

COURT FILE NUMBER 2201-
COURT COURT OF KING'S BENCH OF
ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp:

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 OF DANIEL T. WILSON**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF
PARTY FILING THIS
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File No.: 0158011/00003

**Counsel for the Applicants, Sugarbud Craft Grower Corp.,
Trichome Holdings Corp., and 1800905 Alberta Ltd.**

AFFIDAVIT OF DANIEL T. WILSON
Sworn on October 7, 2022

I, Daniel T. Wilson, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY
THAT:**

1. I am the President and Chief Executive Officer, interim Vice President of Finance and Chief Financial Officer, and a Director and Chairman of the Board of Sugarbud Craft Grower Corp. ("**SCGC**"), President and Chief Executive Officer, Vice President and Chief Financial Officer and Director of Trichome Holdings Corp. ("**THC**") and 1800905 Alberta Ltd. ("**OpCo**") together with SCGC and THC, the "**Applicants**" or "**Sugarbud**") and I am authorized to swear this affidavit (the "**Affidavit**") on behalf of the Applicants.
2. I have personal knowledge of the matters and facts herein deposed, except where based on information and belief, in which case I believe the same to be true.

3. In proceedings (the "**NOI Proceedings**") consolidated under Estate No: 25-2868952, I had previously sworn an Affidavit (the "**NOI Affidavit**") on September 26, 2022 and a supplemental Affidavit on September 28, 2022 (the "**Supplemental NOI Affidavit**"; together with the NOI Affidavit, the "**Wilson NOI Affidavits**").
4. In the NOI Proceedings, Alvarez & Marsal Canada Inc. ("**A&M**") consented to act as the proposal trustee (the "**Proposal Trustee**") and is the proposed monitor (the "**Monitor**") under the CCAA Proceedings (defined below). In support of the NOI Proceedings, the Proposal Trustee filed its first report (the "**First Report**") on September 27, 2022.
5. I adopt and rely upon the Wilson NOI Affidavits and the First Report for the purposes of continuing the NOI Proceedings into proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"). Attached hereto and marked collectively as **Exhibit "A"** are copies of the Wilson NOI Affidavits. Attached hereto and marked as **Exhibit "B"** is a copy of the First Report.
6. Capitalized terms not otherwise defined herein shall have the meaning given to them in the Wilson NOI Affidavits or the First Report.

I. RELIEF REQUESTED

7. I swear this Affidavit in support of an application (the "**Application**") by the Applicants for a proposed initial order (the "**Initial Order**") pursuant to the CCAA and a second application under the CCAA for an extension of the stay of proceedings period (the "**Stay Period**") until December 10, 2022, for, among other things:
 - (a) approving and continuing the Applicants' ability to borrow under an interim financing facility (the "**Interim Financing Facility**") to finance their working capital requirements and other general corporate purposes, post-filing expenses and costs;
 - (b) granting a stay of proceedings for a period of not more than 10 days to October 24, 2022;

- (c) approving and continuing the following priority charges (the "**Charges**") in the CCAA over the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**") in the priority provided for under the CCAA;
 - (i) the Administration Charge (as defined below) in favour of the Trustee (as defined below), counsel to the Trustee and counsel to the Applicants;
 - (ii) Interim Lender's Charge in favour of Connect First Credit Union Ltd. ("**CFCU**" or the "**Interim Lender**");
 - (iii) the Directors' Charge (as defined below) in favour of the Directors and Officers (as defined below); and
 - (iv) the KERP Charge (as defined below);
- (d) approving and continuing the sale, refinancing and investment solicitation process ("**SISP**") commenced in the NOI Proceedings to seek an investment in or sale of the property of the Applicants as part of the restructuring process;
- (e) approving and continuing a key employee retention plan ("**KERP**") to ensure the continuity of operations during the restructuring proceedings and a KERP Charge to secure the amounts payable under the KERP;
- (f) pursuant to the second application under the CCAA, extending the Stay Period granted under the Initial Order for an additional period until December 10, 2022; and
- (g) approving a sealing Order in respect of the confidential information associated with the KERP.

II. OVERVIEW

8. On September 26, 2022, the Applicants each filed a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the BIA and A&M was appointed as Proposal Trustee.

9. As a result of the filing of the NOI, all proceedings against the Applicants and the Property were automatically stayed for an initial period of thirty (30) days (i.e. until October 26, 2022) (the "**NOI Stay Period**"). The NOI Stay Period was subsequently extended to December 10, 2022 by an order (the "**NOI Order**") granted by Justice D.B. Nixon of this Honourable Court on September 29, 2022. Attached hereto and marked as **Exhibit "C"** is a copy of the NOI Order.
10. The Applicants seek to continue the NOI Proceedings under the CCAA pursuant to section 11.6 of the CCAA. The CCAA is the best forum for these insolvency proceedings and presents the best chance of maximizing value for all stakeholders of the Applicants.
11. None of the Applicants have filed a proposal in the NOI Proceedings.
12. The Applicants each owe more than \$5,000,000.00 to their creditors and are companies to which the CCAA applies.
13. Further, as described below, I am advised by Ryan Zahara of MLT Aikins LLP ("**MLTA**"), legal counsel for the Applicants, that if the NOI Proceedings continue and the Applicants fail to make a proposal, if such proposal is rejected by its creditors, or if the Applicants fail to meet certain statutory timelines under the NOI Proceedings, the Applicants will be automatically be deemed bankrupt.
14. Pursuant to the BIA, under the NOI Proceedings the Applicants are required to make a proposal that is acceptable to its creditors within six months of the commencement of the NOI Proceedings.
15. Given the complicated factual and legal issues currently facing the Applicants, including the ongoing SISF, the Applicants may require more than six months to plan, develop and implement their restructuring plan.
16. It is a requirement under the Interim Financing Facility Term Sheet that the Applicants continue the NOI Proceedings into the CCAA Proceedings by no later than October 15, 2022.
17. I understand that the Proposal Trustee supports the Applicants application to continue the NOI Proceedings under the CCAA and consents to its appointment as Monitor.

III. RESTRUCTURING EFFORTS SINCE THE FILING OF THE NOI

A. Efforts to Restructure the Applicants

18. Since the filing of the NOI, the Proposal Trustee has prepared and sent:
- (a) a notice to all known creditors of Sugarbud advising them of the filing by Sugarbud of the NOI and of the stay of proceedings resulting therefrom; and
 - (b) a notice of stay of proceedings to such persons with whom Sugarbud was involved in litigation proceedings as at the date of the filing of the NOI.
19. Since the filing of the NOI, the Applicants have, among other things:
- (a) obtained the NOI Order approving of a SISP, a KERP, Interim Financing Facility, Administration Charge, Interim Financing Facility Charge, Directors' Charge and KERP Charge; and
 - (b) communicated, in conjunction with the Proposal Trustee, with key customers, vendors, and critical suppliers about the NOI Proceedings and the NOI Stay Period, including the effect on claims of creditors arising prior to the filing of the NOI.
20. During the NOI Stay Period, the Applicants have continued their operations as a going concern, namely through interim financing funding provided by CFCU.

B. Interim Financing

21. The Applicants have also engaged with the Proposal Trustee and CFCU, to secure the Interim Financing Facility which is necessary to ensure continued operations on the terms and conditions of an interim financing facility commitment letter (the "**IF Term Sheet**"), which provides Sugarbud with a non-revolving credit facility. A copy of the executed IF Term Sheet is attached hereto and marked as **Exhibit "D"**.
22. The IF Term Sheet provides for a super-priority, interim, non-revolving credit facility up to a maximum principal amount of \$2,000,000.00. The interest rate applicable to advances under the Interim Financing Facility is 12% per annum and shall accrue and be paid on the Maturity Date (as defined in the IF Term Sheet).

23. The IF Term Sheet is to be guaranteed and secured by a super-priority charge (the “**Interim Financing Charge**”) on all present and after-acquired property of Sugarbud.
24. The IF Term Sheet contains a requirement that the Applicants continue the NOI Proceedings into CCAA Proceedings as soon as reasonably possible or by no later than October 15, 2022.
25. The Interim Financing Facility will be used, to the extent required, to fund Sugarbud’s working capital and for other general corporate purposes and to pay costs and expenses incurred in connection with the CCAA Proceedings.
26. The Interim Financing Facility is subject to customary covenants, conditions precedent, and representations and warranties made by Sugarbud to the Interim Lender. The Interim Financing Facility must be repaid in full by the date that is the earlier of:
 - (a) 4 months after date of the Initial Advance;
 - (b) the occurrence of an Event of Default (as defined in the IF Term Sheet);
 - (c) the SISP terminates;
 - (d) the date of the closing of a sale of all or a portion of the Property pursuant to the SISP, provided the NOI Proceedings are concurrently terminated with the consent of the Interim Lender; or
 - (e) a Change of Control (as defined in the IF Term Sheet) occurs.
27. The Interim Financing Facility is critical to maintain The Applicants’ ongoing operations, including the implementation and completion the SISP, and will be beneficial to the Applicants’ stakeholders as a whole, as it will allow the Applicants to ensure that all efforts are taken to maximize the value of its assets.

IV. REASONS TO PERMIT THE REQUESTED ORDERS

A. Stay Extension and SISP

28. In light of the foregoing, the Applicants require an extension of the Stay Period in order to, *inter alia*, continue the SISP and in order to make a present a plan to its creditors. A copy of the SISP is attached as Schedule "A" to the NOI Order.
29. Sugarbud has acted and continues to act in good faith and with due diligence in pursuing a restructuring under the NOI Proceedings and in continuing the NOI Proceedings into the CCAA Proceedings.
30. The granting of and extension of the Stay Period will allow the Applicants to preserve the value of its business and assets as a whole by minimizing any disruptions while conducting the SISP, which will ensure that the Applicants' creditors will be able to maximize their recovery. All stakeholders generally, including creditors, will benefit from these proceedings.
31. I am informed by Ryan Zahara of MLTA that, in the event of a liquidation under a bankruptcy scenario where all operations would be terminated, the value of the assets of the Applicants would be substantially reduced. It is expected that the SISP in the context of the present proceedings will yield better results than any conceivable "go-dark" scenario.
32. Management of the Applicants, in consultation with the Monitor, will continue to work in good faith on a restructuring path forward, which will include the cutting of costs, maximization of returns and the continuation of the SISP in the CCAA proceedings.
33. The Applicants further submit that no creditor will be materially prejudiced as a result of the continuation of the NOI Proceedings under the CCAA and the extension of the Stay Period to December 10, 2022.

B. Interim Financing

34. The Applicants' current financial situation is difficult, including its cash position specifically.

35. The Applicants respectfully submit that the continuation of the Interim Financing Facility is critical, necessary, constitutes its only feasible alternative in the circumstances, and that taking into consideration the foregoing, its terms and conditions are fair, reasonable and adequate, and should be approved and continued by this Court.
36. If the Order approving the Interim Financing Facility is granted, the Applicants will be able to access the liquidity needed to fund the SISP and advance the CCAA Proceedings, as well as its ongoing operations. The Interim Financing Facility will be beneficial to The Applicants' stakeholders as a whole, as it will allow the Applicants to fund the SISP and ensure that all efforts are taken so as to maximize the value of their assets.
37. Additionally, the proposed Interim Financing Facility is on commercially reasonable terms, and considering the foregoing factors, the relief sought by the Applicants with respect to the Interim Financing Facility and the related charge is necessary and appropriate in the circumstances.

C. KERP and KERP Charge

38. In consultation with its legal counsel, the Applicants developed a key employee retention plan, the terms and conditions of which are set out in the KERP and which was approved in the NOI Proceedings.
39. The KERP provides incentives for the key employees to continue to work for the Applicants in the unusual circumstances that it faces and align their interests with that of the Applicants' stakeholders. These key employees have been working, and will continue to work, with the objective of implementing the proposed restructuring even though their own continued employment is not certain.
40. The KERP must be continued in order to ensure that these key individuals remain with the Applicants until completion of its restructuring. Retaining these key employees will provide critical stability in these otherwise uncertain times for the Applicants and, for certain positions set out in the *Cannabis Act*, are required to maintain the viability of the Cannabis Licences. It is anticipated that this stability will enable Sugarbud to maintain orderly operations and existing customer relations as

well as maximize enterprise value throughout the course of the restructuring, as a loss of key individuals could significantly reduce the going concern value of the business.

41. The KERP provides for, among other things, (i) the payment of a retention bonus, the amount of which is to be secured by a charge (the "**KERP Charge**") against the assets of the Applicants; and (ii) the payment of the retention bonus is split into two payments to align with certain milestones contained in the SISF, with payment of 25% of the KERP to be paid to the employees on the first milestone and the remaining 75% of KERP to be paid to the employees after the second milestone.
42. The Applicants seek a KERP Charge in the amount of \$140,000.00, which represents the aggregate amount of payments for key employees proposed under the terms of the KERP.
43. The Applicants respectfully submit that the KERP Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted and continued in the CCAA Proceedings.
44. The Applicants understand that the Monitor is supportive of the proposed KERP Charge.
45. The KERP contains confidential and personally sensitive information regarding the key employees. The disclosure of this personal information would cause significant prejudice to the key employees and potentially provide competitors with the basis to approach the key employees for alternative employment and could undermine the benefits of the proposed KERP.

D. Administration Charge

46. The Applicants also understand that the Monitor, the Monitor's legal counsel and the Applicants' counsel (the "**Administrative Professionals**") are essential to the Applicants' restructuring. Accordingly, the Applicants seek the continuation of a \$500,000.00 administration charge (the "**Administration Charge**") which shall affect its assets and secure the payments to be made to the Monitor, counsel to the Monitor, when and if applicable, and counsel to the Applicants.

47. The Applicants require the expertise, knowledge, and continued participation of the Administrative Professionals during the CCAA Proceedings in order to complete a successful restructuring. Each of the Administrative Professionals will have distinct roles in Sugarbud's restructuring.
48. The Applicants, the Monitor and the Monitor's legal counsel worked collaboratively to estimate the quantum of the Administration Charge required, which takes into account the limited retainers the Administrative Professionals currently have and their existing outstanding fees. I believe the Administration Charge is fair and reasonable in the circumstances. I understand that the Monitor is also of the view that the Administration Charge is fair and reasonable in the circumstances.

E. Directors Charge

49. I am also advised by Mr. Zahara of MLT Aikins LLP that, in certain circumstances, directors and officers can be held liable for obligations of a company, including those owed to employees and government entities. Among other things, I am advised that these obligations may include unpaid wages and unpaid accrued vacation pay, together with unremitted excise, sales, goods and services, and harmonized sales taxes.
50. It is my understanding the Applicants' present and former directors and officers (the "**Directors and Officers**") who are or were employed by the Applicants are among the potential beneficiaries under liability insurance policies for the benefit of Applicants and its direct and indirect subsidiaries. However, I understand that these policies have various expectations, exclusions and carve-outs and that they may not provide sufficient coverage against potential liability that the Directors and Officers could incur in connection with the CCAA Proceedings.
51. Given the risks related to the CCAA Proceedings and the uncertainty surrounding available indemnities and insurance, I understand that the current Directors and Officers' involvement in the CCAA Proceedings is conditional upon the granting of a priority charge in favour of the Directors and Officers in the amount of at least \$200,000.00 (the "**Directors' Charge**").

52. The Directors' Charge would serve as security for the indemnification obligations and potential liabilities the Directors and Officers may face during the CCAA Proceedings. The Directors' Charge is proposed to rank after the Interim Financing Charge and the Administration Charge.
53. The Applicants will only be able to bring the current proceedings to fruition with the continued participation of its current Directors and Officers, its management and employees. These personnel are essential to the viability of the Applicants' restructuring efforts.
54. The Applicants intend to comply with all applicable laws and regulations, including the timely remittance of deductions at source, federal and provincial sales tax and excise tax in connection with the sale of cannabis products incurred after the date of the CCAA, the Directors and Officers are nevertheless concerned about the potential liability in the context of the present proceedings.
55. The amount of the Directors' Charge takes into account payroll obligations, vacation pay obligations, employee source deductions obligations, sales tax obligations and excise tax in connection with the sale of cannabis products that may arise during the CCAA Proceedings. It is expected that these amounts will be paid by Applicants in the normal course.
56. The Directors' Charge will allow for the indemnification of the Directors and Officers in respect of any potential liabilities in the context of the CCAA Proceedings, but only to the extent that such claims are not covered by the current insurance coverage in place for the Directors and Officers.
57. The Directors' Charge is intended to allow the Directors and Officers, none of which is a controlling shareholder, to focus their efforts on these restructuring proceedings, for the benefit of all stakeholders.
58. The Applicants believe that the Directors' Charge is reasonable in the circumstances. I understand that the Monitor is supportive of the Directors' Charge and its quantum.

V. OBJECTIVE OF THE CCAA FILING

59. The Applicants are insolvent and facing a severe liquidity crisis. The Applicants require the protections afforded under the CCAA in order to maintain the status quo, continue interim financing arrangements, obtain the necessary breathing room required to complete their SISP and to pursue and implement their restructuring strategy.
60. As part of the restructuring strategy, the Applicants intend to, among other things:
- (a) continue the SISP, including seeking an investment in its business and a restructuring of its affairs;
 - (b) use the stay of proceedings afforded by the CCAA to fully explore new efficiencies and cost saving measures, all with a view to emerging from the CCAA Proceeding cash flow positive; and
 - (c) prepare a plan of compromise or arrangement within the CCAA Proceeding that pays or refinances legitimate creditors of the Applicants and preserves as much value as possible for existing stakeholders.
61. With the benefit of the protection and flexibility afforded by the CCAA, the Applicants will be able to maintain their going concern value, preserve jobs for its employees, and generally stabilize its business operations for the benefit of the Applicants' stakeholders.

VI. CONCLUSION

62. The Applicants seek an Initial Order and an additional extension of the stay of proceedings under the CCAA substantially in the form of the model template initial order for proceedings in Alberta, subject to certain changes reflected to address the circumstances of the Applicants, in the proposed form of order in the Applicants' application.
63. The Applicants submit that it has acted and continues to act in good faith and with due diligence, with a view of potentially securing a transaction or one or more offer(s)

in respect of its Property, for the benefit of all of Sugarbud's stakeholders, including its secured and unsecured creditors.

64. This Affidavit is sworn in support of Sugarbud's Application for protection pursuant to the CCAA, including the initial CCAA stay period, approving and continuing the Interim Financing Facility, approving and continuing the SISF, approving and continuing the KERP, approving the priority of all the Charges as provided for under the CCAA, and approving a second application for an extension of the initial CCAA stay period to December 10, 2022.

SWORN before me at the City of Calgary, in)
the Province of Alberta, this 7th day of)
October, 2022)


A Commissioner for Oaths in and for the
Province of Alberta)


DANIEL T. WILSON

Kyle R. Smith
Barrister & Solicitor

THIS IS **EXHIBIT "A"** TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT Calgary, Alberta,
this 7th day of October 2022.



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

Entered

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COURT FILE NUMBER

25-2868952

25-2868949

25-2868957

COURT

COURT OF KING'S BENCH OF
ALBERTA

JUDICIAL CENTRE

CALGARY



COM
Sept 29 2022

MATTER

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*
ACT, R.S.C. 1985, c. B-3, AS AMENDED,

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF SUGARBUD CRAFT GROWER
CORP.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF TRICHOME HOLDINGS CORP.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF 1800905 ALBERTA LTD.

APPLICANTS

SUGARBUD CRAFT GROWER CORP., TRICHOME
HOLDINGS CORP., and 1800905 ALBERTA LTD.

DOCUMENT

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File No.: 0158011/00001

**Counsel for the Applicants, Sugarbud Craft Grower Corp.,
Trichome Holdings Corp., and 1800905 Alberta Ltd.**

AFFIDAVIT OF DANIEL T. WILSON
Sworn on September 26, 2022

I, Daniel T. Wilson, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY
THAT:**

1. I am the President and Chief Executive Officer, interim Vice President of Finance and Chief Financial Officer, and a Director and Chairman of the Board of Sugarbud Craft Grower Corp. ("**SCGC**"), President and Chief Executive Officer, Vice President and Chief Financial Officer and Director of Trichome Holdings Corp. ("**THC**") and 1800905 Alberta Ltd. ("**OpCo**" together with SCGC and THC, the "**Applicants**" or "**Sugarbud**") and I am authorized to swear this affidavit (the "**Affidavit**") on behalf of the Applicants.
2. I have personal knowledge of the matters and facts herein deposed, except where based on information and belief, in which case I believe the same to be true.

I. RELIEF REQUESTED

3. I swear this Affidavit in support of an application (the "**Application**") by the Applicants for an order pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**"), for, among other things:
 - (a) approving the Applicants' ability to borrow under an interim financing facility (the "**Interim Financing Facility**") to finance their working capital requirements and other general corporate purposes, post-filing expenses and costs;
 - (b) extending the stay of proceedings for a further period of not more than 45 days from the expiry of the current stay period on October 26, 2022 to December 10, 2022;
 - (c) granting the following priority charges (the "**Charges**") over the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**");
 - (i) the Administration Charge (as defined below) in favour of the Trustee (as defined below), counsel to the Trustee and counsel to the Applicants;
 - (ii) the Directors' Charge (as defined below) in favour of the Directors and Officers (as defined below);
 - (iii) Interim Lender's Charge in favour of Connect First Credit Union Ltd. ("**CFCU**" or the "**Interim Lender**"); and

- (iv) the KERP Charge (as defined below).
- (d) approving a sale, refinancing and investment solicitation process ("**SISP**") to seek an investment in or sale of the property of the Applicants as part of the restructuring process;
- (e) approving a key employee retention plan ("**KERP**") to ensure the continuity of operations during the restructuring proceedings and a KERP Charge to secure the amounts payable under the KERP; and
- (f) approving a sealing Order in respect of the confidential information associated with the KERP.

II. OVERVIEW

4. On September 26, 2022, the Applicants each filed a Notice of Intention to Make a Proposal ("**NOI**" or "**NOI Proceeding**") pursuant to subsection 50.4(1) of the BIA and appointed Alvarez & Marsal Canada Inc. as its proposal trustee (the "**Trustee**").
5. As a result of the filing of the NOI, all proceedings against the Applicants and their assets were automatically stayed for an initial period of thirty (30) days (i.e. until October 26, 2022) (the "**Stay Period**"). Copies of the NOI certificates are attached hereto as **Exhibit "A"**.
6. Sugarbud operates a federally licensed cannabis production facility located in Stavely, Alberta (the "**Facility**") where it produces, distributes and sells cannabis products across Canada.
7. Since receiving its cultivation licence and commencing its cannabis operation in August of 2019, Sugarbud has been cash flow negative for the entire history of its operations. Despite attempts to access additional financing or complete a transaction, Sugarbud is facing a significant working capital deficit which makes it unable to pay its ongoing obligations as they become due.
8. In the absence of additional financing or collection of receivables, Sugarbud will not have sufficient liquidity to fund its payroll obligations as illustrated in the cash flow projections filed with the Trustee. This would lead to a cessation of production,

distribution and sales which would be very detrimental to Sugarbud and its stakeholders, including the loss of employment for all of Sugarbud's employees and the loss of value for the business given the impact on ongoing production of cannabis and on the contracts with customers and suppliers.

