

Clerk's stamp:



COURT FILE NUMBER 2201-11655
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
MATTER IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, RSC 1985, c. C-36, AS AMENDED,
AND IN THE MATTER OF SUGARBUD CRAFT GROWER
CORP., TRICHOME HOLDINGS CORP., AND 1800905
ALBERTA LTD.

APPLICANTS SUGARBUD CRAFT GROWER CORP., TRICHOME
HOLDINGS CORP., AND 1800905 ALBERTA LTD.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT
Dentons Canada LLP
15th Floor, Bankers Court
850 – 2nd Street SW
Calgary, AB T2P 0R8
Attention: Afshan Naveed
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File No.: 575001-6

AFFIDAVIT OF AJIBOLA (AJ) OMO-LOTO

Sworn on October 17th, 2022

I, Ajibola (AJ) Omo-Loto, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am an employee of Connect First Credit Union Ltd., ("CFCU") with the title Manager, Special Loans & Collections. I am authorized to swear this Affidavit on behalf of CFCU.
2. I have knowledge of the matters to which I herein depose. Where that knowledge is based on information or belief, I have stated the source of that information and verily believe it to be true.
3. CFCU is the first secured lender of Sugarbud Craft Grower Corp., Trichome Holdings Corp., and 1800905 Alberta Ltd. (collectively "Sugarbud" or the "Debtors").
4. I am surprised and disappointed to learn that allegations of not acting in good faith have been made against CFCU by counsel for the Attorney General of Canada, acting for His Majesty the King in right of Canada, represented by the Minister of National Revenue (the "Minister"), herself

represented by the Canada Revenue Agency ("**CRA**") in the bench brief filed by the Department of Justice in the within proceeding.

5. I am advised by my counsel, Afshan Naveed, at Dentons Canada LLP ("**Dentons**"), that on September 26, 2022, the Debtors each filed a Notice of Intention to Make a Proposal (the "**NOI Proceedings**") pursuant to s.50.4(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**") and appointed Alvarez & Marshal Canada Inc. as their proposal trustee ("**A&M**").
6. In order to provide Sugarbud with its working capital needs during the NOI Proceedings, CFCU agreed to provide interim financing to Sugarbud on terms to be agreed upon between CFCU and Sugarbud (the "**IF Facility**"). A copy of the substantially finalized, but unsigned, interim financing term sheet, dated September 23, 2022 (the "**Draft IFTS**") was attached as Exhibit "J" to the Affidavit of Daniel T. Wilson, sworn September 26, 2022, in support of the BIA Application (defined below).
7. CFCU has made it clear to Sugarbud, from the outset, that it would only advance further funds to Sugarbud on the basis that a super priority charge was obtained over the assets, undertaking and property of Sugarbud (the "**Property**"), with respect to the amounts advance under the IF Facility ("**Interim Financing Charge**") and that the Interim Financing Charge was continued under the CCAA Proceedings (defined below).
8. I am advised by my counsel, Afshan Naveed, that on September 26, 2022, Dentons was served with application materials from counsel for Sugarbud with respect to Sugarbud's application in the NOI Proceedings for, among other things: procedural consolidation, an administration charge, interim financing and charge, sales and investment solicitation process, key employee retention plan and charge and a directors' charge (the "**BIA Application**").
9. I am advised by my counsel, Afshan Naveed, that on September 28, 2022, the day before the hearing of the BIA Application, counsel for CRA advised Sugarbud that it would be seeking to oppose the priming charges sought in the BIA Application, including the Interim Financing Charge, unless there was a carve out with respect to His Majesty's claims for source deductions (the "**Carve Out**").
10. Faced with the prospect that the BIA Application could be adjourned, which would put Sugarbud and the entire restructuring plan in jeopardy, Sugarbud and CFCU agreed to the Carve Out.
11. Following the granting of the Initial Order in the NOI Proceedings by the Honourable Justice D.B. Nixon on September 29, 2022, a revised term sheet was finalized and entered into between Sugarbud and CFCU (the "**IF Term Sheet**"). A copy of the finalized IF Term Sheet was attached as Exhibit "D" to the Affidavit of Daniel T. Wilson, sworn October 7, 2022, in support of the CCAA Proceedings.
12. I am advised by my counsel, Afshan Naveed, that on or around October 7, 2022, Sugarbud filed an application to continue the NOI Proceedings into proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* ("**CCAA**"), as required by the IF Term Sheet.
13. Following the execution of the IF Term Sheet and in light of the CCAA Proceedings, additional amendment were required to be made to the IF Term Sheet in order to address permitted encumbrances thereunder and confirm the requirement for a super-priority charge following the continuation of the NOI Proceedings into CCAA Proceedings.

14. Attached hereto and marked **Exhibit "A"** is a copy of the Amended IF Term Sheet, dated October 14, 2022, which makes it clear that a super priority charge with respect to the IF Facility is required in order for further advances to be made.
15. CFCU has acted and continues to act in good faith in these proceedings by working with Sugarbud and A&M in order to ensure the company is able to successfully restructure. In addition, CFCU is taking on a significant amount of risk as the interim-lender and it is entitled to take steps to protect its financial interest by requiring a super-priority charge on the Property, as any prudent lender would do.
16. I swear this affidavit in support of Sugarbud's application with respect to the CCAA Proceedings and to address the comments made by counsel for the CRA with respect to a lack of good faith on the part of CFCU.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta, this 17th day of)
October, 2022)
)
)



A Commissioner for Oaths in and for the
Province of Alberta



AJIBOLA (AJ) OMO-LOTO

CARLY KIST
Student-at-Law

THIS IS EXHIBIT "A"
REFERRED TO IN THE AFFIDAVIT OF
AJIBOLA (AJ) OMO-LOTO

Sworn before me this 17th day of October, 2022

A handwritten signature in black ink, appearing to read 'Carly Kist', is written over a horizontal line.

