the obligations of the Debtor where the Directors are by law liable in their capacity as Directors for the payment of such obligations will be satisfied and released.

7.2 Modification of Proposal

The Debtor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

7.3 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Unsecured Creditor and Related Creditor will be deemed:

- (a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral,

existing between such Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and

- (d) to have released the Debtor, the Trustee and all of their respective affiliates, employees, agents, directors (provided that, in respect of the Debtor, only the Directors are released), officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein; provided that nothing herein shall release the Debtor of its obligation to make the distributions to Unsecured Creditors contemplated in this Proposal.

7.4 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) The acceptance of the Proposal by the Unsecured Creditors; and
- (b) The making of the Approval Order and the expiry of all appeal periods.

7.5 Full Implementation

This Proposal will be fully implemented by the Debtor on delivery of the Certificates as provided by **Article [5.1]**.

7.6 Effect of Proposal Generally

As at 12:01 a.m. on the date of the Approval Order becomes final and binding:

- (a) The treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Unsecured Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns); and
- (b) The Proposal shall constitute: (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor and the Directors of or in respect of the Claims.

7.7 Conduct of Debtor's Business

Subject to any Order made by the Court, the Debtor shall remain in possession and control of their property and assets at all times, both before and after implementation of this Proposal.

ARTICLE 8

ADVOIDANCE OF TRANSACTION

8.1 Avoidance Proceedings

Sections [95 to 101] of the BIA will apply in respect of the Debtor and this Proposal. One hundred (100) per cent of the net proceeds, if any, realized by the Trustee from any proceedings taken pursuant to sections [95 to 101] of the BIA shall be distributed to the Unsecured Creditors as provided by Article [6].

The Trustee is not obliged to take any proceedings under Sections [95 to 101] of the BIA unless there are provisions in place that are satisfactory to the Trustee with respect to the professional fees and expenses that will be incurred by the Trustee.

If an Unsecured Creditor requests the Trustee to take any proceeding that in that Unsecured Creditor's opinion would be for the benefit of the Unsecured Creditors and the Trustee refuses or neglects to take the proceeding, that Unsecured Creditor may obtain from the Court an order authorizing the Unsecured Creditor to take the proceeding in the Unsecured Creditor's own name and at the Unsecured Creditor's own expense and risk pursuant to section [38] of the BIA and any the surplus, if any, realized by the Unsecured Creditor shall be distributed to the Trustee for distribution in accordance with Article [6].

ARTICLE 9

GENERAL

9.1 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) if to the Debtor:

c/o Gowling WLG (Canada) LLP
Suite 1600, 100 King St. W.
Toronto ON M5X 1G5

Attention: E. Patrick Shea, LSM, CS

Telecopier: 416-862-7661
 E-mail : patrick.shea@gowlingwlg.com

- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and
- (c) if to the Trustee:

Deloitte Restructuring Inc.
 8 Adelaide Street West, Suite 200
 Toronto, ON M5H 0A9

Attention: Hartley Bricks
 Telecopier: 416-601-6690
 E-mail : hbicks@deloitte.ca

or to such other address, e-mail address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by e-mail or telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by e-mail or telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

9.2 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Proposal Date.

9.3 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

9.4 Non Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

9.5 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

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EXECUTION PAGE

DATED at Ottawa, this 11 day of June 2020.

**VITALITY CBD NATURAL HEALTH PRODUCTS
INC.**

Per: _____

Name: Seann Poli

Title: CEO



I have authority to bind the corporation.