9. The current cash flow situation is untenable, especially since sales of Sugarbud's vary from week to week. The present proceedings will allow Sugarbud to attempt to preserve and maximize the value of its business and assets for the benefit of all of its stakeholders and will provide it the stability it requires to attempt to implement the reorganization options to be identified by Sugarbud's management and directors, in consultation with the Trustee, through the SISP.
10. CFCU is the secured lender to Sugarbud and, other than as stated herein, is no longer prepared to continue funding Sugarbud's operations on a go forward basis. As a result, Sugarbud sought protection by commencing the NOI Proceeding to, among other things, obtain additional financing in order to continue operations and to implement a restructuring and consummate a transaction that would see a restructuring of the Applicants' business or all or a portion of the business sold as a going concern.
11. During the NOI Proceeding, Sugarbud will continue its day-to-day operations under the supervision of the Trustee. The NOI Proceeding, KERP, interim financing, stay extension, and proposed SISP are intended to benefit all of the Applicants' stakeholders, including its employees, customers, suppliers and contracting parties, Health Canada and relevant provincial regulators.
12. Sugarbud will be in communication with Health Canada to inform it of its NOI Proceedings and will continue to maintain its obligations under its cannabis licences.

III. DESCRIPTION OF SUGARBUD'S BUSINESS AND BACKGROUND

13. Sugarbud obtained its Health Canada cultivation, processing and medical sales licenses in late August 2019, during which period the ability for licensed producers to access capital in the public markets started to significantly deteriorate. At the time Sugarbud had approximately \$880,000 in cash and \$1,100,000 in account payables as well as approximately \$350,000 in term debt.

14. On May 27, 2020, as access to capital in the equity markets became more difficult to access, Sugarbud sought more debt financing and entered into a \$5,000,000, 5 year term senior secured credit facility with CFCU which paid off \$2,040,000 of existing debt. Subsequently, on June 24, 2020, Sugarbud closed a \$4,000,000 convertible debenture financing. Sugarbud exited 2020 with just over \$9,000,000 in total liabilities and had an annual gross revenue of \$535,756.
15. On March 16, 2021, Sugarbud closed a \$4,600,000 bought deal public offering on and exited 2021 with approximately \$10,500,000 in total liabilities and had an annual gross revenue of \$2,194,008 in 2021.
16. Capital became increasingly more difficult for Sugarbud to access in 2022. Sugarbud was burdened with a high debt load and overhead. Anticipated revenue increases never materialized. Sugarbud reviewed many merger and acquisition targets but was unsuccessful in all attempts. The last such opportunity was terminated in early August 2022. At that point, Sugarbud had exhausted all of its funding opportunities.

A. Cannabis Industry in Canada

17. The cannabis industry has evolved, and continues to evolve, rapidly in Canada. Licenses to cultivate, process and/or sell cannabis, and the related activities, are primarily regulated under the *Cannabis Act*, SC 2018, c. 16, as amended and related regulations (together, the "**Cannabis Act**").
18. On October 17, 2018, recreational use of cannabis was legalized in Canada. On that date, the Cannabis Act, which regulates cannabis for recreational/adult-use, medical cannabis and industrial hemp in Canada, came into effect. In addition to holding licences under the Cannabis Act, licensees are also required to obtain a cannabis excise licence (the "**Excise Licence**") from the Canada Revenue Agency ("**CRA**") pursuant to the *Excise Act, 2001*, SC 2002, c. 22 ("**Excise Act**").
19. On October 17, 2019, the Cannabis Act was amended to broaden the scope of legal cannabis products to include edible cannabis, cannabis extracts and cannabis topicals.

20. The cannabis industry continues to be a highly regulated industry, with the Cannabis Act regulating the possession, cultivation, production, distribution, sale, research, testing, import, export and promotion of cannabis and the individual provinces regulating the distribution and retail sale of recreational cannabis.

B. Business

21. SCGC was incorporated on March 30, 2006 pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") and changed its name on November 29, 2018 to its current name. It maintains its registered office in Calgary, Alberta. Attached hereto as **Exhibit "B"** is the Alberta Corporate Registry profile report providing these details.
22. SCGC is the publicly traded entity that is the sole shareholder of THC and OpCo. A copy of the Applicants' organizational chart is attached hereto as **Exhibit "C"**.
23. THC was incorporated on April 9, 2019 pursuant to the ABCA. It maintains its registered office in Calgary, Alberta. Attached hereto as **Exhibit "D"** is the Alberta Corporate Registry profile report providing those details.
24. OpCo was incorporated on February 6, 2014 pursuant to the ABCA. It maintains its registered office in Calgary, Alberta. Attached hereto as **Exhibit "E"** is the Alberta Corporate Registry profile report providing those details.
25. OpCo holds legal title to all of the operating assets of Sugarbud, including the Facility and is also the holder of the licences issued under the Cannabis Act and the Excise Act.
26. Sugarbud is a vertically integrated cannabis business with expertise at each stage of the cannabis product life-cycle, from cultivation and extraction to brand development, marketing and sales.
27. Sugarbud applies a consumer-driven approach to developing premium brands and is dedicated to selling high-quality, consumer cannabis products in Canada. As a result, Sugarbud's products capture a broad customer base.
28. Sugarbud's brand portfolio was developed as a craft grower to target the varying consumer demands along with the different sales and distribution channels within the

market (the "**Sugarbud Product Portfolio**"). Sugarbud produces an array of premium cannabis products including, among others, dried flower, pre-rolls, and rosin.

29. Sugarbud supplies various cannabis products to a number of provincial purchasing entities pursuant to supply agreements including:
 - (a) British Columbia (BC Liquor Distribution Branch);
 - (b) Alberta (Alberta Gaming, Liquor and Cannabis Commission);
 - (c) Ontario (Ontario Cannabis Retail Corporation);
 - (d) Manitoba (Manitoba Liquor and Lotteries);
 - (e) Quebec (SQDC);
 - (f) New Brunswick (Cannabis NB);
 - (g) Nova Scotia (Nova Scotia Liquor Commission);
 - (h) Northwest Territories (Northwest Territories Liquor and Cannabis Commission);
and
 - (i) Newfoundland (Cannabis Newfoundland).
30. The Sugarbud Product Portfolio was created with the intention of offering a carefully crafted product for every consumer type in the market. The Sugarbud Product Portfolio was developed using a consumer-centric strategy and is the product of significant consumer driven market research coupled with Sugarbud's extensive knowledge in the cannabis space.

C. Facilities and Production

31. Sugarbud has advanced cannabis cultivation and cannabinoid extraction and processing facilities which include high-quality and purpose-built greenhouse cannabis cultivation and cannabinoid extraction infrastructure at the Facility.
32. The Facility contains approximately 29,800 square feet of production-licenced area with a production capacity capable of yielding up to approximately 9,923,000 –

11,670,000gram/year of dried cannabis and dried cannabis equivalent products. Current production capacity at the facility is approximately 1,654,000 – 1,946,000 grams/year.

33. Sugarbud has 1,024 plants per layer and when a growing room is at full capacity can grow up to 4,098 plants per room which constitutes an approximately 193% utilization of its floor plate.
34. Sugarbud has up to 24,576 ft² of total flowering canopy with 1,024 ft² of cultivation space per layer with scalable vertical cultivation of 1 to 4 layers of flowering canopy per room.

D. Cannabis License

35. OpCo holds a Standard Cultivation, Standard Processing and Sale for Medical Purposes licence Plants/Seeds, Dried/Fresh, Extracts, Edible and Topical (the "**Cannabis Licence**") under the Cannabis Act, which permits OpCo to conduct a suite of customary activities with cannabis and cannabis products. OpCo also holds an Excise Licence under the Excise Act. Copies of the Cannabis Licence and Excise Licence are attached hereto and marked collectively as **Exhibit "F"**.
36. OpCo's original licences under the Cannabis Act were issued in August 2019 and were renewed by Health Canada for an additional 5 year period expiring July 2027. OpCo's licences under the Excise Act were set to expire on September 24, 2022 but was verbally extended to December 24, 2022 by CRA, with confirmation to follow by mail (which has yet to be received).
37. OpCo is subject to comprehensive and rigorous regulatory regime as set out in the Cannabis Act and enforced by Health Canada. This regime requires ongoing compliance, record keeping, and reporting. There are strict site, security and operational requirements, including that directors, officers, individuals in a position to exercise direct control, and key individuals on the ground at the licensed site must hold security clearances.

E. Employees

38. Sugarbud currently employs 50 people (the "**Employees**"). The Employees and their designations are further detailed in the chart below:

Employee Designation	Sugarbud
Full time (standard)	33
Part time (salaried)	1
Part time (hourly)	1
On leave	5
On furlough (to be on furlough)	10
Total:	50

39. The aggregate payroll paid by Canadian Power Pay for Sugarbud is presently estimated to be \$97,319. The estimated October 15, 2022 aggregate payroll is approximately \$76,676.

F. Suppliers

40. Sugarbud relies on a number of vendors and third-party service providers to operate its business. For instance, logistics providers, lab services and utility providers are all essential to Sugarbud's operations. Sugarbud is behind on most of its obligations under a number of agreements with these vendors and third-party service providers.
41. Certain of these vendors and service providers are critical to the operations of Sugarbud and provide niche products or services for which replacements are not readily available. As a result, such vendors or service providers may need to be paid for some of the outstanding amounts in order to continue to provide supplies or services to Sugarbud during the pendency of the NOI Proceedings.
42. In accordance with the foregoing, prior to commencing the NOI Proceedings, the Applicants' had to pay certain amounts to critical suppliers in order to allow operations

to continue uninterrupted. Critical supplier payments in the amount of \$130,631 were made in excess of the credit available under the Applicants' credit facilities with CFCU and were only allowed to be paid as a result of the imminent NOI Proceedings. The critical suppliers included payments to, among others, insurers, IT, security and other service providers and suppliers necessary to maintain the Cannabis Licences and the going concern business. One of the uses of the Interim Financing Facility will be to repay those emergency amounts advanced by CFCU prior to the commencement of the NOI Proceedings to critical suppliers.

G. Excise Duty

43. Holders of Cannabis Licences are also required to obtain an Excise Licence. Holders of Excise Licences are required to post security pursuant to the Excise Act as security for the remittance of excise duties to the CRA. This security provides the CRA with financial assurance for any outstanding excise duty payable. The security can be posted in the form of a surety bond or a deposit with the CRA.
44. The security required to be posted with the CRA is calculated as the highest amount of cannabis duties payable for a calendar month in the previous 12 calendar months. These duties are calculated, in part, based on the expected number of grams or milligrams of packaged cannabis products sold to the recreational market.
45. In addition to the obligation to post security under the Excise Act, Sugarbud must also remit monthly excise duties on products sold on a regular basis. As of the date hereof, Sugarbud owes \$1,113,010.25 to CRA on account of outstanding excise duties.

IV. EVENTS PRECEDING THE NOI

46. The filing of the NOI was made in a context where Sugarbud had become insolvent and was unable to pay all of its creditors; namely:
 - (a) As of September 26, 2022, the principal outstanding indebtedness of Sugarbud, on a consolidated basis, was approximately as follows, as shown in a copy of the NOI filing documents, attached hereto as **Exhibit "G"**:

A. Nature of Debt	Amount of Indebtedness
--------------------------	-------------------------------

Unsecured Debt	\$5,137,623
Secured Debt	\$8,166,754
Total	\$13,304,377

- (b) The unsecured debt primarily consists of amounts due and owing to trade vendors of Sugarbud arising in the normal course; and
 - (c) The secured debt is primarily held by CFCU as of September 22, 2022 and totals: \$7,704,295.40
47. On September 22, 2022, CFCU issued demands for payment and notices of intention (collectively, the "**Demands**") to Sugarbud in respect the amounts outstanding to CFCU. Attached hereto and marked as **Exhibit "H"** are copies of the Demands.
 48. SCGC has provided security for the amounts owed to CFCU in the form of a general security agreement dated May 27, 2020 (the "**SCGC Security**").
 49. THC has provided security for the amounts owed to CFCU in the form of a general security agreement dated May 27, 2020 (the "**THC Security**").
 50. OpCo has provided security for the amounts owed to CFCU in the form of a general security agreement dated May 27, 2020 and a Collateral Mortgage dated May 27, 2020, as amended by mortgage amending agreements dated December 29, 2020, October 8, 2021, January 13, 2022, and an Assignment of Rents dated January 13, 2022 (collectively, the "**OpCo Security**"; together with the SCGC Security and the THC Security, the "**Security**"). Copies of the Security have not been attached to this Affidavit but will be made available upon request.
 51. While the legalization of recreational cannabis in Canada in October 2018 triggered an influx of market activity, from initial public offerings, convertible debenture issues and merger and acquisition transactions, the cannabis industry is currently grappling with cash-flow issues, limited capital and falling valuations.

52. Sugarbud has recorded operating losses for the past years as it appears from its 2021 audited financial statements. Attached hereto and marked as **Exhibit "I"** is a copy of the most recent audited financial statements of Sugarbud.
53. Prior to filing the NOI, Sugarbud sought to restructure its financial affairs by implementing administrative expense reductions. These reductions were realized by reducing personnel and certain other administrative expenses.
54. Considering the fact that Sugarbud is insolvent, and is no longer able to meet its obligations as they become due, nor is it able to secure agreements for a refinancing of its indebtedness, Sugarbud had been left with no other choice than to file an NOI with a view of initiating a SISP, and eventually, depending on the outcome of the SISP, submitting a proposal to its creditors (the "**Proposal**").

V. RESTRUCTURING EFFORTS SINCE THE FILING OF THE NOI

A. Efforts to Restructure Sugarbud

55. Since the filing of the NOI, the Trustee has prepared and sent:
- (a) a notice to all known creditors of Sugarbud advising them of the filing by Sugarbud of the NOI and of the stay of proceedings resulting therefrom; and
 - (b) a notice of stay of proceedings to such persons with whom Sugarbud was involved in litigation proceedings as at the date of the filing of the NOI.
56. During the Stay Period, Sugarbud has continued its operations as a going concern, namely through funding provided by CFCU.

B. Interim Financing

57. Sugarbud has also engaged with the Trustee and CFCU, to secure the Interim Financing Facility to ensure continued operations on the terms and conditions of an interim financing facility commitment letter (the "**IF Term Sheet**"), which will provide Sugarbud with a non-revolving credit facility. A copy of the proposed IF Term Sheet is attached hereto and marked as **Exhibit "J"**.

58. The IF Term Sheet provides for a super-priority, interim, non-revolving credit facility up to a maximum principal amount of \$2,000,000. The interest rate applicable to advances under the Interim Financing Facility is 12% per annum and shall accrue and be paid on the Maturity Date (as defined in the IF Term Sheet).
59. The IF Term Sheet is to be guaranteed and secured by a super-priority charge (the "**Interim Financing Charge**") on all present and after-acquired property of Sugarbud..
60. The Interim Financing Facility will be used, to the extent required to fund Sugarbud's working capital and for other general corporate purposes and to pay costs and expenses incurred in connection with these NOI Proceedings.
61. The Interim Financing Facility is subject to customary covenants, conditions precedent, and representations and warranties made by Sugarbud to the Interim Lender. The Interim Financing Facility must be repaid in full by the date that is the earlier of:
- (a) 4 months after date of the Initial Advance;
 - (b) the occurrence of an Event of Default (as defined in the IF Term Sheet); and
 - (c) the SISP terminates;
 - (d) the date of the closing of a sale of all or a portion of the Property pursuant to the SISP, provided the NOI Proceedings are concurrently terminated with the consent of the Interim Lender; or
 - (e) a Change of Control (as defined in the IF Term Sheet) occurs.
62. The Interim Financing Facility is critical to maintain Sugarbud's ongoing operations, including the development and Initiation of the SISP, and will be beneficial to Sugarbud's stakeholders as a whole, as it will allow Sugarbud to ensure that all efforts are taken to maximize the value of its assets.

VI. REASONS TO PERMIT THE REQUESTED ORDERS

A. Stay Extension and SISP

63. In light of the foregoing, Sugarbud requires an extension of the Stay Period in order to, *inter alia*, commence a SISP and in order to make a viable proposal to its creditors. A copy of the proposed SISP and the SISP Procedure are attached hereto as **Exhibit "K"**.
64. Sugarbud has acted and continues to act in good faith and with due diligence in pursuing a restructuring under the NOI Proceedings.
65. The extension of the Stay Period will allow Sugarbud to preserve the value of its business and assets as a whole by minimizing any disruptions while conducting the SISP, which will ensure that Sugarbud's creditors will be able to maximize their recovery. All stakeholders generally, including creditors, will benefit from these proceedings.
66. In the event of a liquidation under a bankruptcy scenario where all operations would be terminated, the value of the assets of the latter would be substantially reduced. It is expected that the SISP in the context of the present proceedings will yield better results than any conceivable "go-dark" scenario.
67. Management of Sugarbud, in consultation with the Trustee, will continue to work in good faith on a restructuring path forward, which will include the cutting of costs, maximization of returns and the commencement of the SISP.
68. Sugarbud further submits that no creditor will be materially prejudiced as a result of the extension of the Stay Period. In fact, to the contrary, absent an extension of the Stay Period:
 - (a) Sugarbud will likely be forced to shut-down its operations, terminate all of its employees, effective immediately, and file or be deemed to have filed a voluntary assignment in bankruptcy;
 - (b) Sugarbud's efforts to commence a SISP and provide Sugarbud's creditors with a reasonable Proposal will be abruptly terminated; and

- (c) all of Sugarbud's assets will have to be liquidated in the context of a bankruptcy scenario, on a piecemeal basis, where their value is expected to be significantly reduced.

B. Interim Financing

69. As further detailed in the Application, and as set out in the First Report, Sugarbud's current financial situation is difficult, including its cash position specifically.
70. Sugarbud respectfully submits that the Interim Financing Facility is necessary and constitutes its only feasible alternative in the circumstances, and that taking into consideration the foregoing, its term and conditions are fair, reasonable and adequate, and should be approved by this Court.
71. If the Order approving the Interim Financing Facility is granted, Sugarbud will be able to access the liquidity needed to fund the SISP and advance the NOI Proceedings, as well as its ongoing operations. The Interim Financing Facility will be beneficial to Sugarbud's stakeholders as a whole, as it will allow Sugarbud to fund the SISP and ensure that all efforts are taken so as to maximize the value of its assets.
72. Additionally, the proposed Interim Financing Facility is on commercially reasonable terms, and considering the foregoing factors, the relief sought by Sugarbud with respect to the Interim Financing Facility and the related charge is necessary and appropriate in the circumstances.

C. KERP and KERP Charge

73. In consultation with its legal counsel, Sugarbud has developed a draft key employee retention plan, the terms and conditions of which are set out in the KERP which is to be attached as a confidential appendix to the First Report.
74. The KERP provides incentives for the key employees to continue to work for Sugarbud in the unusual circumstances that it faces and align their interests with that of Sugarbud's stakeholders. These key employees have been working and will continue to work with the objective of implementing the proposed restructuring even though their own continued employment is not certain.

75. The KERP is being proposed to ensure that these key individuals remain with Sugarbud until completion of its restructuring. Retaining these key employees will provide critical stability in these otherwise uncertain times for Sugarbud and, for certain positions set out in the Cannabis Act, are required to maintain the viability of the Cannabis Licences. It is anticipated that this stability will enable Sugarbud to maintain orderly operations and existing customer relations as well as maximize enterprise value throughout the course of the restructuring, as a loss of key individuals could significantly reduce the going concern value of the business.
76. The KERP provides for, among other things, (i) the payment of a retention bonus, the amount of which is to be secured by a charge (the "**KERP Charge**") against the assets of Sugarbud; and (ii) the payment of the retention bonus is split into two payments to align with certain milestones contained in the SISP, with payment of 25% of the KERP to be paid to the employees on the first milestone and the remaining 75% of KERP to be paid to the employees after the second milestone.
77. Sugarbud seeks a KERP Charge in the amount of \$140,000, which represents the aggregate amount of payments for key employees proposed under the terms of the KERP.
78. Sugarbud respectfully submits that the KERP Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted.
79. Sugarbud understands that the Trustee is supportive of the proposed KERP Charge.
80. The KERP contains confidential and personally sensitive information regarding the key employees. The disclosure of this personal information would cause significant prejudice to the key employees and potentially provide competitors with the basis to approach the key employees and could undermine the benefits of the proposed KERP.

D. Administration Charge

81. Sugarbud also understands that the Trustee, the Trustee's legal counsel and Sugarbud's counsel are essential to Sugarbud's restructuring. Accordingly, Sugarbud seeks a \$500,000.00 administration charge (the "**Administration Charge**") which

shall affect its assets and secure the payments to be made to the Trustee, counsel to the Trustee, when and if applicable, and counsel to Sugarbud.

82. Sugarbud requires the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during the NOI Proceedings in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in Sugarbud's restructuring.
83. Sugarbud, the Trustee and the Trustee's legal counsel worked collaboratively to estimate the quantum of the Administration Charge required, which takes into account the limited retainers the professionals currently have and their existing outstanding fees. I believe the Administration Charge is fair and reasonable in the circumstances. I understand that the Trustee is also of the view that the Administration Charge is fair and reasonable in the circumstances.

E. Directors Charge

84. I am advised by Ryan Zahara of MLT Aikins LLP that, in certain circumstances, directors and officers can be held liable for obligations of a company, including those owed to employees and government entities. Among other things, I understand that these obligations may include unpaid wages and unpaid accrued vacation pay, together with unremitted excise, sales, goods and services, and harmonized sales taxes.
85. It is my understanding Sugarbud's present and former directors and officers (the "**Directors and Officers**") who are or were employed by Sugarbud are among the potential beneficiaries under liability insurance policies for the benefit of Sugarbud and its direct and indirect subsidiaries. However, I understand that these policies have various expectations, exclusions and carve-outs and that they may not provide sufficient coverage against potential liability that the Directors and Officers could incur in connection with the NOI Proceedings.
86. Given the risks related to the NOI Proceedings and the uncertainty surrounding available indemnities and insurance, I understand that the current Directors and Officers' involvement in the NOI Proceedings is conditional upon the granting of a

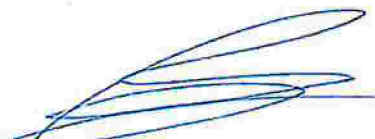
priority charge in favour of the Directors and Officers in the amount of at least \$200,000 (the "**Directors' Charge**").