**A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA**

CARLY KIST
Student-at-Law



200, 2850 Sunridge Blvd NE
Calgary, AB T1Y 6G2

AMENDED SUMMARY OF TERMS AND CONDITIONS

CREDIT FACILITY FOR SUGARBUD CRAFT GROWERS CORP., TRICHOME HOLDINGS CORP., and 1800905 ALBERTA LTD.

PROVIDED BY CONNECT FIRST CREDIT UNION LTD.

October 14, 2022

The Lender hereby commits to provide the Credit Facility to the Borrower upon the terms and subject to the conditions set forth in this binding term sheet (this "**Term Sheet**"). Capitalized terms used herein without express definition will have the same meanings as are assigned to them in Schedule A. Any word defined in or importing the singular number has the same meaning when used in the plural number, and vice versa.

- 1. Lender(s)** Connect First Credit Union Ltd. ("**CFCU**") or its affiliates and/or other lenders to be designated from time to time by CFCU without the prior written consent of the Borrower (each a "**Lender**").
- 2. Borrower(s)** SugarBud Craft Growers Corp. (the "**Borrower**").
- 3. Guarantor(s):** Trichome Holdings Corp. and 1800905 Alberta Ltd. (collectively, the "**Guarantors**").
- 4. Currency** Unless otherwise noted, the currency of the Credit Facility shall be Canadian Dollars ("**CAD**").
- 5. Credit Facility** A Interim-Financing non-revolving facility in the maximum amount of \$2,000,000 (the "**Credit Facility**" or the "**Facility**").
- 6. Use of Proceeds** Funds advanced under the Credit Facility shall be used to fund the Borrower's working capital needs during the BIA Proposal Proceedings.
- 7. Advances:** Advances under the Credit Facility ("**Advances**") shall be made pursuant to the Approved Budget Forecast; provided that Advances for payables not set out on the Approved Budget Forecast may be made at the sole discretion of the Lender. Advances shall be disbursed by the Lender to the Borrower on a weekly basis or as deemed necessary in

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the sole discretion of the Lender.

8. Interest Rate

Amounts drawn and outstanding under the Credit Facility will bear interest at a rate per annum equal to 12%.

Interest on the principal amount outstanding under the Credit Facility shall be capitalized monthly in arrears and payable on the Termination Date (defined below).

Unless otherwise provided for herein, interest on any amount due hereunder shall be calculated daily and not in advance on the basis of a 365-day year. For the purposes of the *Interest Act* (Canada) in the case of a leap year, the annual interest rate corresponding to the interest calculated on the basis of a 365-day year is equal to the interest rate thus calculated multiplied by 366 and divided by 365. Any amount of principal, interest commission, discount, or any other nature remaining unpaid at maturity, shall bear interest at the rate provided for herein, being understood that the said interest rate on arrears shall not exceed the maximum rate provided by law. Interest on arrears shall be compounded monthly and payable on demand.

9. Fees**Commitment Fee**

A fee of 2% of the total amount of the Credit Facility which shall be fully earned upon issuance of the Interim Financing Order and paid on the Termination Date.

10. Out-of-Pocket Expenses

The Borrower shall be responsible for all reasonable and documented out-of-pocket fees and expenses incurred by the Lender, including, without limitation, legal fees and disbursements, audit, monitoring and valuation fees, travel and advisor fees incurred in connection with the Credit Facility, this Term Sheet, the BIA Proposal Proceedings and/or the enforcement of the Lender's rights under the Term Sheet, the Interim Financing Order and the Interim Lender's Charge (collectively, the "**Recoverable Expenses**"). The Recoverable Expenses shall be secured by the Interim Lender's Charge and paid by the Borrower on demand and/or from the proceeds of each Advance.

11. Term of Credit Facility; Maturity Date

The term of the Credit Facility will be the earlier of (a) four (4) months from the date of the initial Advance under the Credit Facility (the "**Maturity Date**"), and (b) any other Termination Date.

The Lender shall have the right to terminate the Credit Facility upon the occurrence of an Event of Default in accordance with the terms of this Term Sheet and any applicable orders of the Court.

The Credit Facility may be terminated with the consent of both the Lender and the Borrower, at which time, all accrued interest, principal, fees and Recoverable Expenses owing shall be paid in cash to the Lender on such Termination Date.

The date on which all outstanding principal and interest under the Credit Facility shall become due and payable will be termed the

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“Termination Date” and will be the date which is the earliest to occur of the following:

- (a) Maturity Date;
- (b) The date on which any Event of Default occurs or is discovered to have occurred in the past and the Lender has terminated the Credit Facility by notice to the Borrower (as provided herein);
- (c) Unless consented to by the Lender, the date on which the SISP terminates as a result of no qualified offer having been made by the bid deadline set out in Schedule B;
- (d) The date of the closing of a sale of all or a portion of the Collateral pursuant to the SISP, provided the BIA Proposal Proceedings are concurrently terminated with the consent of the Lender;
- (e) The date of a liquidity event, reorganization event, or Change of Control pursuant to the SISP and/or Approval and Vesting Order; and
- (f) Unless waived or otherwise consented to by the Lender, or subject to (e) above, the date on which the Borrower and any of the Guarantors undertake a liquidity event, reorganization event, or Change of Control.