District of: Ontario
 Division No. 12 - Ottawa
 Court No. 33-2618511
 Estate No. 33-2618513

Original Amended

-- Form 78 --
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Vitality CBD Natural Health Products Inc.
 of the City of Ottawa, in the Province of Ontario

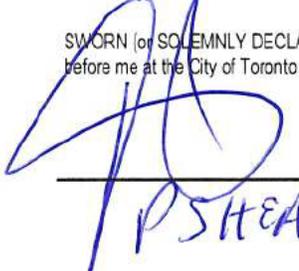
To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 14th day of February 2020. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

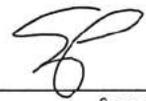
LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A" 291,613.00	1. Inventory 0.00
Balance of secured claims as per list "B" 11,696,484.00	2. Trade fixtures, etc. 0.00
Total unsecured creditors 11,988,097.00	3. Accounts receivable and other receivables, as per list "E"
2. Secured creditors as per list "B" 0.00	Good 0.00
3. Preferred creditors as per list "C" 0.00	Doubtful 0.00
4. Contingent, trust claims or other liabilities as per list "D"	Bad 10,278,113.00
estimated to be reclaimable for 29,522,243.00	Estimated to produce 0.00
Total liabilities 41,510,340.00	4. Bills of exchange, promissory note, etc., as per list "F" 0.00
Surplus NIL	5. Deposits in financial institutions 0.00
	6. Cash 0.00
	7. Livestock 0.00
	8. Machinery, equipment and plant 0.00
	9. Real property or immovable as per list "G" 0.00
	10. Furniture 0.00
	11. RRSPs, RRIFs, life insurance, etc. 0.00
	12. Securities (shares, bonds, debentures, etc.) 0.00
	13. Interests under wills 0.00
	14. Vehicles 0.00
	15. Other property, as per list "H" 0.00
	If debtor is a corporation, add:
	Amount of subscribed capital 100.00
	Amount paid on capital 0.00
	Balance subscribed and unpaid 100.00
	Estimated to produce 0.00
	Total assets 0.00
	Deficiency 41,510,340.00

I, Seann Poli, of the City of Ottawa in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 12th day of June 2020 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of Toronto in the Province of Ontario, on this 12th day of June 2020.



 PSHEA



 Seann Poli

District of: Ontario
Division No. 12 - Ottawa
Court No. 33-2618511
Estate No. 33-2618513

FORM 31
Proof of Claim
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the matter of the proposal of
Vitality CBD Natural Health Products Inc.
of the City of Ottawa, in the Province of Ontario

All notices or correspondence regarding this claim must be forwarded to the following address:

In the matter of the proposal of Vitality CBD Natural Health Products Inc. of the City of Ottawa in the Province of Ontario and the claim of _____, creditor.

I, _____ (name of creditor or representative of the creditor), of the city of _____ in the province of _____, do hereby certify:

1. That I am a creditor of the above named debtor (or I am _____ (position/title) of _____, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 14th day of February 2020, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ _____
(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)

Regarding the amount of \$ _____, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ _____, I do not claim a right to a priority.
(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ _____

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ _____

That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows:
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ _____

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ _____
(Attach a copy of sales agreement and delivery receipts.)

- E. CLAIM BY WAGE EARNER OF \$ _____
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ _____,
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ _____,
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ _____
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ _____,
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ _____,
- G. CLAIM AGAINST DIRECTOR \$ _____

(To be completed when a proposal provides for the compromise of claims against directors.)

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

5. That, to the best of my knowledge, I _____ (am/am not) (or the above-named creditor _____ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and _____ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Provide details of payments, credits and transfers at undervalue.)

7. (Applicable only in the case of the bankruptcy of an individual.)

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at _____, this _____ day of _____.

Witness

Creditor

Phone Number: _____
Fax Number : _____
E-mail Address : _____

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 20(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

Instructions To Creditors

Proof of Claim form

General

Creditors are required to file their claims with the Trustee prior to the time appointed for the meeting of creditors in order to be eligible to vote.

The proper name of the claimant and its complete address, to which all notices or correspondence are to be forwarded, must be shown.

The proof of claim form must be completed by a person, not by a corporation. The person completing the proof of claim form on behalf of a corporation shall indicate his official capacity, such as "Credit Manager", "Secretary", "Authorized Agent", etc.