87. The Directors' Charge would serve as security for the indemnification obligations and potential liabilities the Directors and Officers may face during the NOI Proceedings. The Directors' Charge is proposed to rank after the Interim Financing Charge and the Administration Charge.
88. Sugarbud will only be able to bring the current proceedings to fruition with the continued participation of its current Directors and Officers, its management and employees. These personnel are essential to the viability of Sugarbud's restructuring efforts.
89. Sugarbud intends to comply with all applicable laws and regulations, including the timely remittance of deductions at source, federal and provincial sales tax and excise tax in connection with the sale of cannabis products incurred after the date of the NOI, the Directors and Officers are nevertheless concerned about the potential liability in the context of the present proceedings.
90. The amount of the Directors' Charge takes into account payroll obligations, vacation pay obligations, employee source deductions obligations, sales tax obligations and excise tax in connection with the sale of cannabis products that may arise during the NOI Proceedings. It is expected that these amounts will be paid by Sugarbud in the normal course.
91. The Directors' Charge will allow for the indemnification of the Directors and Officers in respect of any potential liabilities in the context of the present proceedings, but only to the extent that such claims are not covered by the current insurance coverage in place for the Directors and Officers.
92. The Directors' Charge is intended to allow the Directors and Officers, none of which is a controlling shareholder, to focus their efforts on these restructuring proceedings, for the benefit of all stakeholders.
93. Sugarbud believe that the Directors' Charge is reasonable in the circumstances. I understand that the Trustee is supportive of the Directors' Charge and its quantum.

VII. CONCLUSION

94. As a result of these factors, Sugarbud submits that should the present proceedings be turned into bankruptcy proceedings, it is expected that the position of Sugarbud's creditors will materially deteriorate.
95. In the interim, all creditors of Sugarbud will be kept apprised of the progress of Sugarbud's efforts to commence the SISP and, depending on the outcome of the SISP, implement a Proposal by communicating with the Trustee.
96. Sugarbud submits that it has acted and continues to act in good faith and with due diligence, with a view of potentially securing a transaction or one or more offer(s) in respect of its Property, for the benefit of all of Sugarbud's stakeholders, including its secured and unsecured creditors.
97. Sugarbud understands that the Trustee intends to file, in advance of the hearing of the Application, a report (the "First Report") to the Court supporting the extension of the Stay Period, the ordering of the Interim Financing Facility and Interim Financing Charge, the commencement of the SISP, and approval of the KERP and the KERP Charge, as referenced herein.
98. This Affidavit is sworn in support of Sugarbud's Application for an Order consolidating the NOI Proceeding, extending the Stay Period, approving the Interim Financing Facility, approving the SISP, approving the KERP and approving the Charges.

SWORN before me at the City of Calgary, in)
 the Province of Alberta, this 26th day of)
 September, 2022)



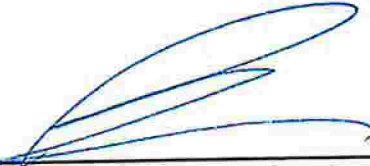
 A Commissioner for Oaths in and for the
 Province of Alberta

Kyle R. Smith
 Barrister & Solicitor



DANIEL T. WILSON

**THIS IS EXHIBIT "A" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor



Industry Canada

Industrie Canada

Office of the Superintendent
of Bankruptcy Canada

Bureau du surintendant
des faillites Canada

District of ALBERTA
Division No. 02 - Calgary
Court No. 25-095326
Estate No. 25-095326

In the Matter of the Notice of Intention
to make a proposal of:

SugarBud Craft Growers Corp.
Insolvent Person

ALVAREZ & MARSAL CANADA INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4(1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby
certify that the aforementioned insolvent person filed a Notice of Intention to Make a
Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned
insolvent person are stayed as of the date of filing of the Notice of Intention.

STEPHANIE GUINDON

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, ALBERTA, T2G 4X3, 877/376-9902

Canada 

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Industry Canada

**Office of the Superintendent
of Bankruptcy Canada**

District of ALBERTA

Division No. 02 - Calgary

Court No. 25-095327

Estate No. 25-095327

Industrie Canada

**Bureau du surintendant
des faillites Canada**

In the Matter of the Notice of Intention
to make a proposal of:

1800905 Alberta Ltd.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention: September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4(1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

STEPHANIE GUINDON

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, ALBERTA, T2G 4X3, 877/376-9902

Canada

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Industry Canada

Office of the Superintendent
of Bankruptcy Canada

District of ALBERTA

Division No. 02 - Calgary

Court No. 25-095328

Estate No. 25-095328

Industrie Canada

Bureau du surintendant
des faillites Canada

In the Matter of the Notice of Intention
to make a proposal of:

Trichome Holdings Corp.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention: September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4(1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

STEPHANIE GUINDON

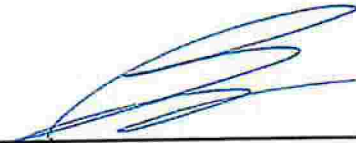
Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, ALBERTA, T2G 4X3, 877/376-9902

Canada 

0037

**THIS IS EXHIBIT "B" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2022/09/23
 Time of Search: 11:19 AM
 Search provided by: MLT AIKINS LLP (CALGARY)
 Service Request Number: 38338818
 Customer Reference Number: 0158011.00001

Corporate Access Number: 2012323099
 Business Number: 856152962
 Legal Entity Name: SUGARBUD CRAFT GROWERS CORP.

Name History:

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
NEW RANGE RESOURCES LTD.	2010/06/09
RELENTLESS RESOURCES LTD.	2018/06/11

Legal Entity Status: Active
 Alberta Corporation Type: Named Alberta Corporation
 Method of Registration: Amalgamation
 Registration Date: 2006/03/30 YYYY/MM/DD

Registered Office:

Street: 4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P5C5

Records Address:

Street: 4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P5C5

Email Address: ABREMINDERS@STIKEMAN.COM

Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
CHATWIN	KEITH	R.	STIKEMAN ELLIOTT LLP	4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.	CALGARY	ALBERTA	T2P5C5	ABREMINDERS@STIKEMAN.COM

Directors:

Last Name: DIETRICH
First Name: JOSEPH
Street/Box Number: 19 HOOKE ROAD S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2V3K6

Last Name: MARTIN
First Name: STEPHEN
Street/Box Number: 4300, 888 - 3RD STREET S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2P5C5

Last Name: WILSON
First Name: DANIEL
Middle Name: T.
Street/Box Number: 94 ASPEN RIDGE WAY S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T3H5M2

Transfer Agents:

Legal Entity Name: ODYSSEY TRUST COMPANY
Corporate Access Number: 3020718460
Street: STOCK EXCHANGE TOWER, 1230, 300 - 5TH AVENUE S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2P3C4

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE ATTACHED APPENDIX A
Share Transfers Restrictions: NONE
Min Number Of Directors: 1
Max Number Of Directors: 9
Business Restricted To: NONE
Business Restricted From: NONE
Other Provisions: SEE ATTACHED APPENDIX B

Holding Shares In:

Legal Entity Name
SUGARBUD RETAIL CORP.
TRICHOME HOLDINGS CORP.

Other Information:**Amalgamation Predecessors:**

Corporate Access Number	Legal Entity Name
2011015183	OPEN RANGE CAPITAL CORP.
2012053761	OPEN RANGE RESOURCES LTD.
206083404	SIGA RESOURCES LIMITED

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2022	2022/06/03

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2006/03/30	Amalgamate Alberta Corporation
2014/04/24	Service Provider Correct Legal Entity
2018/06/11	Name Change Alberta Corporation
2020/02/19	Update BN
2020/02/25	Change Address
2022/02/16	Name/Structure Change Alberta Corporation
2022/06/03	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2022/08/22	Change Director / Shareholder

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Articles/Plan of Arrangement/Court Order	10000105100866479	2006/03/30
Court Order	10000405100866487	2006/03/30
<u>Share Structure</u>	ELECTRONIC	2006/03/30
<u>Other Rules or Provisions</u>	ELECTRONIC	2006/03/30
<u>Consolidation, Split, Exchange</u>	ELECTRONIC	2010/06/09
<u>Consolidation, Split, Exchange</u>	ELECTRONIC	2022/02/16

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.

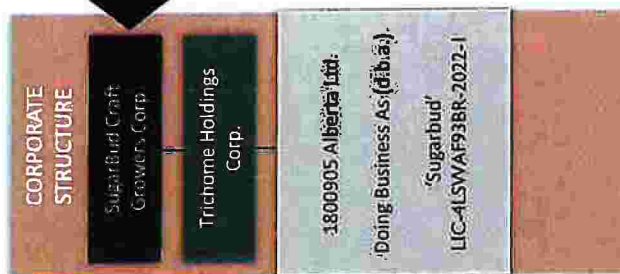


**THIS IS EXHIBIT "C" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

**Kyle R. Smith
Barrister & Solicitor**



CURRENT STATUS			
SugarBud Craft Growers Corp.			
BOARD OF DIRECTORS			
DANIEL WILSON	DIRECTOR	STEPHEN MARTIN	DIRECTOR
JANICE COMEAU	DIRECTOR	JOSEPH DIETRICH	DIRECTOR
OFFICERS			
DANIEL WILSON	PRESIDENT & CHIEF EXECUTIVE OFFICER		
CHRIS MOULSON	V.P. & CHIEF FINANCIAL OFFICER		

STRUCTURE	- Corporate Structure	DIRECTOR	- Active Director Role
PARENT COMPANY	- Parent Company (publicly traded)	OFFICER	- Officer Role
HOLDING COMPANY	- Holding Company (wholly owned)	FIRST LAST	- Person in Role
LICENSED COMPANY	- Licensed Company (wholly owned)		



CORPORATE
STRUCTURE

SugarBud Craft
Growers Corp.

Trichome Holdings
Corp.

1800905 Alberta Ltd.

Doing Business As (d.b.a.)

"Sugarbud"

LIC-4LSWA19388-2022-1

CURRENT STATUS

SugarBud Craft Growers Corp.

BOARD OF DIRECTORS

DANIEL WILSON

DIRECTOR

DIRECTOR

STEPHEN MARTIN

JANICE COMEAU

DIRECTOR

DIRECTOR

JOSEPH DIETRICH

OFFICERS

DANIEL WILSON

PRESIDENT & CHIEF EXECUTIVE OFFICER

CHRIS MOULSON

V.P. & CHIEF FINANCIAL OFFICER

STRUCTURE

- Corporate Structure

- Active Director Role

PARENT COMPANY

- Parent Company (publicly traded)

- Officer Role

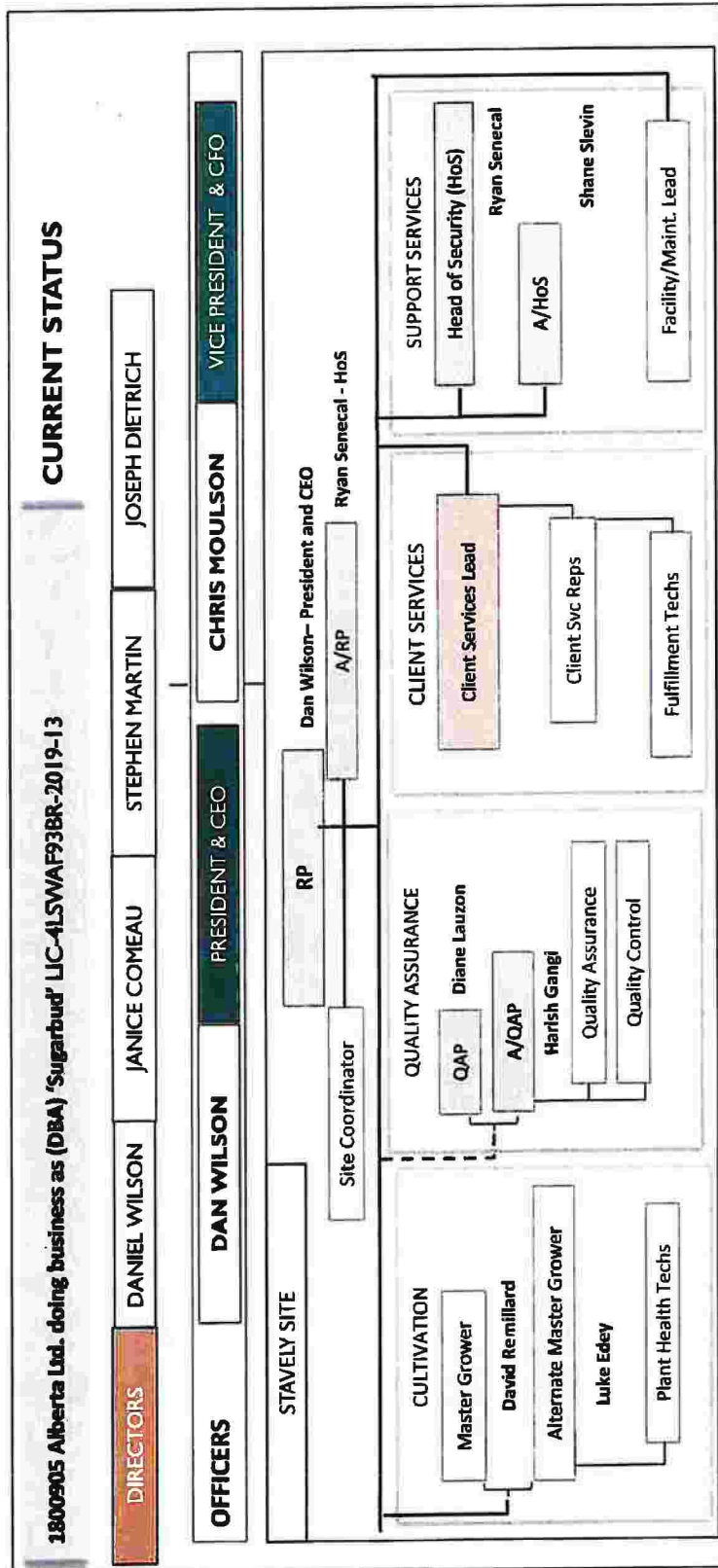
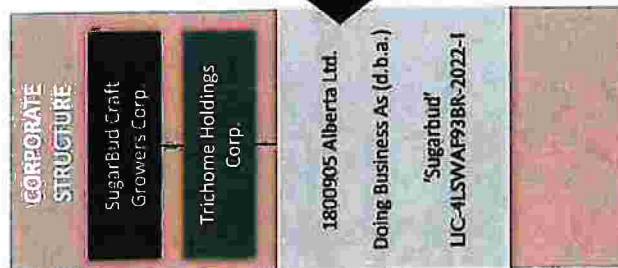
HOLDING COMPANY

- Holding Company (wholly owned)

- Person in Role

LICENSED COMPANY

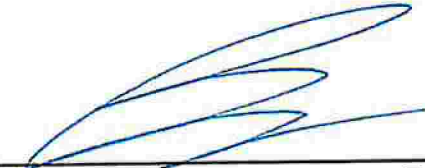
- Licensed Company (wholly owned)



STRUCTURE	DIRECTOR	OFFICER	CANNABIS REG. ROLE	MANAGER/SUPERVISOR
- Corporate Structure	- Director Role	- Officer Role	- Key Role/Position by Cannabis Regs	- Manager/Supervisor at the site
- Parent Company (publicly traded)				
- Holding Company (wholly owned)				
- Licensed Company (wholly owned)				

ROLE/POSITION/SERVICE **Name of Security Cleared Person in Key Role** **- Role/Position or general service**

**THIS IS EXHIBIT "D" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2022/09/23
 Time of Search: 11:23 AM
 Search provided by: MLT AIKINS LLP (CALGARY)
 Service Request Number: 38338887
 Customer Reference Number: 158011.1

Corporate Access Number: 2021854514
 Business Number: 701609521
 Legal Entity Name: TRICHOME HOLDINGS CORP.

Legal Entity Status: Active
 Alberta Corporation Type: Named Alberta Corporation
 Method of Registration: Amalgamation
 Registration Date: 2019/04/09 YYYY/MM/DD

Registered Office:

Street: 4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P5C5

Records Address:

Street: 4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P5C5

Email Address: ABREMINDERS@STIKEMAN.COM

Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
CHATWIN	KEITH	R.	STIKEMAN ELLIOTT LLP	4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.	CALGARY	ALBERTA	T2P5C5	ABREMINDERS@STIKEMAN.COM

Directors:

Last Name: DIETRICH
 First Name: JOSEPH
 Street/Box Number: 19 HOOKE ROAD S.W.
 City: CALGARY
 Province: ALBERTA

Postal Code: T2V3K6
Last Name: MARTIN
First Name: STEPHEN
Street/Box Number: 2221 SOUTH COLUMBINE ST.
City: DENVER
Province: COLORADO
Postal Code: 80210

Last Name: WILSON
First Name: DANIEL
Middle Name: T.
Street/Box Number: 94 ASPEN RIDGE WAY S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T3H5M2

Voting Shareholders:

Legal Entity Name: SUGARBUD CRAFT GROWERS CORP.
Corporate Access Number: 2012323099
Street: 620, 634 - 6TH AVENUE S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T2P0S4
Percent Of Voting Shares: 100

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE SCHEDULE RE AUTHORIZED SHARES
Share Transfers Restrictions: SEE SCHEDULE RE SHARE TRANSFER RESTRICTIONS
Min Number Of Directors: 1
Max Number Of Directors: 9
Business Restricted To: NONE
Business Restricted From: NONE
Other Provisions: SEE SCHEDULE RE OTHER PROVISIONS

Holding Shares In:

Legal Entity Name
1800905 ALBERTA LTD.

Other Information:**Amalgamation Predecessors:**

Corporate Access Number	Legal Entity Name
2020273633	2027363 ALBERTA LTD.
2021511155	TRICHOME HOLDINGS CORP.

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2022	2022/08/22

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2019/04/09	Amalgamate Alberta Corporation
2020/02/23	Update BN
2020/02/25	Change Address
2022/08/22	Change Director / Shareholder
2022/08/22	Enter Annual Returns for Alberta and Extra-Provincial Corp.

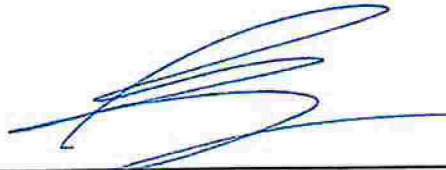
Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2019/04/09
Restrictions on Share Transfers	ELECTRONIC	2019/04/09
Other Rules or Provisions	ELECTRONIC	2019/04/09
Statutory Declaration	10000407124660664	2019/04/09

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



**THIS IS EXHIBIT "E" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2022/09/23
 Time of Search: 11:24 AM
 Search provided by: MLT AIKINS LLP (CALGARY)
 Service Request Number: 38338900
 Customer Reference Number: 0158011.00001

Corporate Access Number: 2018009056
 Business Number: 825009392
 Legal Entity Name: 1800905 ALBERTA LTD.

Legal Entity Status: Active
 Alberta Corporation Type: Numbered Alberta Corporation
 Registration Date: 2014/02/06 YYYY/MM/DD

Registered Office:

Street: 4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P5C5

Records Address:

Street: 4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P5C5

Email Address: ABREMINDERS@STIKEMAN.COM

Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
CHATWIN	KEITH	R.	STIKEMAN ELLIOTT LLP	4300 BANKERS HALL WEST, 888 - 3RD STREET S.W.	CALGARY	ALBERTA	T2P5C5	ABREMINDERS@STIKEMAN.COM

Directors:

Last Name: DIETRICH
 First Name: JOSEPH
 Street/Box Number: 19 HOOKE ROAD S.W.
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2V3K6

Last Name: MARTIN
First Name: STEPHEN
Street/Box Number: 2221 SOUTH COLUMBINE ST.
City: DENVER
Province: COLORADO
Postal Code: 80210

Last Name: WILSON
First Name: DANIEL
Middle Name: T.
Street/Box Number: 94 ASPEN RIDGE WAY S.W.
City: CALGARY
Province: ALBERTA
Postal Code: T3H5M2

Voting Shareholders:

Legal Entity Name: TRICHOME HOLDINGS CORP.
Corporate Access Number: 2021854514
Street: 320, 700 - 4 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P3J4
Percent Of Voting Shares: 100

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share SEE SCHEDULE "A"

Structure:

Share NO SHARES IN THE CAPITAL OF THE CORPORATION SHALL BE TRANSFERRED WITHOUT THE
Transfers EXPRESS CONSENT OF A MAJORITY OF THE BOARD OF DIRECTORS TO BE SIGNIFIED BY A
Restrictions: RESOLUTION OF THE BOARD OF DIRECTORS.

Min

Number Of 1

Directors:**Max**

Number Of 9

Directors:**Business**

Restricted NONE

To:**Business**

Restricted NONE

From:**Other**

Provisions: SEE SCHEDULE "B"

Other Information:**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2022	2022/08/22

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2014/02/06	Incorporate Alberta Corporation
2020/02/21	Update BN
2020/02/25	Change Address
2022/08/22	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2022/08/22	Change Director / Shareholder


Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2014/02/06
Other Rules or Provisions	ELECTRONIC	2014/02/06

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



**THIS IS EXHIBIT "F" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor



September 26, 2019

Tara Johnson-Ouellette
1800905 Alberta Ltd.

620 – 634 6th Avenue SW
Calgary AB T2P 0S4

Dear Tara Johnson-Ouellette:

RE: Issuance of Cannabis Licence under the *Excise Act, 2001*

As all conditions for licence issuance have now been met, your application for a cannabis licence under the *Excise Act, 2001* (Act) has been approved effective September 26, 2019.

Cannabis licence number

The following licence number should be recorded on all correspondence with the CRA:

82500 9392 RD0001

Each of the physical business locations included in the licence application has been provided with a separate account number as follows:

Location	Account Identifier	Account Type	Premises Address
1	RD0001	Filing	5822-52 Street, Stavelly AB T0L 1Z0

Acknowledgement of Security

We acknowledge receipt of the required security in the form of certified cheque and the amount of \$5,000 (five thousand dollars).

Renewal of Cannabis Licence

Information related to renewing a cannabis licence is provided in Excise Duty Notice EDN52, Obtaining and Renewing a Cannabis Licence. Subject to meeting the requirements for maintaining a cannabis licence, the licence will remain in effect for the period specified in the licence.

The expiry date for your licence will be September 25, 2021. In order to renew the cannabis licence, a completed Form L300, Cannabis Licence Application must be submitted to your regional office not later than 30 days before the expiry date.

Obligations of a Cannabis Licensee

Changes to Information

The CRA must be informed of any changes to the name, legal entity, business or mailing address, location of books and records or changes to any other information provided in the licence application form. The CRA must also be informed if your business/operations have been discontinued or sold.

Books and Records

All cannabis licensees are required to maintain adequate books and records and provide access to those books and records to excise officers. Denied access to books and records or the licensed premises could result in a suspension or the cancellation of a cannabis licence.