12. Interim Lender's Charge and Security:

The Credit Facility shall be secured by a first ranking super-priority security interest in, and during the pendency of the BIA Proposal Proceedings and the CCAA, a first-ranking super-priority interim lender's charge (the **“Interim Lender's Charge”**) on (i) the Real Estate Collateral and (ii) all other present and after acquired property of the Borrower (collectively, the **“Collateral”**), subject in each case to Permitted Encumbrances.

As security for the indebtedness and obligations of the Borrower to the Lender, the Borrower and each Guarantor shall execute and deliver to the Lender, upon request, any mortgages, charges, security agreements and other documentation as may be required by the Lender to secure, perfect and maintain the Lender's first priority interest over the Collateral (collectively, the **“Security”**), all which shall be in form and content acceptable to the Lender.

The security interest in the Collateral shall only be subordinate to the Administration Charge (as defined in the Initial CCAA Order) and only up to the amounts set out in the Initial CCAA Order.

13. Mandatory Repayment

Subject to the priority of the Administration Charge, if the Borrower or Guarantors (with the prior written consent of the Lender), (a) dispose, transfer or sell any Collateral outside the ordinary course of business, or (b) sell the shares/equity interests of any wholly owned or

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non-wholly owned subsidiaries of the Borrower or Guarantors and/or any minority interests held by the Borrower or Guarantors, the proceeds of sale (net only of usual closing adjustments), up to the total amount of the Borrower's indebtedness to the Lender under the Credit Facility, shall be paid to the Lender and applied against the indebtedness owing to the Lender under the Credit Facility. Any such repayment by the Borrower shall constitute a permanent reduction of the availability and commitment under the Credit Facility.

14. Conditions Precedent to First Advance

The obligation of the Lender to make the Credit Facility available to the Borrower and to fund the initial Advance under the Credit Facility are subject to and conditional upon satisfaction (or waiver by the Lender) of the following conditions precedent:

- (a) Filing of the NOIs and issuance of the Initial Order;
- (b) Order of the Court approving the Credit Facility and related transactions, granting the Interim Lender's Charge and providing for the priority of the security in the Collateral in form and substance satisfactory to the Lender and its counsel (the "**Interim Financing Order**");
- (c) Completion of all due diligence (including financial, legal and insurance) by the Lender with a satisfactory result.
- (d) each of the representations and warranties made by the Borrower and the Guarantor(s) to the Lender shall be true and correct in all material respects;
- (e) no Material Adverse Change since the granting of the Initial Order, other than any Material Adverse Change previously disclosed in writing to the Lender;
- (f) approval by the Lender of the Approved Budget Forecast; and
- (g) no Event of Default shall have occurred.

15. Conditions Precedent to each Subsequent Advance under the Credit Facility

The following conditions precedent shall be satisfied, or waived by the Lender, prior to each subsequent advance under the Credit Facility:

- (a) delivery to the Lender of a drawdown request by the Borrower;
- (b) the issuance of the Interim Financing Order;
- (c) after October 21, 2022, the issuance of the initial CCAA Order, including the Interim Finance Charge as sought thereunder;

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- (d) the Interim Financing Order and the Initial CCAA Order must not be vacated, stayed, amended (without the Lender's consent), appealed or otherwise caused to become ineffective
- (e) each of the representations and warranties made by the Borrower in this Term Sheet shall be true and correct in all material respects as of the date made or deemed made (other than to the extent any representation and warranty relate specifically to an earlier date); and
- (f) no Event of Default shall have occurred and be continuing, nor will any Event of Default occur as a result of the requested advance.

16. Facility Covenants

So long as the Credit Facility is in effect, and until the obligations of the Borrower to the Lender under the Credit Facility have been indefeasibly paid in full, and except as otherwise permitted by the prior written consent of the Lender or as contemplated in respect of the SISF, the Borrower covenants and agrees with the Lender that it:

- (a) Will pay all sums of money when due under the terms of the Credit Documents;
- (b) Will immediately advise the Lender of any event which constitutes or which, with notice, lapse of time or both, would constitute an Event of Default;
- (c) Will file all tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and source deduction, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
- (d) Will give the Lender, as applicable, 30 days prior notice in writing of any Change of Control, and unless otherwise expressly waived by the Lender in writing, the Borrower must repay all amounts outstanding under the Credit Facility prior to, or concurrently with, any Change of Control;
- (e) Will comply in all material respects with all applicable laws, including all Environmental Laws;
- (f) Will immediately advise the Lender of any material action requests or material violation notices received concerning it and hold the Lender harmless from and against any losses, costs or expenses which the Lender

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may suffer or incur for any environment related liabilities existent now or in the future with respect to it except to the extent such losses, costs or expenses have resulted from the gross negligence, bad faith or wilful misconduct of the Lender;