A proper proof of claim must be supported by a Statement of Account, marked "A", providing details, such as date, invoice numbers and amounts owing, the total of which agrees with the amount indicated on the claim.

All sections of the proof of claim must be completed. Any non-applicable wording should be crossed out.

The signature of the creditor or declarant on the claim must be witnessed.

Paragraph 3

A detailed statement of account must be attached to the proof of claim and must show the date, the number and the amount of all the invoices or charges, together with the date, the number and the amount of all credits or payment. A statement of account is not complete if it begins with an amount brought forward.

Paragraph 4

The individual completing the proof of claim must strike out those subsections which do not apply. The priority referred to in subsection C a landlord for rent arrears and acceleration rent, if included in the lease, municipalities, if their claims are not a charge against title, and departments of federal and provincial governments.

All Secured Creditors must attach to their proofs of claim, a certified true copy of their security documents and details of registration.

Paragraph 5

All claimants must indicate whether or not they are related to the debtor, as defined by The Bankruptcy & Insolvency Act, by striking out "ARE" or "ARE NOT".

Paragraph 6

All claimants must attach a detailed list of all payments or credits received or granted, as follows:

- a) within the three (3) months preceding the bankruptcy or the proposal, in the case where the claimant and the debtor are not related.
- b) within the twelve (12) months preceding the bankruptcy or proposal, in the case where the claimant and the debtor are related.

Voting/Proxy

Any unsecured creditor may vote in person or by proxy, but when a proxy is attending the meeting, he must be so appointed by the creditor. When the creditor is a corporation, the person attending the meeting of the creditors, including the declarant, must be appointed proxy by an officer of the corporation having status to make such an appointment.

Note

Section 201(1) of The Bankruptcy & Insolvency Act states: "Where a creditor, or a person claiming to be a creditor, in any proceedings under this Act, wilfully and with intent to defraud, makes any false claim or any proof, declaration or statement of account, that is untrue in any material particular, he is guilty of an offence and is liable on summary conviction to a fine not exceeding one thousand dollars, or to imprisonment for a term not exceeding one year, or both."

Deloitte Restructuring Inc.
Attention: Hartley Bricks
Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto, Ontario M5H 0A9
Telephone: (416) 775-7326
Fax : (416) 601-6690

District of: Ontario
Division No. 12 - Ottawa
Court No. 33-2618511
Estate No. 33-2618513

FORM 36
Proxy
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the matter of the proposal of
Vitality CBD Natural Health Products Inc.
of the City of Ottawa, in the Province of Ontario

I, _____, of _____, a creditor in the above matter, hereby
appoint _____, of _____, to be
my proxyholder in the above matter, except as to the receipt of dividends, _____ (with or without)
power to appoint another proxyholder in his or her place.

Dated at _____, this _____ day of _____, _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:

Deloitte Restructuring Inc. - Licensed Insolvency Trustee

Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Phone: (416) 775-7326 Fax: (416) 601-6690

District of: Ontario
Division No. 12 - Ottawa
Court No. 33-2618511
Estate No. 33-2618513

FORM 37

Voting Letter
(Paragraph 51(1)(f) of the Act)

In the matter of the proposal of
Vitality CBD Natural Health Products Inc.
of the City of Ottawa, in the Province of Ontario

I, _____, creditor (or I, _____, representative
of _____, creditor), of _____, a creditor in the above matter
for the sum of \$ _____, hereby request the trustee acting with respect to the proposal of Vitality
CBD Natural Health Products Inc., to record my vote _____ (for or against) the acceptance of the
proposal as made on the _____ day of _____, _____.

Dated at _____, this _____ day of _____.

Witness Individual Creditor

Witness Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:
Deloitte Restructuring Inc. - Licensed Insolvency Trustee
Per:

Hartley Bricks - Licensed Insolvency Trustee
Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Phone: (416) 775-7326 Fax: (416) 601-6690