Filing of Returns

A form B300, Cannabis Duty and Information Return for each filing division under your cannabis licence must be filed for each calendar month whether or not any duty is payable. Your returns are due at the end of the month following the calendar month for the production being reported.

Electronic filing of the monthly B300 Cannabis Duty and Information Return, the B301 Application for a Refund of Cannabis Duty, as well as other account information, such as account transactions and balances, licence status and account maintenance activities, is available at canada.ca/my-cra-business-account. Electronic filing of returns provides immediate confirmation that your return has been received by the CRA. Enrollment can be completed online, and further information is available at canada.ca/my-cra-business-account or by phone at 1-800-959-5525..

Monthly excise cannabis returns may also be printed from our website at canada.ca/cannabis-excise so that they may be completed and submitted by mail. Please note that should a return and any payment due not be filed or received within the time limits, penalty and interest charges may be applied in accordance with the Act.

Outreach Visit

Unless an outreach visit has already been conducted, an excise duty officer may contact you in the near future to arrange a site visit. The purpose of the outreach visit is to provide you with more information regarding the excise duties on cannabis products, including the calculation of excise duties on cannabis products. For more information, please visit our web page canada.ca/cannabis-excise, which includes links to relevant publications and regulations.

Further Approvals

Destruction of cannabis product

During the review of the cannabis licence application, we also considered your request for approval of a method of destruction under the Act. Pursuant to section 158.16 of the Act, a cannabis licensee may re-work or destroy a cannabis product in the manner authorized by the Minister of National Revenue (Minister). Your request has been approved. Please see attached Appendix A for more information. If this approved method of destruction changes, a request in writing must be submitted to the Regional Manager of Excise Duty, and approval must be obtained prior to any destruction using the new, unapproved method.

As per section 187.1 of the Act, the Minister may refund to a cannabis licensee the duty paid on a cannabis product that is re-worked or destroyed by the cannabis licensee in accordance with section 158.16 if the licensee applies for the refund within two years after the cannabis product is re-worked or destroyed.

Subparagraph 158.3(a)(iv) of the Act provides that duty is not payable on a cannabis product that is destroyed by the cannabis licensee in a manner approved by the Minister.

Cannabis product taken for analysis

We also reviewed your request for approval of a method of taking cannabis products for analysis under the Act. Pursuant to subparagraph 158.3(a)(iii), duty is not payable on a cannabis product that is taken for analysis by a cannabis licensee in a manner approved by the Minister. Your request has been approved. Please see attached Appendix B for more information. If this approved method of taking a cannabis product for analysis changes, a request must be submitted in writing to the Regional Manager of Excise Duty, and approval must be obtained prior to any cannabis being taken for analysis using the new method.

Should you have any questions or require clarification regarding the above information, please do not hesitate to contact Vadim Balaboskin at 204-984-4330. For general information regarding the excise duty on cannabis products please go to canada.ca/cannabis-excise. To request a ruling or interpretation or make a technical enquiry on cannabis excise duty, please call 1-866-330-3304 or email cannabis@cra-arc.gc.ca.

Sincerely,



Laura MacBride
Prairies Regional Manager
Excise Duty and Taxes
Legislative Policy and Regulatory Affairs Branch

Appendix A

Request for approval of method of destruction

During the review of your cannabis licence application, we also considered your request for approval of a method of destruction under the Act. Pursuant to section 158.16, a cannabis licensee may re-work or destroy a cannabis product in the manner authorized by the Minister. Subparagraph 158.3(a)(iv) also states that duty is not payable on a cannabis product that is destroyed by a cannabis licensee in a manner approved by the Minister.

Based on the information that you provided, we understand the following:

- The location of the destruction will be at 5822-52 Street, Stavelly AB T0L 1Z0;
- The method of destruction will be to place the material into the Rotating Drum Bio-Mass Composter. Composted cannabis material will become denatured after about 7 days and the addition of wood chips/ saw dust to adjust the C:N ratio around 30:1. Continue to add material into the front of the composter until the rotating auger moves the material to the end of the composter. At this point the material is inert/denatured and can be disposed of or sold as compost.
- The method will be ongoing; and
- The controls in place will be:
 - 1) Cannabis will be destroyed on site and will take place in the designated destruction room (Composter Room).
 - 2) Cannabis designated for destruction cannot be removed from the assigned area unless authorized by the Responsible Person in Charge (RPIC) or Alternate Person in Charge(A/RPIC)
 - 3) Allocate special green waste bins with lids in the production area for cannabis designated as waste. Cannabis waste is collected in compostable bags. Each compostable bag containing waste is weighed and labeled as waste must be destroyed, within the label specifying the Batch, strain name, date and weight along with the Destruction tag. Overall, the total weight of cannabis waste from the batch must be recorded in 'SYSTEM OF RECORD – SEED-TO-SALE' module.
 - 4) The Technicians will use the 'SYSTEM-OF-RECORD – FINANCIAL MNGT' module to accept and mark complete any assigned Destruction work. The Technicians will use the 'SYSTEM-OF-RECORD – SEED-TO-SALE' module for all batch, plant management and destruction (as required) records.
 - 5) Complete the TAG-000003 – 'Destruction Tag' and LBL-000001 – 'Waste Identification Label'. Ensure the employee collecting the waste initials and date both labels. Affix the tag and label to the compostable bags which are to be stored in green bins with lids until further instructions.

You also indicated that you will maintain the following records: SYSTEM OF RECORD – SEED-TO-SALE' module.

Based on the information provided, we have determined that the outlined steps would be sufficient to grant authorization to destroy cannabis products under the following conditions (these conditions would apply to any cannabis products in your possession):

- Adequate records and information, including the date of destruction, type and quantity of cannabis products being destroyed, etc. must be kept/maintained;
- Once the destruction is complete, create a record/certificate of destruction, which should accompany any refund claims submitted for the destruction of duty-paid products;
- All records for the destruction must be maintained at 620 – 634 6th Avenue SW Calgary AB T2P 0S4; and
- All records should be maintained for 6 years

Although we reserve the right to be present during any destruction, mandatory notification and witnessing of destruction is not required for regular, routine destruction. However, unusual destruction or the destruction of packaged goods returned from a purchaser are required to be reported and may require witnessing of the destruction by an officer.

Appendix B

Request for approval of a method of taking cannabis products for analysis

In addition to the review of your cannabis licence application, we considered your request for approval of a method of taking for analysis under the Act. Pursuant to subparagraph 158.3(a)(iii), duty is not payable on a cannabis product that is taken for analysis by a cannabis licensee in a manner approved by the Minister.

Based on the information provided, we understand the following:

- The analysis will be conducted at 5822-52 Street, Stavely AB T0L 1Z0 and an off-site facility such as a third-party laboratory;
- The method of analysis will be to ensure that test samples from all lots of cannabis products produced or received are collected, retained and sent to a third-party laboratory and tested against the pre-determined Finished Product Specifications and Certificate of Analysis (FPSCOA) to determine whether the produced lot meets the pre-determined specifications prior to release for distribution and to ensure that adequate retention (reserve) samples of all batch of cannabis products are collected and retained.;
- The method will be ongoing; and
- The controls in place will be:
 - 1) The Quality Assurance Person (QAP) or Alternate will be responsible to review batch data and ensure the material/product complies with all internal and regulatory policies. It is the responsibility of the QAP to review the batch data prior to approval; oversee and ensure that all aspects of Batch Testing are scheduled, completed, posted and signed off. The QAP is responsible to verify lab test results.
 - 2) The Master Cultivator is responsible for planning batch sample testing work orders to cultivation personnel, oversee the quality, compliance and efficiency of all Batch Testing and Retention actions, and post activities when completed.
 - 3) The Master Cultivator will use the 'SYSTEM-OF-RECORD – FINANCIAL MNGT' module to plan, assign and post Batch Sample work. The Master Cultivator will use the 'SYSTEM-OF-RECORD – SEED-TO-SALE' module for all batch, plant management and destruction (as required) records.
 - 4) Test (Representative) Sample: 15 grams (or millilitres) of randomly selected cannabis product packaged in the approved primary container used to fill customer orders. Test samples are to be taken from each batch of produced.
 - 5) Retention (Reserve) Sample: 15 grams (or millilitres) of randomly selected cannabis product in the approved primary container used to fill customer orders. Retention samples of each batch produced or received must be retained for no less than two years after the date of the last sale or provision of any portion of the lot or batch retention samples must be held under ordinary conditions (i.e. ambient / room temperature).

- 6) Once the lot is sampled, the remaining product packaged in the bulk product container(s) will be placed back into the quarantine area within the secured storage area. Fill in and attach a TAG-000001 – 'Quarantine Tag' to each tote. Refer to Procedure – PRC-QA-000026 - 'Batch Approval or Rejection' for further details on finished product evaluation prior to release.

Please note that if the analysis will be conducted off-site by a third party, the intermediary testing facility will require authorization from Health Canada.

Based on the information provided, we have determined that the outlined steps would be sufficient to grant authorization for taking cannabis products for analysis under the following conditions (these conditions would apply to any cannabis product in your possession):

- You must keep adequate records and information including the date taken for analysis, type and quantity of cannabis products taken, etc.;
- All records for the cannabis taken for analysis must be maintained at 620 – 634 6th Avenue SW
Calgary AB T2P 0S4; and
- All records should be maintained for 6 years



Licence No. - N° de licence
LIC-4LSWAF93BR-2022

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
1800805 Alberta Ltd. d.b.a. sugarbud

Licensed Site / Lieu autorisé :
5822 52ND STREET
STAVELY, AB, CANADA, T0L 1Z0

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
<ul style="list-style-type: none">To possess cannabisTo obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabisFor the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any meansTo sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations	<ul style="list-style-type: none">Avoir du cannabis en sa possessionObtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabisAfin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiquesVendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis
Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients - Requirements".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences ».

Standard Processing

Transformation standard

Activities	Activités
<ul style="list-style-type: none">To possess cannabisTo produce cannabis, other than obtain it by cultivating, propagating or harvesting itTo sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations	<ul style="list-style-type: none">Avoir du cannabis en sa possessionProduire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolteVendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis
Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients - Requirements".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.

Acting Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Conditions The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Conditions Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.
Sale for Medical Purposes	Vente à des fins médicales
Activités <ul style="list-style-type: none">To possess cannabisTo sell cannabis products in accordance with section 27 and Part 14, Division 1 of the Cannabis Regulations	Activités <ul style="list-style-type: none">Avoir du cannabis en sa possessionVendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du Règlement sur le cannabis
Conditions N/A	Conditions nd

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autres activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Building 1

Effective date of the licence:

This licence is effective as of **July 25, 2022**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **25 juillet 2022**

Expiry date of the licence:

This licence expires on **July 25, 2027**

Date d'expiration de la licence:

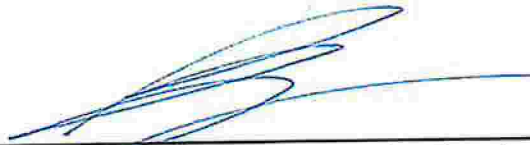
La présente licence expire le **25 juillet 2027**

Acting Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis

Licence holder	Province / territory	Licence(s)	Classes of cannabis the licence holder is authorized to sell	Client Care phone numbers for registered patients	initial licensing (year-month-day)
1800905 Alberta Ltd. d.b.a. sugarbud	AB	Sale (Medical) Processing Cultivation	to provincially/territorially authorized distributors/retailers Plants / Seeds Dried / Fresh Extracts Edible Topical	Plants / Seeds Dried / Fresh Extracts Edible Topical	30-Aug-19

**THIS IS EXHIBIT "G" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, SugarBud Craft Growers Corp., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Alvarez & Marsal Canada Inc. of Bow Valley Square 4, Suite 1110, 250 6th Ave SW, Calgary, AB, T2P 3H7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the city of Calgary in the Province of Alberta, this 26th day of September 2022.



SugarBud Craft Growers Corp.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1928248 Alberta Inc.	Unknown Unknown AB A1A 2B2		8,584.00
3SIXTY SECURE CORP	21 McDonald St. Smiths Falls ON K7A 5L5		36,653.39
A & L CANADA LABORATORIES	2136 Jetstream Road London ON N5V 3P5		548.10
ACKLANDS GRAINGER	4340 Manhattan Rd SE Calgary AB T2G 4B2		380.73
Alberta Securities Commission	Suite 600, 250 5TH ST SW Calgary AB T2P 0R4		1,000.00
ALCHEMY TRAINING TECHNOLOGIES INC.	5301 Riata Park Court, Building F, Suite 100 Austin TX 78727 United States		4,594.51
All Kind Door Services Ltd.	1455-34 Avenue SE Calgary AB T2G 4Y1		6,847.15
ALTUS GROUP LIMITED	2020 4th Street SW Suite 310 Calgary AB T2S 1W3		3,025.00
AMPLE ORGANICS INC.	290 Caldari Rd, Unit 2015A Vaughan ON L4K 4J4		3,820.00
AQUATECH PLUMBING & HEATING LTD.	PO Box 764 Fort Macleod AB T0L 0Z0		267.75
ARTHUR J GALLAGHER CANADA LIMITED	Lockbox #C9582C P.O. Box 9582, Station M Calgary AB T2P 5L8		39,461.84
AVANTOR	2360 Argenta Rd Mississauga ON L5N 5Z7		447.49
B&B ENERGY SERVICES LTD.	PO Box 399, 5601 52nd Street Stavely AB T0L 1Z0		283.50
BEQAA VENTURA INC.	19 Hooke Road SW Calgary AB T2V 3K6		5,971.15
BIOBEST CANADA LTD	2020 Fox Run Road Leamington ON N8H 3V7		1,428.42
Boomer Logistics	115 Miranda Avenue York ON M6B 3W8		8,553.51

District of: Alberta
Division No. 02 - Calgary
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Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
BSI ENTROPY SOFTWARE	C/O TH1056 PO Box 4283 Station A Toronto ON M5W 5W6		10,395.00
BUGLE FORKLIFT SALES & RENTAL LTD.	105, 4919-72 Avenue SE Calgary AB T2C 3H3		1,916.36
CALTRONICS COMMUNICATIONS	4410-50th Ave. S.E Calgary AB T2B 3R4		378.00
CANADA LIFE (FORMERLY GWL)	100 Osborne St N Winnipeg MB R3C 1V3		94,101.83
Canna Supplies / Consolidated Bottle	77 Union Street Toronto ON M6N 3N2		4,303.62
CannaGreen Packaging	2927 Kingsview Blvd SE Airdrie AB T4A 0C9		8,423.30
CARO Analytical Services	#110 4011 Viking Way Richmond BC V6V 2K9		6,556.60
Cattlemen's Comer	PO Box 1090 Nanton AB T0L 1R0		490.28
CDS CLEARING & DEPOSITORY SERVICES INC.	100 Adelaide St W, Suite 300 Toronto ON M5H 1S3		2,362.50
CDW CANADA	5735 7St NE #300 Calgary AB T2E 8W6		1,509.83
CERIDIAN CANADA LTD.	242 Hargrave St, 3rd Floor Winnipeg MB R3C 0T8		10,189.52
Chris Moulson	303 13 Street NW Calgary AB T2N 1Z3		183,333.29
CINTAS	1235 23rd Ave. SE Calgary AB T2G 5S5		10,918.55
CIP OFFICE TECHNOLOGY	940a-11 Avenue SW Calgary AB T2R 0E7		1,717.35
ClearLeaf Inc.	2107 - 1001 Homer St Vancouver BC V6B 1M9		7,875.00

District of: Alberta
Division No. 02 - Calgary
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- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
CNW	RBC WATERPARK PLACE SUITE 3000, 88 QUEENS QUAY WEST Toronto ON M5J 0B8		8,550.48
COMPUTERSHARE TRUST COMPANY OF CANADA	800, 324 8th Ave SW Calgary AB T2P 2Z2		25,801.97
Connect First Credit Union	200 2850 Sunridge Blvd NE Calgary AB T1Y 6G2		7,829,696.12
Connected Supply Chain Solutions Ltd.	#110-302 Beaver Lake Road Kelowna BC V4V 1S5		43,021.33
Convertible Debentures - Public Offering (c/o ComputerShare)	800, 324 8th Ave SW Calgary AB T2P 2Z2		630,834.00
CROSSROAD ENERGY SOLUTIONS INC.	Bay#1-137 Columbia Drive, Box 2588 Claresholm AB T0L 0T0		25,703.72
Culligan of Lethbridge	3219 1 Ave., S Lethbridge AB T1J 4H1		320.00
DA ELECTRIC	220 31 Street North Lethbridge AB T1H 3Z3		5,969.19
DANIEL WILSON	3103 7030 Coach Hill Road SW Calgary AB T3H 1E4		75,000.00
DBK Engineering Ltd	Unit 1, 5608 1 Street SE Calgary AB T2H 2W9		6,699.00
DCM	9195 Torbram Rd Brampton ON L6S 6H2		32,579.97
DEE JAY HARDWARE LTD.	118-50th Avenue, West, Box 998 Claresholm AB T0L 0T0		3,201.21
DELROSE MOYER	Box 299 Stavely AB T0L 1Z0		2,100.00
Desna Controls & Weighing Inc.	412 Manitou Road SE Calgary AB T2G 4C4		658.35
DISPLAY DYNAMIC	#15, 777 - 64TH AVE SE Calgary AB T2H 2C3		756.00

District of: Alberta
Division No. 02 - Calgary
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- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
DONNELLEY FINANCIAL SOLUTIONS CANADA CORPORATION	525 8th Ave SW Calgary AB T2P 1G1		3,760.51
DUMP GUMP INC.	Po Box 427 Stavely AB T0L 1Z0		5,634.35
ECOLAB	5105 Tomken Road Mississauga ON L4W 2X5		1,530.90
EMC Executive Marketing Consultants Inc	19073 63 AVE Surrey BC V3S 8G7		3,184.66
EMCO CORPORATION	Bay C-4415 72 Ave SE Calgary AB T2C 2G5		1,209.32
ENVIRONMENTAL 360 SOLUTIONS	Po Box 64028 Calgary AB T2K 6J1		828.42
EPAC FLEXIBLE PACKAGING	1750 Coast Meridian Rd, Unit 101 Port Coquitlam BC V3C 6R8		11,360.16
EPCOR	PO Box 500 Edmonton AB T5J 3Y3		82,091.22
FIRST CALGARY MASTERCARD	2720-700 9th Ave SW Calgary AB T2P 3V4		65,883.60
FIRST CALGARY MASTERCARD	#450, 110-9TH AVE SW Calgary AB T2P 0T1		8,809.15
FLIPP ADVERTISING INC.	Suite 630 - 602, 12th Ave SW Calgary AB T2R 1J3		7,701.05
FOUR ZERO FOUR REFRIGERATION & HVAC SERVICES	PO Box 351 Champion AB T0L 0R0		288.59
G.T Electrical Ltd.	PO Box 523 Stavely AB T0L 1Z0		1,029.00
Global Governance Advisors	10th Floor Bankers Hall, West Tower 88 3rd St SW Calgary AB T2P 5C5		262.50
GLOBAL INDUSTRIAL CANADA	110-35 Staples Avenue Richmond ON L4B 4W6		17,632.60

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Grand HVAC Leasing	3430 South Service Rd, Suite 200 Burlington ON L7N 3T9		259,323.69
GRODAN/ROCKWOOL NA	8024 Esquesing Line Milton ON L9T 6W3		13,036.24
GS1 CANADA	1500 Don Mills Road Suite 800 Toronto ON M3B 3K4		1,575.00
HAWTHORNE CANADA LTD	2468 192nd Street, Units 104-106 Surrey BC V3S 3X1		4,269.24
HOMEWOOD HEALTH INC.	Suite 500, 1050 West Pender St Vancouver BC V6E 3S7		567.00
HORTI INTERNATIONAL SERVICES LTD	31471 Ponderosa Place Abbotsford BC V2T 5G3		824.25
HUDSON ENERGY	CX2516C PO Box 2591 Station M Calgary AB T2P 0A3		117,992.24
HUSKY LANDSCAPE	80 Esna Park Dr Ste 19 Markham ON L3R 2R6		493.50
Hygiena Canada Limited	2650 Meadowvale Boulevard(Unit 14) Mississauga ON L5N 6M5		11,072.30
IAN MILLER	Suite 1110 501 South Cherry Street Denver CO 80246 United States		62,102.90
Ideon Packaging	11251 Dyke Road Richmond BC V7A 0A1		13,360.64
IMPAK Corporation	13700 S Broadway Los Angeles CA 90061 United States		498.97
INNOVATION, SCIENCE & ECONOMIC DEVELOPMENT CANADA	220 4th Avenue SE, Suite 478 Calgary AB T2G 4X3		502.80
INTRADO DIGITAL MEDIA CANADA, INC.	155 University Ave Suite 1100 Toronto ON M5H 3B7		10,449.60
ISOLOCITY	5-200 Green Lane East, Suite 303 East Gwillimbury ON L9N 0Z7		525.00
ITG (Independent Trading Group)	370 King St. W. Suite 701 Toronto ON M5V 1J9		45,000.00

District of: Alberta
Division No. 02 - Calgary
Court No.
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- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
ITM Instruments Inc.	4615 112 Ave SE #209 Calgary AB T2C 5J3		645.02
JANICE COMEAU	1010 456 MOBERLY ROAD Vancouver BC V5Z 4L7		120,000.00
John	Unknown Unknown AB A1A 2B2		26,666.64
John Kondrosky	435A 12 Ave NE Calgary AB T2E 1A7		156,916.65
JOSEPH DIETRICH	19 Hooke Road SW Calgary AB T2V 3K6		67,419.36
KPMG LLP	Suite 3100 Bow Valley Square II 205 - 5TH Ave SW Calgary AB T2P 4B9		339,266.10
Latoplast	1661 Finfar Court Mississauga ON L5J 4K1		1,421.23
LAUREL HILL ADVISORY GROUP COMPANY	70 University Ave Suite 1440 Toronto ON M5J 2M4		34,830.60
LINDE (PRAXAIR)	PO Box 2531 STN M Calgary AB T2P 0S6		6,556.89
LLOYD SADD INSURANCE BROKERS	521 - 3 Ave SW, Unit 350 Calgary AB T2P 3T3		42,349.99
LUCID CANNABIS SK INC	304-10240 124 Street NW Edmonton AB T5N 3W6		719.36
MACDONALD & COMPANY LAWYERS	200 - 204 Lambert Street Whitehorse YT Y1A 1Z4		3,098.82
MCCARTHY TETRAULT LLP	Suite 4000, 421-7th Ave SW Calgary AB T2P 4K9		450,883.17
MCKERCHER LLP	#800 - 1801 Hamilton St. Regina SK S4P 4B4		474.60
MEDIANT COMMUNICATIONS INC.	400 Regency Forest Dr, Suite 200 Cary NC 27518		320.34
MEMORY EXPRESS	3333-34th Avenue NE Calgary AB T1Y 6H2		3,995.00