- (g) Will immediately advise the Lender of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of the Credit Documents;
- (h) Will keep its assets fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils and shall provide the Lender with copies of certificates of insurance evidencing same;
- (i) Will, at reasonable times and upon reasonable notice (provided that upon the occurrence of an Event of Default, the Lender is permitted to do the following at any time and without notice) permit the Lender or its representatives, from time to time, upon reasonable prior written notice and during normal business hours,
 - i) to visit and inspect the Borrower's premises, properties and assets and examine and obtain copies of the Borrower's records or other information, and
 - ii) to discuss the Borrower's affairs with the auditors of the Borrower (in the presence of the Borrower's representatives as it may designate). The Borrower hereby authorizes and directs any such third party to provide to the Lender or its representatives all such information, records or documentation reasonably requested by the Lender;
- (j) Except for Permitted Encumbrances, will not, without the prior written consent of the Lender which will not be unreasonably withheld, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
- (k) Will not, without the prior written consent of the Lender, incur any borrowings or other indebtedness, obligations or liabilities, other than Permitted Indebtedness;
- (l) Will not, without the prior written consent of the

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Lender, sell, transfer, convey, lease or otherwise dispose of any of its assets, properties or undertakings (a) to any third party, other than (i) in the ordinary course of business and on arm's-length, commercially reasonable terms; (ii) obsolete or otherwise superfluous tangible assets; (iii) the shares/equity interests of any non-wholly owned subsidiaries of the Borrower or Guarantors and any minority interests held by the Borrower or Guarantors, provided that such proceeds of any sale or disposal of shares/equity interests owned by the Borrower or such Guarantor shall be used first to pay down the principal balances outstanding under the Credit Facility;

- (m) Will not acquire or move any Collateral to any jurisdiction outside the Province of Alberta or any other jurisdiction where the Lender has perfected its Security over such Collateral without first executing and delivering all such security and other documentation and completing all registrations, recordings and filings to grant in favour of the Lender a first-ranking security interest in such Collateral and to render effective the security interest granted thereby, all in form and substance satisfactory to the Lender;
- (n) Will not provide any guarantees, financial assistance or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other person, other than Permitted Indebtedness;
- (o) Will not merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;
- (p) will not pay any dividends, other corporate distributions, interest or principal on any secured or unsecured debt, other than Permitted Indebtedness and as contemplated by the Approved Budget Forecast;
- (q) Will not make any disbursements or provide any funding to any entity which is not an applicant in the Borrower' BIA Proposal Proceedings or a Guarantor, unless otherwise authorized under the BIA Proposal Proceedings;
- (r) Will fully cooperate with each party conducting any field exam or due diligence on behalf of the Lender and will permit and reimburse the Lender for all costs

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associated with any appraisals;

- (s) Will provide information upon request by the Lender as it relates to any vendor number or similar identification of such obligor by its end customers and/or suppliers;
- (t) Shall notify the Lender within one (1) Business Day of any Account Debtor notifying the Borrower that they are contesting any invoice;
- (u) will pay only those expenditures set out in the Approved Budget Forecast, or such other expenditures the Lender and Trustee/Monitor consent to in writing, as outlined in greater detail in the Approved Budget Forecast section below;
- (v) will provide to the Lender on a weekly basis a statement setting out all payments, disbursements and transfers of money proposed to be made by the Borrower during the following week and will make only those payments, disbursements and transfers that are set out in the Approved Budget Forecast or otherwise consented to by the Lender, as outlined in greater detail in the Approved Budget Forecast section below;
- (w) not create or grant any security (other than the Administration Charge, Interim Lender's Charge or any other charges granted pursuant to the Initial Order) over any of the Collateral, whether ranking in priority to, *pari passu* or subordinate to the Interim Lender's Charge;
- (x) provide the Lender with any financial or other information reasonably requested by the Lender; and
- (y) promptly on the receipt by the Borrower of the same, give the Lender a copy of any notice of motion, pleading or application to vary, supplement, revoke, terminate or discharge the Initial Order or Interim Financing Order including (without limitation) any application to the Court for the granting of security that will or may have priority over the Interim Lender's Charge, or otherwise for the variation of the priority of the Interim Lender's Charge.

17. Conversion to CCAA Proceedings

Notwithstanding anything herein to the contrary, and except as otherwise permitted by the prior written consent of the Lender, the Borrower covenants and agrees with the Lender that it will take all actions necessary to convert the NOI to CCAA Proceedings on or

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before October 21, 2022, or such other date as may be agreed to by the Lender in its sole and absolute discretion. For greater certainty, upon conversion to the CCAA Proceedings the Interim Lending Charge will have the priority afforded to it under the Initial CCAA Order and will rank in priority to all other Encumbrances (as that term is defined in the Initial CCAA Order), except for the Administration Charge. Failure to satisfy this covenant shall be an Event of Default hereunder.

18. Approved Budget Forecast

The Borrower shall prepare and provide, in form and substance satisfactory to the Lender in its sole and absolute discretion, a weekly line item cash flow forecast (receipts and disbursement forecast), and supported by aged listings of accounts payable, inclusive of critical payments and statutory obligations, covering the period of at least 13 calendar weeks following the Closing Date (together with all updates thereto approved by the Lender in its sole and absolute discretion, the "**Approved Budget Forecast**"). The Approved Budget Forecast shall set forth expected receipts and all of the operating and capital expenditure (if any) to be made during each calendar week and in the aggregate for the period of time covered by the Approved Budget Forecast.