District of: Alberta
Division No. 02 - Calgary
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- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
METER Group, Inc. USA	2365 NE Hopkins Court Pullman WA 99163 United States		10,397.01
METTLER TOLEDO	2915 Argentia Road, Unit 6 Mississauga ON L5N 8G6		8,238.83
MICROSOFT	One Microsoft Way Redmond WA 98052-6399 United States		279.61
MID-WEST SUPPLY	#101, 7211-8 St NE Calgary AB T2E 8A2		1,079.40
MNP LLP	1500 640 5 Ave SW Calgary AB T2P 3G4		3,426.25
Nanton Water & Soda Ltd.	1915 23rd Street, PO Box 1041 Nanton AB T0L 1R0		400.00
ODYSSEY TRUST COMPANY	1230 - 300 5 Ave SW Calgary AB T2P 3C4		34,756.21
ORKIN CANADA	5840 Falbourne St Mississauga ON L5R 4B5		2,790.90
OTC MARKETS GROUP INC	300 Vesey St. (One North End Ave) 12th Floor New York NY 10282 United States		9,677.40
PARAGON MECHANICAL	Bay 16, 10672-46 St SE Calgary AB T2C 1G1		3,360.00
PLANET COFFEE COMPANY LTD.	Bay F 7058 Farrell Road SE Calgary AB T2H 0T2		614.60
PUROLATOR INC.	PO Box 4800, Sln. Main Concord ON L4K 0K1		3,620.09
QUALITY WHOLESALE LTD.	7575 North Fraser way Burnaby BC V5J 4Z3		603.75
RANDY CHOW	212 BEDDINGTON DRIVE NE CALGARY AB T3K 1K4		27,386.23
Rocky Mountain Mobile Hearing Testing Ltd.	Box 11057 Seton PO Calgary AB T3M 1Y6		1,470.00
ROLLED	24 Laing Blvd St. Thomas ON N5P 4B5		18,645.00

District of: Alberta
Division No. 02 - Calgary
Court No.
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- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
SANI MARC / WoodWyant	3030 15th Street NE Calgary AB T2E 7A3		2,171.88
Saskatchewan Liquor and Gaming Authority	PO Box 5054, 2500 Victoria Ave Regina SK S4P 3M3		1,500.00
Scott Parker	89 2450 161A Street Surrey BC V3Z 8K4		22,916.66
SEGRA BIOGENESIS CORP	108-21300 Gordon Way Richmond BC V6W 1M2		41,638.25
SHAW BUSINESS	PO Box 1607, Station M Calgary AB T2P 2L7		11,312.75
SHAW TOLL SERVICE C/O IVRNET INC.	1338B - 36 AVENUE N.E. SUITE 222 Calgary AB T2E 6T6		383.54
SOUTHERN IRRIGATION	511-41 Street North Lethbridge AB T1H 7B6		6,042.17
Southern Scale Company Inc	4546 14th Street NE Calgary AB T2E 6T7		1,237.40
SPIFFY INC	592 Richmond St W Toronto ON M5V 1Y9		4,237.50
Staples Professional	C/O C25043C PO Box 252 STN M Calgary AB T2P 1B1		558.81
STEPHEN MARTIN	2221 South Columbine Street Denver CO 80210 United States		120,000.00
STIKEMAN ELLIOTT	4300 Bankers Hall West 888 - 3RD ST SW Calgary AB T2P 5C5		230,163.67
STOCKHOUSE PUBLISHING LTD	Suite 1100 609 West Hastings St. Vancouver BC V6B4W4		31,500.00
STONHARD	95 Sunray Street Whitby ON L1N 9C9		9,502.50
STRATUS ELECTRICAL & INSTRUMENTATION	4720 - 78 Ave SE Calgary AB T2P 0S4		608.24
TD WATERHOUSE - TD WATERHOUSE CANADA INC	505 2 St SW Calgary AB T2P 1N8		3,906.26

District of: Alberta
Division No. 02 - Calgary
Court No.
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- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
TELUS	PO Box 7575 Vancouver BC V6B 8N9		740.81
Thompson Dorfman Sweatman	242 Hargrave Street, Suite 1700 Winnipeg MB R3C 0V1		1,610.67
Trevor Garelus	PO Box 521 Stavely AB T0L 1Z0		36,401.88
TSX VENTURE EXCHANGE	Telus Sky Building Suite 2110, 685 Centre St SW Calgary AB T2G 1S5		6,630.75
UNIFIRST	5702 60TH STREET Taber AB T1G 2B3		29,553.67
UNIVAR	9800 Van Horne Way Richmond BC V6X 1W5		483.33
Velvet Management Inc.	1100 Avenue Atwater - Suite 2000 Westmount QC H3Z 2Y4		146,947.34
Victor El-Araj	1431 16 Street NE Calgary AB T2E 4S7		5,833.33
VWR International	2360 Argentia Rd Mississauga ON L5N 5Z7		447.49
WE SHARE SUPPLY SERVICES	425 Herbert St Ganarque ON K7G 1R2		9,617.07
Western Generator Sales & Rentals	3 East Lake Way NE Airdrie AB T4A 2J4		4,292.50
Workers' Compensation Board Alberta	9912 107 Street Edmonton AB T6K 1G5		10,324.83
XEROX CANADA LTD.	5616 80 Ave SE Calgary AB T2C 4N5		459.63
Y'S IT CONSULTING INC.	89 Simcoe Circle SW Calgary AB T3H 4S5		1,198.65
ZUNICH CAPITAL CORP.	711 - 50TH AVE SW Calgary AB T2S 1H7		105,000.00
Total			12,139,558.94

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)



SugarBud Craft Growers Corp.
Insolvent Person

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, 1800905 Alberta Ltd., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Alvarez & Marsal Canada Inc. of Bow Valley Square 4, Suite 1110, 250 6th Ave SW, Calgary, AB, T2P 3H7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the city of Calgary in the Province of Alberta, this 26th day of September 2022.



1800905 Alberta Ltd.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
CANADA REVENUE AGENCY - EXCISE TAX	275 Pope Road Summerside PE C1N 6A2		1,098,932.48
COMPUTERSHARE TRUST COMPANY OF CANADA	800, 324 8th Ave SW Calgary AB T2P 2Z2		25,801.97
Connect First Credit Union	200 2850 Sunridge Blvd NE Calgary AB T1Y 6G2		7,829,696.12
HEALTH CANADA	161 GOLDENROD DRWY Ottawa ON K1A 0K9		63,650.67
ODYSSEY TRUST COMPANY	1230 - 300 5 Ave SW Calgary AB T2P 3C4		34,756.21
Total			9,052,837.45

Da Wilson

1800905 Alberta Ltd.
Insolvent Person

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, Trichome Holdings Corp., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Alvarez & Marsal Canada Inc. of Bow Valley Square 4, Suite 1110, 250 6th Ave SW, Calgary, AB, T2P 3H7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the city of Calgary in the Province of Alberta, this 26th day of September 2022.



Trichome Holdings Corp.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

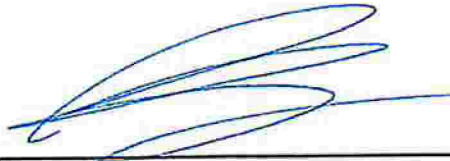
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
COMPUTERSHARE TRUST COMPANY OF CANADA	800, 324 8th Ave SW Calgary AB T2P 2Z2		25,801.97
Connect First Credit Union	200 2850 Sunridge Blvd NE Calgary AB T1Y 6G2		7,829,696.12
ODYSSEY TRUST COMPANY	1230 - 300 5 Ave SW Calgary AB T2P 3C4		34,756.21
Total			7,890,254.30

Da Wilson

Trichome Holdings Corp.
Insolvent Person

**THIS IS EXHIBIT "H" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

大成 DENTONS

Afshan Naveed
Partner

afshan.naveed@dentons.com
D +1 403 268 7015

Dentons Canada LLP
15th Floor, Bankers Court
850-2nd Street SW
Calgary, AB, Canada T2P 0R8

dentons.com

September 22, 2022

File No.: 571709-75

DELIVERED VIA REGISTERED MAIL & EMAIL [RZahara@mltaikins.com]

Sugarbud Craft Growers Corp.
4300 Bankers Hall West, 888 – 3rd Street SW
Calgary, AB T2P 5C5

Sugarbud Craft Growers Corp.
c/o MLT Aikins LLP
2100 Livingston Place, 222 3 Ave SW
Calgary, AB T2P 0B4

Attn: Ryan Zahara

Dear Sir:

Re: Connect First Credit Union Ltd. and Sugarbud Craft Growers Corp.

We are counsel to Connect First Credit Union Ltd. ("Connect"). As you are aware, Sugarbud Craft Growers Corp. (the "**Borrower**") is indebted to Connect pursuant to a commitment letter dated December 24, 2021, various loan agreements and promissory notes, each as amended from time to time (collectively the "**Loan Agreements**").

Pursuant to the Loan Agreements, Connect has made available the following seven (7) credit facilities:

1. Authorized Overdraft in the amount of \$500,000;
2. Letter of Credit in the amount of \$70,000;
3. Commercial Mortgage Loan in the amount of \$5,220,000;
4. Commercial Mortgage Loan in the amount of \$500,000;
5. Commercial Mortgage Loan in the amount of \$400,000;
6. Commercial Mortgage Loan in the amount of \$500,000; and
7. Commercial Demand Mortgage Loan in the amount of \$900,000

(plus interest and costs to the Borrower (the "**Loans**")).

In this regard, reference is made to the following security granted by the Borrower in favour of Connect with respect to the Loans:

1. General Security Agreement, dated May 27, 2020; and

Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more on the firms that have joined Dentons, go to [dentons.com/legacyfirms](https://www.dentons.com/legacyfirms)

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0083

2. Assignment of Receivables Agreement, dated December 29, 2020;

(collectively the "Security").

The Borrower is in default of its obligations to Connect under the Loan Agreements and the Security. In addition, certain of the facilities are demand loans.

Accordingly, on behalf of Connect, we hereby demand repayment of all amounts due and owing by the Borrower to Connect under the Loan Agreements and the Security, namely the amount of **\$7,704,295.40** as of **September 22, 2022**, plus all accrued and accruing interest, expenses, and legal costs on a solicitor and its own client, full indemnity basis (the "Indebtedness").

A breakdown of the Indebtedness is as follows:

A.	Principal Outstanding Loan No. 120012993921	\$696,000.00
	Interest Outstanding	\$2,676.20
	<u>Total</u>	<u>\$698,676.20</u>
	Per Diem	N/A
B.	Principal Outstanding Loan No. 955302993921	\$70,000.00
	Interest Outstanding	\$0.00
	<u>Total</u>	<u>\$70,000.00</u>
	Per Diem	N/A
C.	Principal Outstanding Loan No. 955002993921	\$4,832,844.20
	Interest Outstanding	\$16,484.63
	<u>Total</u>	<u>\$4,849,328.83</u>
	Per Diem	\$549.49
D.	Principal Outstanding Loan No. 723111719784	\$401,084.36
	Interest Outstanding	\$1,368.08
	<u>Total</u>	<u>\$402,452.44</u>
	Per Diem	\$45.60

E.	Principal Outstanding Loan No. 723111816390	\$339,438.98
	Interest Outstanding	\$1,157.82
	<u>Total</u>	<u>\$340,596.80</u>
	Per Diem	\$38.59
F.	Principal Outstanding Loan No. 723111822489	\$433,519.79
	Interest Outstanding	\$1,478.72
	<u>Total</u>	<u>\$434,998.51</u>
	Per Diem	\$49.29
G.	Principal Outstanding Loan No. 723112062291	\$900,090.00
	Interest Outstanding	\$8,152.62
	<u>Total</u>	<u>\$908,242.62</u>
	Per Diem	\$183.72
	<u>TOTAL</u>	<u>\$7,704,295.40</u>
I.	Legal Costs (to be determined)	TBD

Please note that the Indebtedness will continue to accrue interest at the rates agreed to, and costs and expenses will continue to be incurred by Connect for which the Borrower will be responsible, until payment of all amounts owing is received by either certified cheque or bank draft at the following address:

Connect First Credit Union Ltd.
C/O Dentons Canada LLP
1500, 850 – 2nd Street, SW
Calgary, Alberta T2P 0R8
Attention: Afshan Naveed

If full payment, as set forth above, is not received by close of business on **October 3, 2022** Connect will take whatever steps it deems appropriate to seek repayment of the said amount.

Please note that Connect reserves its rights to proceed against you prior to the time stipulated above in the event that it determines that its position is further jeopardized.

September 22, 2022
Page 4

In addition, Connect reserves and preserves its rights to proceed against you at any time after October 3, 2022 without the necessity of serving a new demand for payment.

Enclosed with this letter for service upon you is a Notice of Intention to Enforce Security ("NOI") in accordance with section 244 of the *Bankruptcy and Insolvency Act* (Canada). If you are prepared to waive the ten-day notice period, please provide your consent to Connect's early enforcement of the Security by executing the consent and waiver attached to the NOI.

If you have any questions or concerns, please contact the undersigned directly.

Yours truly,

Dentons Canada LLP

DocuSigned by:

Afshan Naveed

DCDE8F8C6A2F4BB...

Afshan Naveed

Partner

AN/tt

Enclosure

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada))

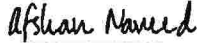
TO: SUGARBUD CRAFT GROWERS CORP., an insolvent person (the "**Debtor**")

TAKE NOTICE THAT:

1. Connect First Credit Union Ltd. ("**Connect**"), a secured creditor of the Debtor, intends to enforce its security in the personal property of the Debtor as set out below:
 - (a) all present and after-acquired personal property;
 - (b) all accounts receivable; and
 - (c) all proceeds of the foregoing collateral.
2. The security that is to be enforced is in the form of a:
 - (a) General Security Agreement, dated May 27, 2020; and
 - (b) Assignment of Receivables Agreement, dated December 29, 2020;(collectively the "**Security**").
3. The total amount of indebtedness secured by the Security as at September 22, 2022 is the sum of \$7,704,295.40, CDN plus all further accruing interest and all legal costs on a solicitor and its own client, full indemnity basis, incurred with respect to collection of the foregoing amounts.
4. Connect will not have the right to enforce its Security until after the expiry of the 10 day period following the sending of this notice, unless the Debtor consents to an earlier enforcement.

DATED at the City of Calgary, in the Province of Alberta, this 22nd day of September, 2022.

DENTONS CANADA LLP, solicitors and agents
for Connect First Credit Union Ltd.

DocuSigned by:

Per: DCDE8FBC6A2F4BB
Afshan Naveed

- 2 -

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice herein;
2. Waives the 10 days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by Connect of the Security referred to herein.

DATED this _____ day of _____, 2022.

SUGARBUD CRAFT GROWERS CORP.

Per: _____

Name: _____

Position: _____

大成 DENTONS

Afshan Naveed
Partner

afshan.naveed@dentons.com
D +1 403 268 7015

Dentons Canada LLP
15th Floor, Bankers Court
850-2nd Street SW
Calgary, AB, Canada T2P 0R8

dentons.com

September 22, 2022

File No.: 571709-75

DELIVERED VIA REGISTERED MAIL & EMAIL [RZahara@mltaikins.com]

Trichome Holdings Corp.
4300 Bankers Hall West, 888 – 3rd Street SW
Calgary, AB T2P 5C5

Trichome Holdings Corp.
c/o MLT Aikins LLP
2100 Livingston Place, 222 3 Ave SW
Calgary, AB T2P 0B4

Attn: Ryan Zahara

Dear Sir:

Re: Connect First Credit Union Ltd. and Sugarbud Craft Growers Corp.

We are counsel to Connect First Credit Union Ltd. ("Connect"). As you are aware Sugarbud Craft Growers Corp. (the "**Borrower**") is indebted to Connect pursuant to a commitment letter dated December 24, 2021, various loan agreements and promissory notes, each as amended from time to time (collectively the "**Loan Agreements**").

Pursuant to the Loan Agreements, Connect has made available the following seven (7) credit facilities:

1. Authorized Overdraft in the amount of \$500,000;
2. Letter of Credit in the amount of \$70,000;
3. Commercial Mortgage Loan in the amount of \$5,220,000;
4. Commercial Mortgage Loan in the amount of \$500,000;
5. Commercial Mortgage Loan in the amount of \$400,000;
6. Commercial Mortgage Loan in the amount of \$500,000; and
7. Commercial Demand Mortgage Loan in the amount of \$900,000

(plus interest and costs to the Borrower (the "**Loans**")).

In this regard, reference is made to the guarantee and postponement that Trichome Holdings Corp. (the "**Guarantor**") granted in favour of Connect in respect of the obligations of the Borrower to Connect, dated January 13, 2022 limited to the sum of \$8,500,000.00 (the "**Guarantee**").

Further, reference is made to the General Security Agreement, dated May 27, 2020 granted by the Guarantor in favour of Connect with respect to the Loan (the "**Security**").

Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more on the firms that have joined Dentons, go to [dentons.com/legacyfirms](https://www.dentons.com/legacyfirms)

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0089

The Borrower is in default of its obligations to Connect and has been served with a demand for repayment of all amounts owing to Connect pursuant to the Loans, namely the sum of \$7,704,295.40, a copy of the demand is attached for your reference.

Accordingly, on behalf of Connect, we hereby demand repayment of all amounts due and owing by you to Connect under the Guarantee, namely in the amount of \$7,704,295.40, plus all accrued and accruing interest, expenses, and legal costs on a solicitor and own client, full indemnity basis (the "Indebtedness").

Please note that the Indebtedness will continue to accrue interest at the rates agreed to, and costs and expenses will continue to be incurred by Connect for which you will be responsible, until payment of all amounts owing is received by either certified cheque or bank draft at the following address:

Connect First Credit Union Ltd.
C/O Dentons Canada LLP
1500, 850 – 2nd Street, SW
Calgary, Alberta T2P 0R8
Attention: Afshan Naveed

If full payment, as set forth above, is not received by close of business on **October 3, 2022** Connect will take whatever steps it deems appropriate to seek repayment of the said amount.

Please note that Connect reserves its rights to proceed against you prior to the time stipulated above in the event that it determines that its position is further jeopardized.

In addition, Connect reserves and preserves its rights to proceed against you at any time after October 3, 2022 without the necessity of serving a new demand for payment.

Enclosed with this letter for service upon you is a Notice of Intention to Enforce Security ("NOI") in accordance with section 244 of the Bankruptcy and Insolvency Act (Canada). If you are prepared to waive the ten-day notice period, please provide your consent to Connect's early enforcement of the Security by executing the consent and waiver attached to the NOI.

If you have any questions or concerns, please contact the undersigned directly

Yours truly,

Dentons Canada LLP

DocuSigned by:

DCDE8FBC6A2F4BB...
Afshan Naveed
Partner

AN/tt

Enclosure

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada))

TO: TRICHOME HOLDINGS CORP., an insolvent person (the "Debtor")

TAKE NOTICE THAT:

1. Connect First Credit Union Ltd. ("**Connect**"), a secured creditor of the Debtor, intends to enforce its security in the personal property of the Debtor as set out below:
 - (a) all present and after-acquired personal property; and
 - (b) all proceeds of the foregoing collateral.
2. The security that is to be enforced is in the form of a General Security Agreement, dated May 27, 2020 (the "**Security**").
3. The total amount of indebtedness secured by the Security as at September 22, 2022 is the sum of \$7,704,295.40, CDN plus all further accruing interest and all legal costs on a solicitor and own client, full indemnity basis incurred with respect to collection of the foregoing amounts.
4. Connect will not have the right to enforce its Security until after the expiry of the 10 day period following the sending of this notice, unless the Debtor consents to an earlier enforcement.

DATED at the City of Calgary, in the Province of Alberta, this 22nd day of September, 2022.

DENTONS CANADA LLP, solicitors and agents
for Connect First Credit Union Ltd.

DocuSigned by:

DCDE8FBC6A2F4B5...

Per:

Afshan Naveed

- 2 -

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice herein;
2. Waives the 10 days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by Connect of the Security referred to herein.

DATED this _____ day of _____, 2022.

TRICHOME HOLDINGS CORP.

Per: _____
Name: _____
Position: _____

大成 DENTONS

Afshan Naveed
Partner

afshan.naveed@dentons.com
D +1 403 268 7015

Dentons Canada LLP
15th Floor, Bankers Court
850-2nd Street SW
Calgary, AB, Canada T2P 0R8

dentons.com

September 22, 2022

File No.: 571709-75

DELIVERED VIA REGISTERED MAIL & EMAIL [RZahara@mltaikins.com]

Sugarbud Craft Growers Corp.
4300 Bankers Hall West, 888 – 3rd Street SW
Calgary, AB T2P 5C5

Sugarbud Craft Growers Corp.
c/o MLT Aikins LLP
2100 Livingston Place, 222 3 Ave SW
Calgary, AB T2P 0B4

Attn: Ryan Zahara

Dear Sir:

Re: Connect First Credit Union Ltd. and Sugarbud Craft Growers Corp.

We are counsel to Connect First Credit Union Ltd. ("Connect"). As you are aware, Sugarbud Craft Growers Corp. (the "Borrower") is indebted to Connect pursuant to a commitment letter dated December 24, 2021, various loan agreements and promissory notes, each as amended from time to time (collectively the "Loan Agreements").

Pursuant to the Loan Agreements, Connect has made available the following seven (7) credit facilities:

1. Authorized Overdraft in the amount of \$500,000;
2. Letter of Credit in the amount of \$70,000;
3. Commercial Mortgage Loan in the amount of \$5,220,000;
4. Commercial Mortgage Loan in the amount of \$500,000;
5. Commercial Mortgage Loan in the amount of \$400,000;
6. Commercial Mortgage Loan in the amount of \$500,000; and
7. Commercial Demand Mortgage Loan in the amount of \$900,000

(plus interest and costs to the Borrower (the "Loans")).

In this regard, reference is made to the following security granted by the Borrower in favour of Connect with respect to the Loans:

1. General Security Agreement, dated May 27, 2020; and

Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more on the firms that have joined Dentons, go to [dentons.com/legacyfirms](https://www.dentons.com/legacyfirms)

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2. Assignment of Receivables Agreement, dated December 29, 2020;

(collectively the "Security").

The Borrower is in default of its obligations to Connect under the Loan Agreements and the Security. In addition, certain of the facilities are demand loans.

Accordingly, on behalf of Connect, we hereby demand repayment of all amounts due and owing by the Borrower to Connect under the Loan Agreements and the Security, namely the amount of **\$7,704,295.40** as of **September 22, 2022**, plus all accrued and accruing interest, expenses, and legal costs on a solicitor and its own client, full indemnity basis (the "Indebtedness").

A breakdown of the Indebtedness is as follows:

A.	Principal Outstanding Loan No. 120012993921	\$696,000.00
	Interest Outstanding	\$2,676.20
	<u>Total</u>	<u>\$698,676.20</u>
	Per Diem	N/A
B.	Principal Outstanding Loan No. 955302993921	\$70,000.00
	Interest Outstanding	\$0.00
	<u>Total</u>	<u>\$70,000.00</u>
	Per Diem	N/A
C.	Principal Outstanding Loan No. 955002993921	\$4,832,844.20
	Interest Outstanding	\$16,484.63
	<u>Total</u>	<u>\$4,849,328.83</u>
	Per Diem	\$549.49
D.	Principal Outstanding Loan No. 723111719784	\$401,084.36
	Interest Outstanding	\$1,368.08
	<u>Total</u>	<u>\$402,452.44</u>
	Per Diem	\$45.60

E.	Principal Outstanding Loan No. 723111816390	\$339,438.98
	Interest Outstanding	\$1,157.82
	<u>Total</u>	<u>\$340,596.80</u>
	Per Diem	\$38.59
F.	Principal Outstanding Loan No. 723111822489	\$433,519.79
	Interest Outstanding	\$1,478.72
	<u>Total</u>	<u>\$434,998.51</u>
	Per Diem	\$49.29
G.	Principal Outstanding Loan No. 723112062291	\$900,090.00
	Interest Outstanding	\$8,152.62
	<u>Total</u>	<u>\$908,242.62</u>
	Per Diem	\$183.72
	<u>TOTAL</u>	<u>\$7,704,295.40</u>
I.	Legal Costs (to be determined)	TBD

Please note that the Indebtedness will continue to accrue interest at the rates agreed to, and costs and expenses will continue to be incurred by Connect for which the Borrower will be responsible, until payment of all amounts owing is received by either certified cheque or bank draft at the following address:

Connect First Credit Union Ltd.
C/O Dentons Canada LLP
1500, 850 – 2nd Street, SW
Calgary, Alberta T2P 0R8
Attention: Afshan Naveed

If full payment, as set forth above, is not received by close of business on **October 3, 2022** Connect will take whatever steps it deems appropriate to seek repayment of the said amount.

Please note that Connect reserves its rights to proceed against you prior to the time stipulated above in the event that it determines that its position is further jeopardized.

In addition, Connect reserves and preserves its rights to proceed against you at any time after October 3, 2022 without the necessity of serving a new demand for payment.

Enclosed with this letter for service upon you is a Notice of Intention to Enforce Security ("NOI") in accordance with section 244 of the *Bankruptcy and Insolvency Act* (Canada). If you are prepared to waive the ten-day notice period, please provide your consent to Connect's early enforcement of the Security by executing the consent and waiver attached to the NOI.

If you have any questions or concerns, please contact the undersigned directly.

Yours truly,

Dentons Canada LLP

DocuSigned by:

Afshan Naveed

DCDEBF8C6A2F4BB...

Afshan Naveed

Partner

AN/tt

Enclosure

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada))

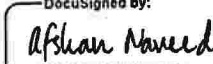
TO: SUGARBUD CRAFT GROWERS CORP., an insolvent person (the "**Debtor**")

TAKE NOTICE THAT:

1. Connect First Credit Union Ltd. ("**Connect**"), a secured creditor of the Debtor, intends to enforce its security in the personal property of the Debtor as set out below:
 - (a) all present and after-acquired personal property;
 - (b) all accounts receivable; and
 - (c) all proceeds of the foregoing collateral.
2. The security that is to be enforced is in the form of a:
 - (a) General Security Agreement, dated May 27, 2020; and
 - (b) Assignment of Receivables Agreement, dated December 29, 2020;(collectively the "**Security**").
3. The total amount of indebtedness secured by the Security as at September 22, 2022 is the sum of \$7,704,295.40, CDN plus all further accruing interest and all legal costs on a solicitor and its own client, full indemnity basis, incurred with respect to collection of the foregoing amounts.
4. Connect will not have the right to enforce its Security until after the expiry of the 10 day period following the sending of this notice, unless the Debtor consents to an earlier enforcement.

DATED at the City of Calgary, in the Province of Alberta, this 22nd day of September, 2022.

DENTONS CANADA LLP, solicitors and agents
for Connect First Credit Union Ltd.

DocuSigned by:

DCDE8FBC6A2F4BB...
Per: Afshan Naveed

- 2 -

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice herein;
2. Waives the 10 days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by Connect of the Security referred to herein.

DATED this _____ day of _____, 2022.

SUGARBUD CRAFT GROWERS CORP.

Per: _____
Name: _____
Position: _____

大成 DENTONS

Afshan Naveed
Partner

afshan.naveed@dentons.com
D +1 403 266 7015

Dentons Canada LLP
15th Floor, Bankers Court
850-2nd Street SW
Calgary, AB, Canada T2P 0R8

dentons.com

September 22, 2022

File No.: 571709-75

DELIVERED VIA REGISTERED MAIL & EMAIL [RZahara@mltaikins.com]

1800905 Alberta Ltd.
4300 Bankers Hall West, 888 – 3rd Street SW
Calgary, AB T2P 5C5

1800905 Alberta Ltd.
c/o MLT Aikins LLP
2100 Livingston Place, 222 3 Ave SW
Calgary, AB T2P 0B4

Attn: Ryan Zahara

Dear Sir:

Re: Connect First Credit Union Ltd. and Sugarbud Craft Growers Corp.

We are counsel to Connect First Credit Union Ltd. ("Connect"). As you are aware Sugarbud Craft Growers Corp. (the "Borrower") is indebted to Connect pursuant to a commitment letter dated December 24, 2021, various loan agreements and promissory notes, each as amended from time to time (collectively the "Loan Agreements").

Pursuant to the Loan Agreements, Connect has made available the following seven (7) credit facilities:

1. Authorized Overdraft in the amount of \$500,000;
2. Letter of Credit in the amount of \$70,000;
3. Commercial Mortgage Loan in the amount of \$5,220,000;
4. Commercial Mortgage Loan in the amount of \$500,000;
5. Commercial Mortgage Loan in the amount of \$400,000;
6. Commercial Mortgage Loan in the amount of \$500,000; and
7. Commercial Demand Mortgage Loan in the amount of \$900,000

(plus interest and costs to the Borrower (the "Loans")).

In this regard, reference is made to the guarantee and postponement that 1800905 Alberta Ltd. (the "Guarantor") granted in favour of Connect in respect of the obligations of the Borrower to Connect, dated January 13, 2022 limited to the sum of \$8,500,000.00 (the "Guarantee").

Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more on the firms that have joined Dentons, go to [dentons.com/legacymfirms](https://www.dentons.com/legacymfirms)

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September 22, 2022
Page 2

Further, reference is made to the following security granted by the Guarantor in favour of Connect with respect to the Loan:

1. General Security Agreement, dated May 27, 2020;
2. Collateral Mortgage dated May 27, 2020;
3. Mortgage Amending Agreement dated December 29, 2020;
4. Mortgage Amending Agreement dated October 8, 2021;
5. Mortgage Amending Agreement dated January 13, 2022; and
6. Assignment of Rents and Leases dated January 13, 2022;

(collectively the "**Security**").

The Borrower is in default of its obligations to Connect and has been served with a demand for repayment of all amounts owing to Connect pursuant to the Loans, namely the sum of \$7,704,295.40, a copy of the demand is attached for your reference.

Accordingly, on behalf of Connect, we hereby demand repayment of all amounts due and owing by you to Connect under the Guarantee, namely in the amount of **\$7,704,295.40**, plus all accrued and accruing interest, expenses, and legal costs on a solicitor and own client, full indemnity basis (the "**Indebtedness**").

Please note that the Indebtedness will continue to accrue interest at the rates agreed to, and costs and expenses will continue to be incurred by Connect for which you will be responsible, until payment of all amounts owing is received by either certified cheque or bank draft at the following address:

Connect First Credit Union Ltd.
C/O Dentons Canada LLP
1500, 850 – 2nd Street, SW
Calgary, Alberta T2P 0R8
Attention: Afshan Naveed

If full payment, as set forth above, is not received by close of business on **October 3, 2022** Connect will take whatever steps it deems appropriate to seek repayment of the said amount.

Please note that Connect reserves its rights to proceed against you prior to the time stipulated above in the event that it determines that its position is further jeopardized.

In addition, Connect reserves and preserves its rights to proceed against you at any time after October 3, 2022 without the necessity of serving a new demand for payment.

Enclosed with this letter for service upon you is a Notice of Intention to Enforce Security ("**NOI**") in accordance with section 244 of the Bankruptcy and Insolvency Act (Canada). If you are prepared to waive the ten-day notice period, please provide your consent to Connect's early enforcement of the Security by executing the consent and waiver attached to the NOI.

If you have any questions or concerns, please contact the undersigned directly

Yours truly,

Dentons Canada LLP

DocuSigned by:
Afshan Naveed
DCDE8F8C6A2F4BB...

Afshan Naveed
Partner

AN/tt

Enclosure

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada))

TO: 1800905 ALBERTA LTD., an insolvent person (the "**Debtor**")

TAKE NOTICE THAT:

1. Connect First Credit Union Ltd. ("**Connect**"), a secured creditor of the Debtor, intends to enforce its security in the personal property of the Debtor as set out below:
 - (a) all present and after-acquired personal property;
 - (b) the lands legally described as:

PLAN 0812160
BLOCK 4
LOT 3
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 1.636 HECTARES (4.04 ACRES) MORE OR LESS
(the "**Lands**");
 - (c) all leases and rents of the Lands; and
 - (d) all proceeds of the foregoing collateral.
2. The security that is to be enforced is in the form of a:
 - (a) General Security Agreement, dated May 27, 2020;
 - (b) Collateral Mortgage dated May 27, 2020;
 - (c) Mortgage Amending Agreement dated December 29, 2020;
 - (d) Mortgage Amending Agreement dated October 8, 2021;
 - (e) Mortgage Amending Agreement dated January 13, 2022; and
 - (f) Assignment of Rents and Leases dated January 13, 2022;

(collectively the "**Security**").
3. The total amount of indebtedness secured by the Security as at September 22, 2022 is the sum of \$7,704,295.40, CDN plus all further accruing interest and all legal costs on a solicitor and its own client, full indemnity basis, incurred with respect to collection of the foregoing amounts.

- 2 -

4. Connect will not have the right to enforce its Security until after the expiry of the 10 day period following the sending of this notice, unless the Debtor consents to an earlier enforcement.

DATED at the City of Calgary, in the Province of Alberta, this 22nd day of September, 2022.

DENTONS CANADA LLP, solicitors and agents
for Connect First Credit Union Ltd.

DocuSigned by:

Afshan Naveed

DCDE8FBC8A2F4BB...

Per: _____

Afshan Naveed

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice herein;
2. Waives the 10 days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by Connect of the Security referred to herein.

DATED this _____ day of _____, 2022.

1800905 ALBERTA LTD.

Per: _____

Name: _____

Position: _____

大成 DENTONS

Afshan Naveed
Partner

afshan.naveed@dentons.com
D +1 403 268 7015

Dentons Canada LLP
15th Floor, Bankers Court
850-2nd Street SW
Calgary, AB, Canada T2P 0R8

dentons.com

September 22, 2022

File No.: 571709-75

DELIVERED VIA REGISTERED MAIL & EMAIL [RZahara@mltaikins.com]

Sugarbud Craft Growers Corp.
4300 Bankers Hall West, 888 – 3rd Street SW
Calgary, AB T2P 5C5

Sugarbud Craft Growers Corp.
c/o MLT Aikins LLP
2100 Livingston Place, 222 3 Ave SW
Calgary, AB T2P 0B4

Attn: Ryan Zahara

Dear Sir:

Re: Connect First Credit Union Ltd. and Sugarbud Craft Growers Corp.

We are counsel to Connect First Credit Union Ltd. ("Connect"). As you are aware, Sugarbud Craft Growers Corp. (the "Borrower") is indebted to Connect pursuant to a commitment letter dated December 24, 2021, various loan agreements and promissory notes, each as amended from time to time (collectively the "Loan Agreements").

Pursuant to the Loan Agreements, Connect has made available the following seven (7) credit facilities:

1. Authorized Overdraft in the amount of \$500,000;
2. Letter of Credit in the amount of \$70,000;
3. Commercial Mortgage Loan in the amount of \$5,220,000;
4. Commercial Mortgage Loan in the amount of \$500,000;
5. Commercial Mortgage Loan in the amount of \$400,000;
6. Commercial Mortgage Loan in the amount of \$500,000; and
7. Commercial Demand Mortgage Loan in the amount of \$900,000

(plus interest and costs to the Borrower (the "Loans")).

In this regard, reference is made to the following security granted by the Borrower in favour of Connect with respect to the Loans:

1. General Security Agreement, dated May 27, 2020; and

Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more on the firms that have joined Dentons, go to [dentons.com/legacyfirms](https://www.dentons.com/legacyfirms)

NATDOCS\65815131\W-3

2. Assignment of Receivables Agreement, dated December 29, 2020;

(collectively the "**Security**").

The Borrower is in default of its obligations to Connect under the Loan Agreements and the Security. In addition, certain of the facilities are demand loans.

Accordingly, on behalf of Connect, we hereby demand repayment of all amounts due and owing by the Borrower to Connect under the Loan Agreements and the Security, namely the amount of **\$7,704,295.40** as of **September 22, 2022**, plus all accrued and accruing interest, expenses, and legal costs on a solicitor and its own client, full indemnity basis (the "**Indebtedness**").

A breakdown of the Indebtedness is as follows:

A.	Principal Outstanding Loan No. 120012993921	\$696,000.00
	Interest Outstanding	\$2,676.20
	<u>Total</u>	<u>\$698,676.20</u>
	Per Diem	N/A
B.	Principal Outstanding Loan No. 955302993921	\$70,000.00
	Interest Outstanding	\$0.00
	<u>Total</u>	<u>\$70,000.00</u>
	Per Diem	N/A
C.	Principal Outstanding Loan No. 955002993921	\$4,832,844.20
	Interest Outstanding	\$16,484.63
	<u>Total</u>	<u>\$4,849,328.83</u>
	Per Diem	\$549.49
D.	Principal Outstanding Loan No. 723111719784	\$401,084.36
	Interest Outstanding	\$1,368.08
	<u>Total</u>	<u>\$402,452.44</u>
	Per Diem	\$45.60

E.	Principal Outstanding Loan No. 723111816390	\$339,438.98
	Interest Outstanding	\$1,157.82
	<u>Total</u>	<u>\$340,596.80</u>
	Per Diem	\$38.59
F.	Principal Outstanding Loan No. 723111822489	\$433,519.79
	Interest Outstanding	\$1,478.72
	<u>Total</u>	<u>\$434,998.51</u>
	Per Diem	\$49.29
G.	Principal Outstanding Loan No. 723112062291	\$900,090.00
	Interest Outstanding	\$8,152.62
	<u>Total</u>	<u>\$908,242.62</u>
	Per Diem	\$183.72
	<u>TOTAL</u>	<u>\$7,704,295.40</u>
I.	Legal Costs (to be determined)	TBD

Please note that the Indebtedness will continue to accrue interest at the rates agreed to, and costs and expenses will continue to be incurred by Connect for which the Borrower will be responsible, until payment of all amounts owing is received by either certified cheque or bank draft at the following address:

Connect First Credit Union Ltd.
C/O Dentons Canada LLP
1500, 850 – 2nd Street, SW
Calgary, Alberta T2P 0R8
Attention: Afshan Naveed

If full payment, as set forth above, is not received by close of business on **October 3, 2022** Connect will take whatever steps it deems appropriate to seek repayment of the said amount.

Please note that Connect reserves its rights to proceed against you prior to the time stipulated above in the event that it determines that its position is further jeopardized.

September 22, 2022
Page 4

In addition, Connect reserves and preserves its rights to proceed against you at any time after October 3, 2022 without the necessity of serving a new demand for payment.

Enclosed with this letter for service upon you is a Notice of Intention to Enforce Security ("NOI") in accordance with section 244 of the *Bankruptcy and Insolvency Act* (Canada). If you are prepared to waive the ten-day notice period, please provide your consent to Connect's early enforcement of the Security by executing the consent and waiver attached to the NOI.

If you have any questions or concerns, please contact the undersigned directly.

Yours truly,

Dentons Canada LLP

DocuSigned by:

Afshan Naveed

DCDE8F8C6A2F48B...

Afshan Naveed

Partner

AN/tt

Enclosure

NOTICE OF INTENTION TO ENFORCE SECURITY

(Subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada))

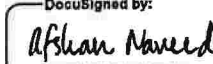
TO: SUGARBUD CRAFT GROWERS CORP., an insolvent person (the "**Debtor**")

TAKE NOTICE THAT:

1. Connect First Credit Union Ltd. ("**Connect**"), a secured creditor of the Debtor, intends to enforce its security in the personal property of the Debtor as set out below:
 - (a) all present and after-acquired personal property;
 - (b) all accounts receivable; and
 - (c) all proceeds of the foregoing collateral.
2. The security that is to be enforced is in the form of a:
 - (a) General Security Agreement, dated May 27, 2020; and
 - (b) Assignment of Receivables Agreement, dated December 29, 2020;(collectively the "**Security**").
3. The total amount of indebtedness secured by the Security as at September 22, 2022 is the sum of \$7,704,295.40, CDN plus all further accruing interest and all legal costs on a solicitor and its own client, full indemnity basis, incurred with respect to collection of the foregoing amounts.
4. Connect will not have the right to enforce its Security until after the expiry of the 10 day period following the sending of this notice, unless the Debtor consents to an earlier enforcement.

DATED at the City of Calgary, in the Province of Alberta, this 22nd day of September, 2022.

DENTONS CANADA LLP, solicitors and agents
for Connect First Credit Union Ltd.

DocuSigned by:

Per: DCDE8FBC6A2F4BB...
Afshan Naveed

CONSENT AND WAIVER

THE UNDERSIGNED hereby:

1. Acknowledges receipt of the Notice herein;
2. Waives the 10 days of notice required under section 244 of the *Bankruptcy and Insolvency Act* (Canada); and
3. Consents to the immediate enforcement by Connect of the Security referred to herein.

DATED this _____ day of _____, 2022.

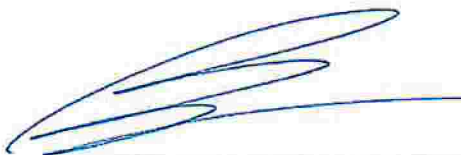
SUGARBUD CRAFT GROWERS CORP.

Per: _____

Name: _____

Position: _____

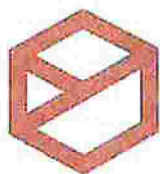
**THIS IS EXHIBIT "I" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

2021



sugarbud

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
YEARS ENDED DECEMBER 31,
2021, AND 2020



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sugarbud Craft Growers Corp.

Opinion

We have audited the consolidated financial statements of Sugarbud Craft Growers Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements, which indicates that the Entity incurred a loss of \$8.7 million, utilized funds from operations of \$5.6 million, was not in compliance with the debt-to-equity ratio covenant on its commercial mortgage loan as at December 31, 2021 and is forecasting a potential breach of its financial covenants as at December 31, 2022.

As stated in note 1 in the financial statements, these events or conditions, along with other matters as set forth in note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial



statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Richard John Mussenden.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Calgary, Canada
May 2, 2022



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
expressed in Canadian dollars unless otherwise noted

	Note	December 31, 2021	December 31, 2020
Assets			
Current assets			
Cash		\$ -	\$ 21,274
Accounts receivable	6	291,639	286,945
Prepaid expenses and deposits		234,896	469,271
Inventory	7	2,656,658	3,105,423
Biological assets	8	644,629	923,284
		3,827,822	4,806,197
Non-current assets			
Intangible asset	9	2,467,588	2,532,868
Non-current deposits		115,000	159,756
Property, plant, and equipment	10	10,694,849	10,965,153
Right-of-use asset	11	407,757	567,590
Total Assets		\$ 17,513,016	\$ 19,031,564
Liabilities			
Current liabilities			
Authorized overdraft	17	\$ 8,091	\$ -
Accounts payable and accrued liabilities		3,172,455	3,057,896
Current portion of lease obligations	16	156,837	156,837
Current portion of commercial mortgage loan	17	6,822,653	419,055
		10,160,036	3,633,788
Non-current liabilities			
Lease obligations	16	291,859	448,157
Commercial mortgage loan	17	-	4,305,347
Convertible debentures	18	82,545	621,202
Total Liabilities		\$ 10,534,440	\$ 9,008,494
Shareholders' Equity			
Share capital	12	42,596,523	38,013,449
Contributed surplus		8,332,362	7,255,736
Deficit		(43,950,309)	(35,246,115)
Total Shareholders' Equity		6,978,576	10,023,070
Total Liabilities and Shareholders' Equity		\$ 17,513,016	\$ 19,031,564

The accompanying notes are an integral part of the consolidated financial statements.
Going Concern (Note 1)
Commitments and Contingencies (Note 25)
Subsequent Events (Note 26)

SIGNED ON BEHALF OF THE BOARD

"Dan Wilson"
Director

"Janice Comeau"
Director



**CONSOLIDATED STATEMENT OF LOSS AND
COMPREHENSIVE LOSS**
expressed in Canadian dollars unless otherwise noted

	Note	December 31, 2021	December 31, 2020
Gross revenue	19	\$ 2,194,008	\$ 535,756
Excise taxes		(444,731)	(122,792)
Net revenue		1,749,277	412,964
Cost of goods sold		1,360,241	324,902
Inventory revaluation provision	7	1,318,395	-
Gross profit (loss) before fair value adjustments		(929,359)	88,062
Change in fair value of biological assets	8	1,933,652	2,322,001
Change in fair value through inventory	7	(2,651,090)	(140,072)
Gross profit (loss)		(1,646,797)	2,269,991
Expenses			
General and administrative	20	\$ 4,959,710	\$ 4,108,310
Stock based compensation	14	300,052	548,103
Depreciation and amortization	9,10,11	850,592	715,973
Loss from operations		(7,757,151)	(3,102,395)
Finance costs	21	634,331	1,637,157
Litigation settlement	25	225,000	300,000
Write-down of prepaid and other assets		87,712	201,072
Net loss on investment		-	14,576
Other income		-	(174,010)
Loss on divestiture of retail assets		-	15,094
Loss before income tax		(8,704,194)	(5,096,284)
Income tax recovery	22	-	130,341
Total loss and comprehensive loss		(8,704,194)	(4,965,943)
Loss per share, basic and diluted¹	15	\$ (1.60)	\$ (1.16)

¹Number of common shares have been restated on a retroactive basis to all periods to reflect the Share Consolidation effective on February 15, 2022.
Refer to Note 26(i).