Commencing on the Tuesday of the calendar week following October 4, 2022 and continuing every Tuesday thereafter, the Borrower shall by 5:00 p.m. (Calgary time) (each a "**Variance Testing Date**") deliver to the Lender:

- (a) report and variance analysis showing actual cash receipts and actual expenditures for each line item in the Approved Budget Forecast covering the weeks since the Filing Date and comparing the foregoing amounts to the Approved Budget Forecast cash receipts and expenditures; and
- (b) an update and extension to the Approved Budget Forecast (the "**Revised Budgeted Forecast**") for the period commencing from the end of the previous week through and including thirteen (13) weeks thereafter, which shall reflect the Borrower's good faith projections and be in form and detail consistent with the Approved Budget Forecast and subject to the approval of the Lender.

The Borrower shall, and if requested by the Lender shall use commercially reasonable efforts to cause its non-legal advisors (if any) and the Proposal Trustee/Monitor to, participate on weekly conference calls with the Lender, and its respective advisors, to discuss the Revised Budget Forecast, the Borrower's current and projected operational performance and any related financial matters.

The Borrower shall ensure that when measured as of each Variance

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Testing Date, the following cash flow test (the "**Cash Flow Test**") for each of the components of the Approved Budget Forecast or Revised Budget Forecast as the case may be, is met:

- I. Except as otherwise agreed by the Lender, the Borrower's total expenditures (excluding any fees of the Proposal Trustee/Monitor or its counsel) for the prior two week period shall not have exceeded 110% of the amount of total expenditures for such prior two week period as set forth in the most recent Approved Budget Forecast or Revised Cash Flow Forecast.
- II. Except as otherwise agreed by the Lender, the Borrower's net cash receipts for the prior two-week period shall not be less than 90% of the amount of forecasted cash receipts for such prior two week period as set forth in the Approved Budget Forecast or Revised Budget Forecast.
- III. The Borrower, with the assistance of the Proposal Trustee/Monitor, shall provide detailed bridges (quantitative explanations of the forecast-to-actual variances) for each line-item of the Approved Budget Forecast or Revised Budget Forecast as well as for any other line-item variances outside of the management's direct control, that impact the overall consolidated cash flow results.

Notwithstanding any other provision in this Section 18, the Borrower shall be permitted to incur extraordinary expenses not otherwise permitted under the Cash Flow Test only with the prior written consent of the Proposal Trustee/Monitor and Lender.

19. Representations and Warranties

The Borrower and each Guarantor represents and warrants (subject to obtaining the Interim Financing Order, where applicable) to the Lender, upon which the Lender rely on in entering this Term Sheet that:

- (a) the Borrower and each Guarantor is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is duly qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary;
- (b) the Borrower and each Guarantor has all requisite corporate power and authority to (i) own and operate its properties and assets and to develop, own and operate its business and (ii) to enter into and perform its obligations under this Term Sheet and the other Credit Documents to which it is a party;

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- (c) the execution and delivery by the Borrower and each Guarantor of this Term Sheet and the other Credit Documents to which it is a party and the performance by the Borrower of its respective obligations hereunder and thereunder have been duly authorized by all necessary corporate action and no authorization under any applicable law, and no registration, qualification, designation, declaration or filing with any governmental authority, is or was necessary therefor, other than filings which may be made to register or otherwise record the Interim Lender's Charge;
- (d) this Term Sheet and each of the other Credit Documents to which the Borrower and each Guarantor is a party has been duly executed and delivered by the Borrower and each Guarantor and constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally and (ii) the discretion that a court may exercise in the granting of equitable remedies;
- (e) the Collateral (i) is owned by or licensed to the Borrower and each Guarantor and is only located at the locations disclosed in writing to the Lender; (ii) has not been sold, leased or otherwise disposed of other than inventory in the ordinary course of business and (iii) is not subject to any rights of any person or entity other than Permitted Encumbrances;
- (f) the execution and delivery by the Borrower and each Guarantor of this Term Sheet and the other Credit Documents to which it is a party and the performance by the Borrower of its obligations hereunder and thereunder and compliance with the terms, conditions and provisions hereof and thereof, will not conflict with or result in a breach of (i) its constating documents or by-laws; (ii) the material contracts to which it is party; or (iii) any applicable law;
- (g) all statements (whether financial or otherwise), information, reports, budgets, forecasts and projections made available by the Borrower or anyone on its behalf to the Lender are true, complete and accurate in all material respects and do not omit any information necessary to make them true, complete and accurate in all material respects;
- (h) the business operations of the Borrower and each

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Guarantor has been and will continue to be conducted in compliance with all laws of each jurisdiction in which business has been or is being carried on, other than to the extent non-compliance would not cause a Material Adverse Change;

- (i) the Borrower and each Guarantor has obtained all licenses and permits required for the operation of its business, which licenses and permits remain in full force and effect. No proceedings have been commenced or, to the knowledge of the Borrower, threatened to revoke or amend any of such licenses or permits;
- (j) other than as disclosed to the Lender, (i) neither the Borrower nor any Guarantor is aware of any person with a secured claim against the Borrower, any Guarantor or the Collateral except for the Permitted Encumbrances and the relevant tax authorities and (ii) the Borrower is not aware of any unpaid deductions at source owing to the relevant tax authorities;
- (k) other than as disclosed to the Lender, and the Borrower and each Guarantor has filed or caused to be filed all tax returns and reports which are required to have been filed and has paid or caused to be paid all taxes required to have been paid by it, except for those the Lender has been advised of in writing, taxes that are being contested in good faith by appropriate proceedings, and for which adequate cash reserves are being maintained;
- (l) other than as disclosed to the Lender, the BIA Proposal Proceedings and CCAA Proceedings, and litigation proceedings stayed by the NOI or CCAA, there are no material actions, suits or proceedings (including any tax-related matter) by or before any arbitrator or governmental authority or by any other person pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower;
- (m) (i) the Borrower and each Guarantor is and has been in material compliance with all applicable Environmental Laws, including obtaining, maintaining and complying with all permits required by any applicable Environmental Law, (ii) no Borrower is party to, and no real property currently or previously owned, leased or otherwise occupied by or for the Borrower is subject to or the subject of, any contractual obligation or any pending or, to the