The accompanying notes are an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY
expressed in Canadian dollars unless otherwise noted

	Note	Number of common shares ¹	Share capital	Contributed surplus	Deficit	Total
Balance at December 31, 2019		3,937,683	\$ 35,621,339	6,211,492	(30,280,172)	11,552,659
Stock-based compensation	14	-	-	548,103	-	548,103
Convertible debenture conversion	18	684,403	2,392,060	-	-	2,392,060
Income tax recovery		-	-	(130,341)	-	(130,341)
Convertible debenture reserve		-	-	626,482	-	626,482
Exercise of warrants	13	10	50	-	-	50
Comprehensive loss		-	-	-	(4,965,943)	(4,965,943)
Balance at December 31, 2020		4,622,096	\$ 38,013,449	7,255,736	(35,246,115)	10,023,070

	Note	Number of common shares ¹	Share capital	Contributed surplus	Deficit	Total
Balance at December 31, 2020		4,622,096	\$ 38,013,449	7,255,736	(35,246,115)	10,023,070
Stock-based compensation	14	-	-	300,052	-	300,052
Convertible debenture conversion	18	189,359	805,897	-	-	805,897
Issuance of common shares – public offering	12	766,705	3,776,313	823,917	-	4,600,230
Issuance of common shares – private placement	12	88,750	302,035	52,965	-	355,000
Issuance of common shares – shares for services	12	26,500	132,500	-	-	132,500
Share issuance costs	12	-	(465,588)	(100,308)	-	(565,896)
Exercise of stock options	14	333	1,667	-	-	1,667
Exercise of warrants	13	6,050	30,250	-	-	30,250
Comprehensive loss		-	-	-	(8,704,194)	(8,704,194)
Balance at December 31, 2021		5,699,793	42,596,523	8,332,362	(43,950,309)	6,978,576

¹Number of common shares have been restated on a retroactive basis to all periods to reflect the Share Consolidation effective on February 15, 2022.
Refer to Note 26(i).

The accompanying notes are an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS
expressed in Canadian dollars unless otherwise noted

Year-ended	Note	December 31, 2021	December 31, 2020
Cash used in operating activities:			
Loss for the period		\$ (8,704,194)	\$ (4,965,943)
Adjustments for non-cash items:			
Net loss on investment		-	14,576
Other income		-	(174,010)
Loss on divestiture of retail assets		-	15,094
Income tax recovery		-	(130,341)
Litigation settlement		-	300,000
Depreciation and amortization	9,10,11	850,592	715,973
Stock based compensation	14	300,052	548,103
Finance costs	21	634,331	1,637,157
Write-down of prepaid and other assets		87,712	201,072
Change in fair value through inventory	7	2,651,090	140,072
Change in unrealized fair value of biological asset	8	(1,933,652)	(2,322,001)
Term deposit		-	(45,000)
Change in non-cash working capital	23	488,901	(1,077,319)
Cash used in operating activities		(5,625,168)	(5,142,567)
Cash used in investing activities:			
Additions to property, plant, and equipment	10	(450,457)	(1,013,055)
Net proceeds from divestiture of retail assets		-	153,399
Proceeds from investment		-	102,138
Cash used in investing activities		(450,457)	(757,518)
Cash provided by financing activities:			
Repayment of former credit facility		-	(2,040,000)
Net proceeds from commercial mortgage loan	17	2,422,470	4,923,753
Authorized overdraft	17	8,091	-
Repayment of commercial mortgage loan	17	(377,193)	(202,816)
Net proceeds from convertible debenture	18	-	3,491,898
Net payment of convertible debenture interest reserve		(51,794)	(51,744)
Interest paid during the year	21	(344,677)	(1,147,980)
Repayment of lease obligations		(156,298)	(129,543)
Exercise of warrants and stock options	13,14	31,917	50
Issuance of units, net of issuance costs	12	4,521,835	-
Cash provided by financing activities		6,054,351	4,843,618
Decrease in cash		(21,274)	(1,056,467)
Cash, beginning of period		21,274	1,077,741
Cash, end of period		\$ -	\$ 21,274

The accompanying notes are an integral part of the consolidated financial statements.



1. Nature of Operations

Sugarbud Craft Growers Corp. ("Sugarbud" or "the Company") is a federally licensed, publicly traded cannabis company focused on the cultivation and production of cannabis products. The principal activities of the Company are the production, distribution, and sale of cannabis in Canada. Sugarbud and its subsidiaries currently operate solely in Canada. Sugarbud is incorporated in Alberta and listed on the TSX Venture Exchange ("TSXV") under the symbols "SUGR" (common shares), "SUGR.WT" (common share purchase warrants), "SUGR.DB" (convertible debenture units), "SUGR.WS" (convertible debenture warrants), "SUGR.WR" (common share purchase warrants) and also listed on the OTCQB under the symbol "SBUDF". The Company operates primarily in Alberta and its head office is located at Suite #620, 634 6th Avenue SW, Calgary, Alberta T2P 0S4.

The Company became a reporting issuer in April 2004 and was previously an oil and natural gas company. During the year ended December 31, 2018, the Company completed a change of business with the TSXV to be listed as a Tier 2 Life Sciences Issuer. The TSXV formally approved the Company's name change from "Relentless Resources Ltd." to "Sugarbud Craft Growers Corp." and the common shares ("Common Shares") commenced trading on the TSXV under the Company's new name and new trading symbol "SUGR" at the market opening on October 26, 2018.

Going Concern

These consolidated financial statements for the year ended December 31, 2021, have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is an early-stage company with limited cannabis operating history, a history of losses and negative cash flows from operating activities.

As at December 31, 2021, the Company incurred a loss of \$8,704,194 and had cash outflows from operations of \$5,625,168. As at December 31, 2021 the Company was not in compliance with the debt-to-equity ratio covenant on its commercial mortgage loan. This is deemed an event of default under the terms of the commercial mortgage loan. As a result, the Company has reclassified its commercial mortgage loan to current. Additionally, the Company's twelve-month forecast indicates a potential breach of its financial covenants attached to the commercial mortgage loan as at December 31, 2022, and subsequent to December 31, 2021, the Company's authorized overdraft of up to 75% of the Company's good quality accounts receivable was overdrawn by \$57,901. These events would also indicate events of default which would enable Connect First to demand immediate repayment of all amounts due. The Company is in on-going discussions with Connect First to renegotiate the covenants attached to the commercial mortgage loan.

The ability of the Company to continue as a going concern depends on the Company maintaining its Health Canada Cultivation and Sales Licenses ("Licenses"), the continued support of its lenders, its ability to achieve profitable operations and its ability to raise additional financing to fund current and future operating and investing activities. There is no assurance that the Company will be able to accomplish any of the foregoing objectives.

There can be no guarantee that the Company will be able to raise additional capital on terms acceptable to it or at all. Any delay or failure to complete any additional financing would have a significant negative impact on the Company's business, results of operations and financial condition, and the Company may be forced to curtail or cease operations or seek relief under the applicable bankruptcy or insolvency laws.

As a result, these events, combined with the accumulated losses to date, indicate the existence of a material uncertainty that may result in significant doubt as to the Company's ability to continue as a going concern, and therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements do not reflect adjustments that may be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on May 2, 2022.

(b) Basis of consolidation

These financial statements include the accounts of Sugarbud and its wholly owned subsidiaries, Trichome Holdings Corp. ("Trichome") and 1800905 Alberta Ltd, which are fully consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Any balances, unrealized gains or losses, or income or expenses from intercompany transactions are fully eliminated upon consolidation.

(c) Basis of measurement

These financial statements have been prepared on the historical cost basis except for biological assets, and certain financial instruments which are measured at fair value with changes in fair value recorded in earnings.

3. Significant Accounting Policies

(a) Inventory

Inventories for harvested cannabis and raw materials are initially valued at cost, and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The direct and indirect costs of harvested cannabis inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials and labour. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of goods sold on the consolidated statement of loss and comprehensive loss at the time cannabis is sold using the weighted average cost method. The Company reviews inventories for obsolete, redundant, and slow-moving goods and any such inventories identified are written down to net realizable value.

(b) Biological assets

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. All direct and indirect costs are capitalized, these costs include the cost of growing materials, utilities and supplies, labour costs related to individuals involved in the growing and quality control processes, depreciation on production equipment, and other overhead costs, to the extent it is associated with the growing space. Unrealized gains or losses arising from the change in fair value less cost to sell during the period are included in a separate line on the face of the consolidated statement of loss and comprehensive loss.

The Company does not recognize the mother plants used for cloning the cannabis plants on the consolidated statement of financial position, since such plants are under the scope of IAS 16 Property, Plant and Equipment, but have a useful life of less than one year.

(c) Property, plant, and equipment

Property, plant, and equipment are carried at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use. The Company capitalizes borrowing costs on qualifying capital construction projects. Upon the asset becoming available for use, capitalization of borrowing costs ceases, and depreciation commences on a straight-line basis over the estimated useful life of the related asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

On disposition, any gain or loss that arises is determined as the difference between the proceeds and the carrying value of the asset and is recognized in the consolidated statement of loss and comprehensive loss.

Depreciation is calculated using the following terms and methods:

Asset class	Depreciation method	Depreciation term
Production facility	Straight-line	40 years
Equipment	Straight-line	5 - 10 years
Land	Not depreciated	No term

(d) Intangible assets

Intangible assets are measured at cost less depreciation and any accumulated impairment losses. Amortization of definite life intangibles is provided on a straight-line basis over the useful life of the related production facility.

Asset class	Amortization method	Amortization term
Health Canada Licenses	Straight-line	40 years

(e) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, intangible assets, and right-of-use assets, are tested for impairment at each reporting date, when there are indicators of impairment, or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized in the statement of loss and comprehensive loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(f) Financial instruments

Classification

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, commercial mortgage loan, authorized overdraft, and convertible debentures. The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest. Financial liabilities are classified as amortized cost unless they are classified to be subsequently measured at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in profit or loss or other comprehensive income.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent. Cash, accounts receivable, accounts payable and accrued liabilities, commercial mortgage loan, authorized overdraft, and the debt host of the convertible debenture are classified as amortized cost. The conversion feature related to the convertible debentures is classified as FVTPL. The Company has no financial assets or liabilities classified as FVOCI.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not classified as FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other financial assets including equity investments are measured at their fair values, with any changes taken through profit and loss. For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Convertible Debentures

Convertible Debentures are compound financial instruments which are accounted for separately by their components: a financial liability, a derivative liability, and equity-classified warrants. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit or loss.

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the Convertible Debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on various assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Impairment

The Company assess all information available, including, on a forward-looking basis, the expected credit loss associated with its assets carried at amortized cost.

When determining whether the credit risk of a financial asset has increased significantly, the Company considers whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on historical experience.

For trade receivables, the Company applies the simplified approach to the recognition of expected credit losses as permitted by IFRS 9. The simplified approach does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

De-recognition

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to the assets are transferred. Financial liabilities are de-recognized when the obligation is discharged, cancelled, or expired.

(g) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation on the commencement date. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost. After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful life on the same basis as owned assets, or, where shorter, over the term of the respective lease. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Depreciation is calculated using the following useful lives:

Asset class	Useful life
Vehicles	4 years
Equipment	3 - 6 years

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the lessee's incremental borrowing rate. The lease obligation is subsequently measured using the effective interest method.

(h) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) Revenue

Revenue is comprised of sales of packaged finished goods dried flower cannabis and pre-roll cannabis to distributors and retail locations for end-user customers and ecommerce end-user customers in Canada.

Measurement and timing

Revenue from the sale of cannabis to licensed producers, distributors and end-user customers is recognized when the Company transfers control of the goods to the customer, which most commonly occurs upon delivery. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive, considering any variation that may result from rights of return or early payment discounts.

For contracts that permit the customer to return goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur. As such, the amount of revenue recognized is adjusted for expected returns, which are estimated based on industry historical data and management's expectation of future returns. In these circumstances, a refund liability is recognized. The right to recover returned goods asset is measured at the lower of the estimated net realizable value and the former carrying amount of the inventory less any expected costs to recover the goods. The refund liability is included in accounts payable and accrued liabilities and the right to recover returned goods is included in inventory. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

(j) Share based payments

The Company accounts for its stock options using the fair value method. The options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value is charged to the statement of loss and comprehensive loss over the vesting year with a corresponding increase to contributed surplus. The Company estimates a forfeiture rate on the grant date based on weighted average historical forfeitures and the rate is adjusted to reflect the actual number of options that vest. The expected life of the options granted is estimated, based on the Company's best estimate, for the effects of non-transferability, exercise restrictions and behavioral patterns.

(k) Income tax

Tax expense includes current and deferred tax. The expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or equity, in which case the tax expense is recognized in other comprehensive income or equity, respectively.

Current tax

Current tax assets and liabilities are obligations to or claims from the taxation authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on the basis of taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred taxes are calculated using the asset and liability method on temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

(l) Loss per share

Basic loss per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments, such as options and warrants.

4. Significant Accounting Judgements, Estimates, and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(a) Biological assets

In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, expected selling and list prices and expected yields for the cannabis plants.

(b) Inventory

The valuation of biological assets at the point of harvest is used as the measurement basis for all cannabis-based inventory, thus, any critical estimates and judgements related to the valuation of biological assets are also applicable to inventory. The valuation of work-in-progress and finished goods also requires the estimate of post-harvest and processing costs incurred, which become part of the carrying amount of the inventory, measured at the lower of cost and net realizable value. The Company must also determine if the carrying value of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

(c) Convertible debentures

The identification of the components of convertible notes is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on various assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

(d) Useful lives and impairment

Depreciation of property, plant and equipment, intangible assets, and right-of-use assets is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgement, considering the nature of the asset, contractual rights, expected use, and review of asset useful life. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful life of assets. The Company reviews amortization and depreciation methods and useful lives annually or when circumstances change and adjusts its methods and assumptions prospectively.

(e) Share based payments

The Company measures equity settled share-based payments based on their fair value at the grant date and recognized compensation expense over the vesting period. The fair value of stock options granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the options, the expected life of the options, annualized volatility, and the risk-free rate of return. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. Inputs subject to estimate include volatility, forfeiture rates, estimated lives, and market rates.

5. Financial Instruments and Risk Management

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, commercial mortgage loan, authorized overdraft, and convertible debentures. The carrying values of these financial instruments, excluding commercial mortgage loan and the convertible debentures, approximate their fair values as at December 31, 2021, given that they are short-term in nature. The carrying value of the commercial mortgage loan approximates its fair value as they bear floating rates of interest.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the number of observable inputs used to value the instruments:

- i. Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- ii. Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- iii. Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

As at December 31, 2021 the Company did not have any financial instruments measured at Level 2 or Level 3. The Company's conversion feature on Convertible Debentures is designated as FVTPL. The fair value of the Convertible Debentures as at December 31, 2021, was determined using Level 1 inputs as the debentures are traded on the TSX-V under the trading symbol "SUGR.DB" and "SUGR.WS". The Company accounted for the Convertible Debentures as a compound financial instrument with separate host contract, derivative liability, and equity-classified warrants. The derivative liability was recorded at fair value using a binomial option pricing model. The warrants value was determined using the residual value after deducting the fair value of the debt and derivative instruments from the initial gross proceeds. The fair value of the conversion feature of the Convertible Debentures is remeasured at each reporting date with changes in fair value recognized in the consolidated statement of loss and comprehensive loss through finance costs.

There were no transfers between Levels 1, 2, and 3 inputs during the period.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes.

(a) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its cash and accounts receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date.

Accounts receivable consists of amounts owing from customers. The Company evaluates the credit worthiness of the customer counterparties before credit is granted and only issues credits to credit worthy counterparties. Refer to Note 6.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. See Note 1 for further details on the going concern assumption and capital management.

The timing of expected cash outflows relating to financial liabilities at December 31, 2021 is as follows:

	2022	2023	2024	2025	2026	Thereafter	Total
Accounts payable and accrued liabilities	3,172,455	-	-	-	-	-	3,172,455
Authorized overdraft	8,091	-	-	-	-	-	8,091
Lease obligations	197,586	151,489	103,209	90,189	-	-	542,473
Commercial mortgage loan ²	8,532,731	-	-	-	-	-	8,532,731
Convertible debenture ¹	16,560	146,007	-	-	-	-	162,567
Total	11,927,423	297,496	103,209	90,189	-	-	12,418,317

¹Assumes the principal balance of the debentures outstanding as at December 31, 2021, remains unconverted and includes the interest payments until the maturity date.

²As at December 31, 2021, the Company's Debt to Equity Ratio was 1.51:1 which is considered an event of default. As a result, the Company has reclassified the commercial mortgage loan to current liabilities. The Company is in on-going discussions with Connect First to renegotiate the covenants attached to the commercial mortgage loan.

(c) Market risk

i. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The operating results and financial position of the Company are reported in Canadian dollars. The Company may work with US-sourced vendors and suppliers resulting in exposure to foreign currency exchange gains and losses. As at December 31, 2021, the Company does not have material currency risk.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the year ended December 31, 2021, the Company closed the restructuring of its commercial mortgage loan, which amended the rate of interest to a fixed rate of 4.15% from the previous variable rate of 4.25%, as such, as at December 31, 2021, the Company does not have material interest rate risk.

iii. Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is exposed to price risk related to the determination of the fair value of the embedded derivative described in Note 18.

6. Accounts Receivable

The following is a table with an aging analysis of the outstanding accounts receivable as at December 31, 2021:

Period Outstanding	December 31, 2021	December 31, 2020
< 30 days	\$ 220,273	\$ 225,770
31 to 60 days	71,366	-
61 to 90 days	-	-
Over 90 days	-	-
Trade receivables	\$ 291,639	\$ 225,770
Other receivables	\$ -	\$ 61,175
Total accounts receivable	\$ 291,639	\$ 286,945

As at December 31, 2021 two customers represented 88% of total trade receivables. Customer A accounted for 63% and Customer B accounted for 24%. Both customers continue to pay within the agreed upon payment terms. As such, the Company has not set up an allowance for the accounts presented above as they are considered fully collectible.

7. Inventory

Inventory is comprised of:

Year-ended	December 31, 2021	December 31, 2020
Harvested cannabis	\$ 1,956,155	\$ 2,814,456
Cannabis work-in-progress	582,946	169,046
Raw materials	117,557	109,494
Purchased cannabis	-	12,427
Total inventory	\$ 2,656,658	\$ 3,105,423

During the year ended December 31, 2021, the Company recognized \$3,969,485 (December 31, 2020 - \$140,072) of fair value adjustments on the growth of biological assets included in inventory sold. The fair value component of inventory sold included a revaluation of inventory to its net realizable value of \$2,890,150 (December 31, 2020 - \$Nil). Of the total provision, \$1,571,755 has been recognized as a change in fair value through inventory being the portion of the provision relates to the fair value component of the provisioned inventory, and the remaining amount of the provision, \$1,318,395, has been recognized as an inventory provision.

During the year ended December 31, 2021, inventories expensed directly to cost of goods sold were \$1,329,043 (December 31, 2020 - \$305,094).

At December 31, 2021, the Company held 1,023,223 grams of harvested cannabis in inventory (December 31, 2020 - 486,668).

8. Biological Assets

Biological assets are comprised of:

Year-ended	December 31, 2021	December 31, 2020
Balance, beginning of period	\$ 923,284	\$ 70,072
Production costs capitalized	1,613,601	1,676,255
Change in fair value due to biological transformation	1,933,652	2,322,001
Transferred to inventory upon harvest	(3,825,908)	(3,145,044)
Balance, end of period	\$ 644,629	\$ 923,284

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell. The fair value of the biological assets is determined using a model which is based on the expected harvest yield (grams per plant) for plants currently being cultivated, adjusted for the expected selling price per gram and for any additional post-harvest costs to be incurred.

The following inputs are used in determining the fair value of biological assets:

- (a) Weighted average net selling price per gram: calculated as the weighted average net selling price of cannabis, adjusted for expectations about future pricing;
- (b) Stage of growth: represents the number of weeks out of the growing cycle that biological assets have reached as of the measurement date.
- (c) Yield: consists of the number of grams of finished cannabis that is expected per cannabis plant;
- (d) Post-harvest costs: calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest.

The Company believes that any reasonably possible change in the key assumptions would not cause a material change in the carrying value of biological assets.

Management believes the most significant unobservable inputs and their impact on fair value of biological assets are as follows:

	December 31, 2021	December 31, 2020	10% change as at December 31, 2021	10% change as at December 31, 2020
Weighted average net selling price per gram	\$ 5.13	\$ 6.39	\$ 169,135	\$ 224,186
Average yield per plant	90.50	90.53	\$ 64,463	\$ 92,804
Post-harvest cost per gram ¹	\$ 2.00	\$ 0.69	\$ 65,925	\$ 24,242
Stage of growth	46%	44%	\$ 64,463	\$ 35,401

¹The increase in post-harvest costs per gram is a function of the introduction of Cannabis 2.0 products during the year.

As at December 31, 2021 it is estimated that the Company's biological assets will yield approximately 204,296 grams of dry cannabis when harvested (December 31, 2020 - 175,981). During the year ended December 31, 2021, the Company harvested 1,009,213 grams (December 31, 2020 - 547,904) of dry cannabis.

9. Intangible Asset

During the year ended December 31, 2019, Sugarbud received its cultivation, processing and medical sales licenses ("the Licenses") from Health Canada in respect of Phase 1a of the Company's Stavelly facility ("Stavelly Facility"). During 2019, the Company began amortizing its intangible asset as it was available for its intended use upon receipt of the Licenses. The intangible asset is amortized over its useful life of 40 years, which is consistent with the useful life of the Stavelly Facility.

	Health Canada License
Balance as at December 31, 2019	\$ 2,598,148
Amortization	(65,280)
Balance as at December 31, 2020	\$ 2,532,868
Amortization	(65,280)
Balance as at December 31, 2021	\$ 2,467,588



10. Property, Plant and Equipment

		Land	Facility	Office Equipment and Other	Total
Cost					
As at December 31, 2019	\$	323,000	10,259,551	200,995	10,783,546
Additions		-	1,013,055	-	1,013,055
Impairment		-	-	(571)	(571)
As at December 31, 2020	\$	323,000	11,272,606	200,424	11,796,030
Additions		-	433,583	16,874	450,457
As at December 31, 2021	\$	323,000	11,706,189	217,298	12,246,487
Accumulated Depreciation					
As at December 31, 2019	\$	-	(200,856)	(3,624)	(204,480)
Depreciation		-	(605,408)	(20,989)	(626,397)
As at December 31, 2020	\$	-	(806,264)	(24,613)	(830,877)
Depreciation		-	(659,282)	(61,479)	(720,761)
As at December 31, 2021	\$	-	(1,465,546)	(86,092)	(1,551,638)
Net Book Value					
As at December 31, 2020	\$	323,000	10,466,342	175,811	10,965,153
As at December 31, 2021	\$	323,000	10,240,643	131,206	10,694,849

During the year ended December 31, 2021, the Company capitalized \$95,044 (December 31, 2020 - \$138,116) of depreciation within inventory and biological assets.