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knowledge of the Borrower, threatened order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice under or pursuant to any Environmental Law which could reasonably be expected to result in a remedial obligation having a Material Adverse Change, (iii) no encumbrance in favour of any governmental authority securing, in whole or in part, environmental liabilities has attached to any property of the Borrower and no facts, circumstances or conditions exist that could reasonably be expected to result in any such encumbrance attaching to any such property, (iv) no Borrower has caused or suffered to occur a release of any hazardous substances or conditions creating any potential for such a release at, to or from any real property other than in compliance with Environmental Laws and except when failure to do so could not reasonably be expected to have a Material Adverse Change, (v) neither the Borrower nor any Guarantor has engaged in operations that, and no facts, circumstances or conditions exist that, in the aggregate, would have a reasonable likelihood of resulting in material environmental liabilities, and (vi) the Borrower has made available to the Lender copies of all existing environmental reports, reviews and audits and all documents pertaining to actual or potential environmental liabilities, in each case to the extent such reports, reviews, audits and documents are in its possession, custody or control;

- (n) the Borrower and each Guarantor maintains insurance policies and coverage which (i) is sufficient for compliance with law and all material agreements to which the Borrower is a party and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to the assets and operations of the Borrower; and
- (o) all factual information provided by or on behalf of the Borrower and each Guarantor to the Lender for the purposes of or in connection with this Term Sheet, the other Credit Documents or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of

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the circumstances under which such information was provided.

20. Remedies and Enforcement

Following the occurrence of an Event of Default, the Lender shall have the right to immediately cease making Advances to the Borrower and, upon four (4) Business Days written notice to the Borrower, the Lender shall have the right to:

- (a) enforce the Interim Lender's Charge and realize on the Collateral and any other property secured by the Interim Lender's Charge;
- (b) exercise the rights and powers of a secured lender and mortgagee pursuant to the *Personal Property Security Act* (Alberta) or any legislation of similar effect;
- (c) apply to the Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Borrower and for the appointment of a trustee in bankruptcy of the Borrower; and
- (d) exercise all such other rights and remedies available to the Lender pursuant to this Term Sheet, the Initial Order, the Interim Financing Order, the Credit Documents and/or any other order of the Court or applicable law.

No failure or delay on the part of the Lender in exercising any of its rights and remedies shall be deemed to be a waiver of any kind.

21. Target Closing Date

The target date for the closing of this Credit Facility is based on a verbally indicated date of on or before September 30, 2022. The Borrower will seek to obtain the Interim Financing Order at a hearing on or before September 29, 2022 on notice to the service list in the BIA Proposal Proceedings and such other parties as the Borrower or the Lender consider appropriate.

22. Amendments/Waivers

This Term Sheet may not be amended nor waived except by an instrument in writing signed by each of the Borrower, each Guarantor and the Lender, provided however, that Schedule B may be amended or supplemented without the consent of the Borrower or Guarantors.

23. Successors and Assigns; Enurement

This Term Sheet shall be binding upon and enure to the benefit of the Lender and the Borrower and their respective successors and permitted assigns.

24. Assignment

The Borrower nor any Guarantor shall assign any of its rights or obligations under this Term Sheet or any of the Credit Documents to any Person, without the prior written consent of the Lender. The Lender may assign, sell or participate its rights or obligations with

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respect to this Term Sheet or any of the Credit Documents to any Person, without the prior written consent of the Borrower and the Guarantor .

25. Governing Law

This Term Sheet shall be governed and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein, and each of the Lender and the Borrower irrevocably attorns to the exclusive jurisdiction of the courts of Alberta.

26. Execution in Counterparts

This Term Sheet may be executed in counterparts, whether by original copy or facsimile or other electronic means, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

27. Further Assurances

The Borrower will, at its own expense and promptly on demand by the Lender at any time, do such acts and things and execute and deliver such documents as the Lender may reasonably request to give effect to any other provisions set out hereunder

28. Lender Counsel:

Dentons Canada LLP

29. Expiry

Please indicate your acceptance of the terms hereof by returning to the Lender an executed counterpart to this Term Sheet not later than 5:00 p.m. (Calgary time) on October 3, 2022. The Lender's commitments and agreements herein will expire at such time in the event the Lender has not received such executed counterpart from the Borrower and Guarantor in accordance with the immediately preceding sentence.

[Signature Page Follows]

Signature Page

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The Borrower authorizes the Lender to collect, use and disclose information for the purposes of verification, assessing our credit worthiness, and contract administration. The Borrower agrees that this information may be collected from any third parties, including current employees, credit bureaus and other persons or organization with whom we have or had financial dealings.

CONNECT FIRST CREDIT UNION LTD., as Lender

Ajibola (Aj) Omo-Loto

Manager, Special Loans and Collections

Name

Title

DocuSigned by:

Aj Omo-Loto

October 14, 2022

Signed

Signature Page

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Accepted this 14 day of October, 2022

SUGARBUD CRAFT GROWERS CORP. as Borrower

Dan Wilson CEO
Name Title

Dan Wilson
Signed
I have authority to bind the Corporation

Trichome Holdings Corp., as Guarantor

Dan Wilson CEO
Name Title

Dan Wilson
Signed
I have authority to bind the Corporation

1800905 Alberta Ltd., as Guarantor

Dan Wilson CEO
Name Title

Dan Wilson
Signed
I have authority to bind the Corporation

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**SCHEDULE A
DEFINED TERMS**

"Account Debtor"	means any party which owes any amount under invoices owing to the Borrower.
"Approval and Vesting Order"	means an order (or reverse vesting order) of the Court approving the sale of all or substantially all of the assets, properties and undertakings of the Borrower or the Guarantors.
"BIA"	means the <i>Bankruptcy and Insolvency Act</i> (Canada), as amended.
"BIA Proposal Proceedings"	means the proceedings in Estate Nos: 25-2868949, 25-2868952, 25-2868957 whereby the Borrower and the Guarantors have sought to restructure pursuant to the BIA.
"Business Day"	Any day that is not a Saturday or Sunday or a day recognized as a statutory holiday in the Province of Alberta, Canada or the country of Canada. If a required payment falls on a non -business day, then such payment shall be made on the next Business Day.
"CCAA"	means the Companies' Creditors Arrangement Act (Canada).
"CCAA Proceedings"	means the proceedings to be commenced by the Borrower and Guarantors pursuant to the CCAA.
"Change of Control"	means either (i) the assignment, sale, transfer or other disposition of (A) all or substantially all of the assets and business of the Borrower or a Guarantor, (B) any material business of any Obligor, (C) a material portion of the Collateral (in each case whether in a single transaction or a series of transactions), or (ii) any transaction or series of transactions whereby any Person or group of Persons, acting jointly or otherwise in concert, acquire the right, by contract or otherwise, to direct the management and activities of the Borrower.
"Control"	means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, and " Controlling " and " Controlled " have meanings correlative thereto.
"Court"	means the Alberta Court of King's Bench.
"Credit Documents"	means, collectively, this Term Sheet, the Security, and all other

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documents contemplated by this Term Sheet and the Security.

“Environmental Activity”

means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater.

“Environmental Laws”

means all applicable laws relating to the environment or occupational health and safety, or any Environmental Activity.

“Event of Default”

Means, the occurrence of any one or more of the following:

- (a) if the Borrower at any time shall fail to pay or perform with regard to the obligation to repay the principal and interest on any Loan Advance, to pay for any adjustment, or to make any remittance on the date required by the Credit Documents for such payment;
- (b) if the Borrower ceases or threatens to cease carrying on its business or if a petition shall be filed, an order shall be made or an effective resolution shall be passed for the winding up or liquidation of the Borrower;
- (c) if a the Borrower commits an act of bankruptcy (other than under the BIA Proposal Proceedings);
- (d) if the Borrower fails to meet any of the Milestone Dates and the Lender does not agree to amend or extend any such Milestone Dates;
- (e) if a Change of Control occurs, other than as contemplated in the SISP;
- (f) if any encumbrancer, lien holder or Person acting on its behalf shall take possession of the Collateral or any material part thereof;
- (g) excluding amounts that are subject to the stay of proceedings under the Initial Order, if the Borrower permits any sum which has been admitted as due by the Borrower or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the Interim Lender's Charge to remain unpaid after proceedings have been taken to enforce such charge;

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- (h) if any representation or warranty made by the Borrower or any of its officers, employees or agents to the Lender shall be false or inaccurate in any material respect and such representation and warranty is not thereafter made true and correct within three (3) Business Days of the Borrower becoming aware of it being false or inaccurate;
- (i) if there will have occurred any event of circumstance that has resulted in, or could reasonably be expected to result in, a Material Adverse Change;
- (j) if any amount of proceeds of any Collateral is deposited to any bank account of the Borrower that is not subject to the Security;
- (k) if any license, permit or approval required by any law, regulation or governmental policy or any governmental authority for the operation by the Borrower of its business shall be withdrawn, materially altered in a manner materially detrimental to the business of such license holder, or cancelled and all such appeal periods have expired; or
- (l) if a final judgment, execution, writ of seizure and sale, sequestration or decree for the payment of money in an amount, individually or in the aggregate, of at least \$1,500,000 (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall have been obtained or entered against the Borrower, unless such judgment, execution, writ of seizure and sale, sequestration or decree is and remains vacated, discharged or stayed pending appeal within the applicable appeal period.

“Initial Order”

means the order of the Court to be issued on September 29, 2022 issued under the BIA Proposal Proceedings in respect of the Borrower, in form and substance satisfactory to the Lender and its counsel.

“Initial CCAA Order”

means the proposed initial order of the Court to be issued on October 18, 2022 under the CCAA proceedings, a draft form of which is attached to the Application of the Borrower dated October 7, 2022

“Initial Financing Order”

means an order of the Court approving the Term Sheet and Credit Facility and granting the Interim Lender's Charge, in form and substance satisfactory to the Lender and its counsel.

“Lien”

means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or

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otherwise), charge against or interest in property or other priority or preferential arrangement of any kind or nature whatsoever, in each case to secure payment of a debt or performance of an obligation, including any conditional sale or any sale with recourse.

- “Material Adverse Change”** means any event, circumstance or change that could be expected to result, individually or in the aggregate, in a material adverse effect, in any respect, on (a) the legality, validity or enforceability of any of the Credit Documents or any of the security interests provided for thereunder, (b) the right or ability of the Borrower to perform any of its obligations under any of the Credit Documents, in each case to which it is a party, or to consummate the transactions contemplated under any of the Credit Documents, (c) the financial condition, assets, business or prospects of the Borrower, taken as a whole, (d) any Material Permit, (e) the Borrower’s ability to retain, utilize, exploit or comply with its obligations under any Material Permit, or (f) the rights or remedies of the Lender under any of the Credit Documents; provided that, the commencement and continuation of the BIA Proposal Proceedings will not constitute a Material Adverse Change.
- “Material Permits”** means all cannabis licences issued by Health Canada to the Borrower or the Guarantor which are required to legally conduct its business.
- “Milestone Dates”** means the dates set out in Schedule B.
- “Monitor”** means Alvarez & Marsal Canada Inc., the licensed insolvency trustee who is appointed as monitor under the Initial CCAA Order.
- “NOI”** means the notices of intention to make a proposal filed by the Borrower and the Guarantors under the BIA.
- “Parties”** means the Lender, the Borrower, and the Guarantors and the term **“Party”** shall mean any one of such Parties.
- “Permitted Encumbrances”** means, collectively:
- (a) Liens granted under the Initial Order;
 - (b) Liens granted in favor of the Lender pursuant to the Credit Documents and the Interim Lender’s Charge;
 - (c) Subordinated Liens;
 - (d) Liens granted in favor of a lessor of vehicles, provided that such Liens attach only to such leased vehicles and the proceeds thereof and do not attach to any other Collateral and such lien has been expressly approved and consented to by the Lender;
 - (e) existing equipment leases and related arrangements;
 - (f) liens for taxes, rates, assessments or other

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governmental charges or levies not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;

- (g) undetermined or inchoate liens, rights of distress and charges incidental to current operations that have not at such time been filed or exercised and of which none of the Lender has been given notice, or that relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person;
- (h) reservations, limitations, provisos and conditions expressed in any original grant from the Crown or other grants of real or immovable property, or interests therein, that do not materially affect the use of the affected land for the purpose for which it is used by that Person;
- (i) the right reserved to or vested in any governmental authority by the terms of any lease, licence, franchise, grant or permit acquired by that Person or by any statutory provision to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

security given to a public utility or any governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of its business;

- (j) a Lien created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default; and
- (k) a Lien in favour of a financial institution to secure indebtedness under letters of credit, corporate credit cards and/or other cash management.

“Permitted Indebtedness” shall include:

- (a) intercompany indebtedness owing by the Borrower to any Guarantor, or by any Guarantor to the

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Borrower or another Guarantor; and

- (b) existing indebtedness owing pursuant to:
 - (i) commitment letter dated December 24, 2021 issued by the Lender to the Borrower and accepted by the Borrower on December 30, 2021; and
 - (ii) funds advanced by the Lender to the Borrower prior to the NOI filing, to a maximum aggregate amount of \$84,000.
- (c) Liens in respect of Priority Obligations, but only until the Borrower commences the CCAA proceedings and obtains the Initial CCAA Order.

“Person”	means an individual, a corporation, a limited partnership, a general partnership, a trust, a joint stock company, a joint venture, an association, a syndicate, a bank, a trust company, a governmental authority and any other legal or business entity.
“Priority Obligations”	Means, in respect of the Borrower, all claims of His Majesty the King in right of Canada, as represented by the Minister of National Revenue pursuant to subsection 227 (41.) of the <i>Income Tax Act</i> , subsection 23(4) of the Canada Pension Plan, and subsection 86(2.1) of the <i>Employment Insurance Act</i> as source deduction claims, excluding interest and penalties, on such claims.
“Real Estate Collateral”	means the real property located at 5822 52 Street, Staveland, Alberta and legally described as Plan 0812160; Block 4; Lot 3 held in the name of 1800905 Alberta Ltd.
“SISP”	means the sales and investment solicitation process to be undertaken by the Borrower and the Guarantors pursuant to the Initial Order.
“Subordinated Lien”	means any Lien for which the holder thereof has agreed, pursuant to a subordination agreement in form satisfactory to the Lender, that such Lien shall at all times be subordinated and postponed in favor of the Liens granted in favor of the Lender.
“Trustee”	means Alvarez & Marsal Canada Inc., the licensed insolvency trustee who filed the NOI in the BIA Proceedings.

SCHEDULE B
MILESTONE DATES

The following events are to occur by the dates set forth below, unless otherwise agreed to by the Lender and the Borrower in writing:

September 26, 2022	NOI filed
September 29, 2022	Issuance of Initial Order, including Interim Financing Charge and Approval of the SISF
October 5, 2022	Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders
October 7, 2022	Proposal Trustee to prepare and have available for Potential Bidders the CIM and Data Room
October 21, 2022	Deadline for conversion of NOI to CCAA Proceedings
November 4, 2022	Phase I Bid deadline
December 9, 2022	Phase II Bid deadline
December 28, 2022	Transaction Approval Application Hearing
January 19, 2023	Closing of transaction(s) approved by Approval and Vesting Order(s) (subject to extension to a date consented to by the Lender in the event the sole outstanding condition precedent to closing is regulatory approval)

Capitalized terms used in this Schedule B not otherwise defined in this Term Sheet have the meanings ascribed thereto in the SISF.