11. Right-of-use Assets

		Vehicles	Equipment	Retail	Total
Cost					
As at December 31, 2019	\$	256,736	539,389	38,490	834,615
Additions		-	-	-	-
As at December 31, 2020	\$	256,736	539,389	38,490	834,615
Additions		-	-	-	-
As at December 31, 2021	\$	256,736	539,389	38,490	834,615
Accumulated Depreciation					
As at December 31, 2019	\$	(38,021)	(28,203)	(38,490)	(104,714)
Depreciation		(65,278)	(97,034)	-	(162,312)
As at December 31, 2020	\$	(103,299)	(125,237)	(38,490)	(267,026)
Depreciation		(65,278)	(94,554)	-	(159,832)
As at December 31, 2021		(168,577)	(219,791)	(38,490)	(426,858)
Net Book Value					
As at December 31, 2020	\$	153,437	414,152	-	567,590
As at December 31, 2021	\$	88,159	319,598	-	407,757

Subsequent to December 31, 2021, the Company disposed of six leased trucks resulting in gross proceeds of \$41,194 (December 31, 202 - Nil). Refer to Note 26(iii).

12. Share Capital

(a) Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting Common Shares and preferred shares.

The holders of Common Shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. All Common Shares are of the same class with equal rights and privileges.

(b) Issued

Year-ended	December 31, 2021		December 31, 2020	
	Shares ¹	Amount	Shares ¹	Amount
Balance, beginning of period	4,622,096	\$ 38,013,449	3,937,683	\$ 35,621,339
Issuance of common shares – public offering (i)	766,705	3,776,313	-	-
Issuance of common shares – conversion of convertible debentures (ii)	189,359	805,897	684,403	2,392,060
Issuance of common shares – private placement (iii)	88,750	302,035	-	-
Issuance of common shares – shares for services (iv)	28,500	132,500	-	-
Exercise of warrants (v)	6,050	30,250	10	50
Exercise of stock options (vi)	333	1,667	-	-
Share issuance costs	-	(465,588)	-	-
Balance, end of period	5,699,793	\$ 42,596,523	4,622,096	\$ 38,013,449

¹Number of common shares have been restated on a retroactive basis to all periods to reflect the Share Consolidation effected on February 15, 2022.
Refer to Note 26(i).

- i. During the year ended December 31, 2021, the Company closed a bought-deal public offering, for aggregate gross proceeds of \$4,600,230, pursuant to which the Company issued 766,705 units of the Company at a price of \$6.00 per unit including the full exercise of the over-allotment option. Each unit is comprised of one Common Share of the Company and one Common Share purchase warrant ("2021 Warrant") of the Company. One hundred 2021 Warrants entitle the holder thereof to purchase one Common Share at an exercise price of \$8.00 at any time until March 16, 2024. The net proceeds from the public offering were \$4,069,342. In consideration of the services provided by the agent and other costs in connection with the public offering the Company paid the agent a cash commission and other expenses, as well as transactions costs for professional fees and other expenses, totaling \$530,862. These transaction costs have been allocated to the Common Shares and the 2021 Warrants based on their pro-rata values.
- ii. During the year ended December 31, 2021, \$755,000 principal amount of Debenture Units were converted into 151,000 common shares of the Company at an average exercise price of \$4.20. In connection with the Debenture Units that were converted, 38,359 common shares of the Company were issued as part of the effective interest payment and make whole provision.

During the year ended December 31, 2020, Sugarbud completed a fully subscribed public offering of secured convertible debenture units of the Company ("Debenture Units") at a price of \$1,000 per debenture unit for proceeds of \$4 million. Each debenture unit consists of: (i) one 12.0% secured convertible debenture ("Convertible Debentures"); and (ii) 200 common share purchase warrants of the Company ("Debenture Warrants"). Each Debenture Warrant will entitle the holder to purchase one common share in the capital of the Company at an exercise price of \$5.00, at any time up to 36 months following the date of issuance.

- iii. During the year ended December 31, 2021, the Company closed a non-brokered private placement (the "2021 Private Placement") for total gross proceeds of \$355,000 in exchange for 88,750 units of the Company at a price of \$4.00 per unit. Each unit is comprised of one Common Share of the Company and one Common Share purchase warrant of the Company ("2021 Private Placement Warrant"). One hundred 2021 Private Placement Warrants entitle the holder thereof to purchase one Common Share at a price of \$5.00 at any time until September 14, 2023. The net proceeds from the private placement were \$319,988



after incurring total transaction costs for professional fees and other expenses of \$35,012. These transaction costs have been allocated to the Common Shares and 2021 Private Placement Warrants based on their pro-rata values.

- iv. During the year ended December 31, 2021, the Company entered into a Shares for Services agreement with certain directors and an advisor of the Company, pursuant to which Sugarbud issued a total of 26,500 shares at a deemed price of \$5.00 per share in satisfaction of accrued portions of the cash retainers owing to such persons in the aggregate amount of \$132,500.
- v. During the year ended December 31, 2021, 6,050 Debenture Warrants (December 31, 2020 – 10) were exercised at a price of \$5.00 per Common Share for total proceeds of \$30,250 (December 31, 2020 – \$50).
- vi. During the year ended December 31, 2021, 333 stock options were exercised for total proceeds of \$1,667 (December 31, 2020 – Nil).

13. Warrants

Year-ended	December 31, 2021		December 31, 2020	
	Warrants	Weighted average exercise price ¹	Warrants	Weighted average exercise price ¹
Balance, beginning of period	268,653,508	\$ 7.80	175,854,508	\$ 9.29
Warrants issued – public offering (i)	76,670,500	8.00	-	-
Warrants issued – public offering broker warrants (ii)	5,366,935	6.00	-	-
Warrants issued – private placement (ii)	8,875,000	5.00	-	-
Warrants issued – convertible debenture (iii)	-	-	80,000,000	5.00
Warrants issued – convertible debenture broker warrants (iii)	-	-	12,800,000	5.00
Warrants exercised (iv)	(605,000)	5.00	(1,000)	5.00
Balance, end of period ²	358,960,943	\$ 7.80	268,653,508	\$ 7.81

¹Weighted average exercise price has been restated on a retroactive basis to all periods to reflect the Share Consolidation effected on February 15, 2022.

Refer to Note 26(i).

²The number of outstanding common share purchase warrants, options, or other convertible securities of the Company, was not altered by the Share Consolidation; however, the exercise price and number of shares issuable on the exercise of any warrants, options, or other convertible securities of the Company was automatically proportionally adjusted on the basis of the 100:1 consolidation ratio, such that 100 warrants, options, or other convertible securities are now exercisable for one post-consolidation Common Share.

- i. During the year ended December 31, 2021, the Company closed a bought-deal public offering for aggregate gross proceeds of \$4,600,230, pursuant to which the Company issued 76,670,500 units of the Company at a price of \$6.00 per unit including the full exercise of the over-allotment option. Each unit is comprised of one Common Share of the Company and one 2021 Warrant. One hundred 2021 Warrants entitle the holder thereof to purchase one Common Share at an exercise price of \$8.00 at any time until March 16, 2024. The net proceeds from the public offering were \$4,069,368, in consideration of the services provided by the agent and other costs in connection with the public offering the Company paid the agent a cash commission and other expenses, as well as transaction costs for professional fees and other expenses, totaling \$530,862. These transaction costs have been allocated to the Common Shares and 2021 Warrants based on their pro-rata values.

Additionally, the Company issued to the agent who led the public offering 5,366,935 broker warrants ("Broker Warrants"). One hundred Broker Warrants are exercisable for one Common Share of the Company at an exercise price of \$6.00 at any time until March 16, 2024.

- ii. During the year ended December 31, 2021, the Company closed a non-brokered private placement (the "2021 Private Placement") for total gross proceeds of \$355,000 in exchange for 8,875,000 units of the Company at a price of \$4.00 per unit. Each unit is comprised of one Common Share of the Company and one 2021 Private Placement Warrant. One hundred 2021 Private Placement Warrants entitle the holder thereof to purchase one Common Share at a price of \$5.00 at any time until September 14, 2023. The net

proceeds from the private placement were \$319,988 after incurring total transaction costs for professional fees and other expenses of \$35,012. These transaction costs have been allocated to the Common Shares and 2021 Private Placement Warrants based on their pro-rata values.

- iii. During the year ended December 31, 2020, Sugarbud issued 80,000,000 warrants in connection with the fully subscribed public offering of Debenture Units. Additionally, the Company issued to the agent who led the public offering 12,800,000 compensation warrants ("Compensation Warrants"). One hundred Compensation Warrants are exercisable for one Common Share in the capital of the Company at an exercise price of \$5.00 for a period of 36 months from the date of issuance. The warrants were calculated based on the residual value of the financial liability and derivative liability of the Convertible Debentures.
- iv. During the year ended December 31, 2021, 605,000 Debenture Warrants (December 31, 2020 – 1,000) were exercised at a price of \$5.00 per Common Share for total proceeds of \$30,250 (December 31, 2020 – \$50).

On November 18, 2021, the Company extended the expiry of 18,500,000 outstanding common share purchase warrants of the Company issued on November 19, 2019 (the "2019 Private Placement Warrants"), and 16,272,075 outstanding common share purchase warrants of the Company issued on December 20, 2019 (the "2019 Rights Offering Warrants"). The 2019 Private Placement Warrants and the 2019 Rights Offering Warrants were set to expire on November 18, 2021, and December 20, 2021, respectively. Under the updated terms of the warrant agreement, one hundred Warrants would entitle the holder thereof to subscribe for one Common Share at an exercise price of \$10.00 any time prior to September 14, 2023. Aside from the extension of the expiry date, all other terms of the Warrants remain unchanged.

The Company valued the 2021 Warrants and the 2021 Private Placement Warrants using the Black-Scholes option pricing model with the following inputs:

Year-ended	December 31, 2021
Volatility	51.96% - 54.20%
Life	2 - 3 years
Risk-free interest rate	0.45% - 0.79%
Exercise price	\$5.00 - \$8.00
Stock price	\$3.50 - \$4.90
Dividend yield	Nil

The weighted average remaining life of the Company's warrants as at December 31, 2021 are 1.76 years.

14. Stock Based Compensation

The Company has a stock option plan (the "Plan") for its officers, directors, employees, and consultants. Under the Plan, the Company may grant options to purchase up to 10% of the outstanding Common Shares. The options have a five-year term and generally vest in tranches. The policies of the TSXV require "rolling" stock option plans to be approved on an annual basis by the shareholders of a listed issuer. During the year ended December 31, 2021, the Company granted stock options to employees, directors, officers, and advisors of the Company, the approved number and weighted average exercise price of the stock options are as follows:

Year-ended	December 31, 2021		December 31, 2020	
	Options outstanding	Weighted average exercise price ¹	Options outstanding	Weighted average exercise price ¹
Outstanding, beginning of period	30,006,667	13.10	39,356,667	12.00
Granted during the period (i)	23,460,000	5.00	-	-
Exercised during the period (ii)	(33,333)	5.00	-	-
Forfeited during the period	(2,666,667)	6.90	(9,350,000)	8.40
Balance, ending of period	50,766,667	9.70	30,006,667	13.10
Exercisable, ending of period ²	33,480,000	9.60	24,993,333	10.50

¹Weighted average exercise price has been restated on a retroactive basis to all periods to reflect the Share Consolidation effected on February 15, 2022. Refer to Note 26(i).

²The number of outstanding common share purchase warrants, options, or other convertible securities of the Company, was not altered by the Share Consolidation; however, the exercise price and number of shares issuable on the exercise of any warrants, options, or other convertible securities of the

Company was automatically proportionally adjusted on the basis of the 100:1 consolidation ratio, such that one hundred warrants, options, or other convertible securities are now exercisable for one post-consolidation Common Share.

- i. During the year ended December 31, 2021, the Company granted 10,660,000 stock options to employees of the Company. The options expire five years from the date of the grant and are exercisable at a price of \$5.00 per Common Share. The options vest at one third on the grant date and one third on each of the first and second anniversaries of the grant date.

During the year ended December 31, 2021, the Company granted 12,800,000 stock options to directors, officers, and advisors of the Company. The options expire five years from the date of the grant and are exercisable at a price of \$5.00 per Common Share. The options vest at one third on the grant date and one third on each of the first and second anniversaries of the grant date.

- ii. During the year ended December 31, 2021, 33,333 stock options were exercised for total proceeds of \$1,667.

During the year ended December 31, 2021, stock-based compensation expense recognized was \$300,052 (December 31, 2020 - \$548,103). The weighted average remaining life of the Company's stock options as at December 31, 2021 was 5.54 years.

The Company values stock-based compensation by using the Black-Scholes option pricing model. Stock options granted during the year ended December 31, 2021, were valued using the following inputs:

Year-ended	December, 2021
Volatility	50.69% - 53.41%
Life	5 years
Risk-free interest rate	0.37% - 0.71%
Exercise price	\$5.00
Stock price	\$3.50
Dividend yield	Nil

15. Loss per Share

Year-ended	December 31, 2021	December 31, 2020
Loss per share, basic and diluted	\$ (1.60)	\$ (1.16)
Weighted average shares outstanding ¹	5,439,614	4,273,918

¹Number of common shares have been restated on a retroactive basis to all periods to reflect the Share Consolidation effected on February 15, 2022. Refer to Note 26(i).

Diluted loss per share is calculated by dividing total loss by the sum of the weighted average number of common shares outstanding as well as all additional common shares that would have been outstanding if potentially dilutive outstanding shares instruments had been issued as common shares during the period. The periods presented in the consolidated statement of loss and comprehensive loss reported a net loss and, as such, the applicable outstanding share instruments are considered anti-dilutive.

16. Lease Obligation

The following presents a maturity analysis of the Company's undiscounted contractual lease obligations as at December 31, 2021:

	2022	2023	2024	2025	Total
Vehicles	\$ 65,746	\$ 27,283	\$ -	\$ -	\$ 92,029
Equipment	131,840	124,206	103,209	90,189	449,444
Total	\$ 197,586	\$ 151,489	\$ 103,209	\$ 90,189	\$ 542,473

Lease payments made by the Company are blended interest and principal payments. The Company's discounted lease obligations are as follows:

Year-ended	December 31, 2021	December 31, 2020
Future minimum lease payments	\$ 542,473	\$ 746,841
Discount	(93,777)	(141,847)
Present value of minimum lease payments	448,696	604,994
Presented as:		
Current portion of lease obligations	156,837	156,837
Lease obligations	\$ 291,859	\$ 448,157

During the year ended December 31, 2021, total expense recognized for short term and low value lease obligations was \$9,628 (December 31, 2020 – Nil).

17. Commercial Mortgage Loan

On May 28, 2020, Sugarbud entered into a new secured commercial mortgage loan with Connect First Credit Union (formerly First Calgary Credit Union) ("Connect First") (the "commercial mortgage loan"). The commercial mortgage loan replaced the Company's former credit facility. On January 13, 2021, the Company restructured the commercial mortgage loan – increasing the commercial mortgage loan to \$5.22 million and extending maturity until five years from the closing date. The committed five-year fixed interest rate under the commercial mortgage loan is 4.15%; a reduction from the previous variable rate floor of 4.25%, with an amortization period of 10 years.

The commercial mortgage loan is guaranteed by Sugarbud and its wholly owned subsidiaries Trichome and 1800905 Alberta Ltd. and has general security executed by the Company, pursuant to which the Company grants Connect First a first charge security interest over all present and after acquired personal property of the Company.

On January 13, 2021, the Company closed an authorized overdraft with Connect First for an amount up to 75% of the Company's good quality accounts receivable, up to a maximum of \$500,000. The committed rate is Connect First's lending rate plus 1.50% per annum, calculated daily, payable monthly in arrears. As at December 31, 2021, the Company had an authorized available overdraft of \$210,638. Refer to Note 26 (vi).

On July 7, 2021, the Company closed a \$500,000 extension to its existing commercial mortgage loan with Connect First. The committed rate is a fixed rate of 4.15% per annum, calculated daily, payable monthly in arrears. In addition, the Company increased its available letter of credit by \$40,000. The letter of credit committed rate is the prime rate plus 1% per annum, calculated daily, payable monthly in arrears (if the letter of credit is called). As at December 31, 2021, the Company has fully utilized the letter of credit.

On October 14, 2021, the Company closed a \$900,000 extension to the existing commercial mortgage loan with Connect First. The committed rate is a fixed rate of 4.15% per annum, calculated daily, payable monthly in arrears. As part of the agreement, a portion of the funds were used to pay the final land litigation settlement instalment. Refer to Note 25.

On December 24, 2021, the Company closed a \$900,000 extension to the existing commercial mortgage loan with Connect First. The committed rate is a fixed rate of 4.15% per annum, calculated daily, payable monthly in arrears and holds a five-year maturity. As at December 31, 2021 the Company had received \$675,000 of the total proceeds. Refer to Note 26(v).

During the year ended December 31, 2021, the Company received, as part of the restructured commercial mortgage loan, a six-month principal holiday on the existing commercial mortgage loan, as well as a twelve-month principal holiday on the most recent extension of the commercial mortgage loan, whereby only the interest portion of the repayment is required.

As at December 31, 2021, the Connect First commercial mortgage loan contained the following financial covenants:

- Debt Service Coverage Ratio shall not be less than 1.40:1, to be tested quarterly based on a trailing four quarters using consolidated financial statement beginning with the four quarters ending December 31, 2022.
- Debt to Equity Ratio of not greater than 1.25 as at December 31, 2021; and 1.00 as of December 31, 2022 onwards, to be tested annually.

As at December 31, 2021, the Company's Debt to Equity Ratio was 1.51:1, which is considered an event of default. As a result, the Company has reclassified the commercial mortgage loan to current liabilities. Additionally, the Company's twelve-month forecast indicates a potential breach of its financial covenants attached to the commercial mortgage loan as at December 31, 2022, and subsequent to December 31, 2021, the Company's authorized overdraft of up to 75% of the Company's good quality accounts receivable was overdrawn by \$57,901. These events would also indicate events of default which would enable Connect First to demand immediate repayment of all amounts due. The Company is in on-going discussions with Connect First, to renegotiate the covenants attached to the commercial mortgage loan. Refer to Note 1 – Going Concern.

Year-ended	December 31, 2021	December 31, 2020
Beginning balance	\$ 4,724,402	\$ -
Proceeds from commercial mortgage loan	2,473,675	5,030,000
Authorized overdraft	8,091	-
Amounts drawn on credit card	40,000	-
Commercial mortgage loan repayment	(377,193)	(202,816)
Debt issuance costs	(51,205)	(109,149)
Accretion	12,974	6,367
Ending balance	\$ 6,830,744	\$ 4,724,402
Presented as:		
Authorized overdraft	8,091	-
Current portion of commercial mortgage loan	6,822,653	419,055
Long-term portion of commercial mortgage loan	-	4,305,347
Total	\$ 6,830,744	\$ 4,724,402

18. Convertible Debentures

On June 24, 2020 ("Closing Date"), Sugarbud completed a fully subscribed public offering of Debenture Units at a price of \$1,000 per debenture unit for proceeds of \$4 million. Each Debenture Unit consists of: (i) one 12.0% secured Convertible Debenture; and (ii) 20,000 Debenture Warrants. One hundred Debenture Warrants entitle the holder to purchase one Common Share in the capital of the Company at an exercise price of \$5.00, at any time up to June 24, 2023.

The Convertible Debentures bear interest at a rate of 12.0% per annum from the Closing Date, payable semi-annually in arrears, in cash, on the last day of June and December of each year with the first payment having occurred on June 30, 2020 and matures on June 24, 2023. Interest is computed on the basis of a 360-day year composed of twelve 30-day months.

The conversion feature is treated as a derivative liability due to the option by the debenture holder to exchange the aggregate principal amount of the Convertible Debentures for an equivalent aggregate principal amount of 15.0% secured notes at any time after June 24, 2021.

The Company issued to the agent who led the public offering 12,800,000 compensation warrants ("Compensation Warrants"). One hundred Compensation Warrants are exercisable for one Common Share at an exercise price of \$5.00 until June 24, 2023.

During the year ended December 31, 2021, \$755,000 principal amount of Debenture Units were converted into 151,000 Common Shares of the Company at an average exercise price of \$4.20. In connection with the Debenture Units that were converted, 38,359 Common Shares of the Company were issued as part of the effective interest payment and make whole provision.



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Year-ended	December 31, 2021	December 31, 2020
Beginning balance	\$ 621,202	\$ -
Additions	-	4,000,000
Equity portion of convertible debt, before taxes	-	(656,996)
Transaction costs allocated to the debenture	-	(638,270)
Conversion of convertible debenture	(636,635)	(2,138,967)
Accretion of host contract	51,508	73,111
Change in fair value of conversion feature	46,470	(17,676)
Ending balance	\$ 82,545	\$ 621,202

19. Revenue

Revenue is comprised of cannabis product sales to licensed distributors for end-user customers, e-commerce end-user customers, and wholesale customers.

Revenue is presented net of any sales discounts and estimated variable consideration for future returns. As at December 31, 2021, the right of return provision for the estimate of future returns was \$52,000 (December 31, 2020 - \$11,035) and is included in accounts payable and accrued liabilities.

20. General and Administrative Expenses

Year-ended	December 31, 2021	December 31, 2020
Professional fees	\$ 256,982	\$ 630,872
Salaries, wages and benefits to employees	2,970,510	1,821,087
Consulting fees	448,818	518,437
Office and general	14,650	101,650
Sales & marketing	151,588	45,103
Insurance	364,131	187,735
Facility overhead and other	753,031	803,426
General and administrative expenses	\$ 4,959,710	\$ 4,108,310

21. Finance Costs

Year-ended	December 31, 2021	December 31, 2020
Cash finance expense (income)		
Interest on right of use leases	\$ 57,757	\$ 64,015
Interest on former credit facility	-	108,499
Interest on commercial mortgage loan	224,075	109,141
Interest on convertible debentures	62,845	867,200
	\$ 344,677	\$ 1,148,855
Non-cash finance expense (income)		
Change in fair value of derivative liability	46,470	(17,676)
Accretion	12,974	74,317
Interest on convertible debenture	230,210	379,784
Transaction costs	-	51,877
	289,654	488,302
Total finance expense	\$ 634,331	\$ 1,637,157

22. Income Taxes

The provision for income taxes is different from the amount computed by applying the combined statutory Canadian federal and provincial tax rates to pre-tax income for the period. The statutory tax rate decreased from 25% to 23% effective July 1, 2020, due to a decrease in the Alberta provincial tax rate. The tax on the Company's income before



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tax differs from the amount that would arise using the average tax rate applicable to profits of the Company as follows:

	December 31, 2021	December 31, 2020
Net loss before tax	\$ (8,704,194)	\$ (5,096,284)
Combined federal and provincial tax rate	23%	24%
Expected tax expense (recovery)	(2,001,965)	(1,223,108)
Tax effects of:		
Non-deductible expenses	69,322	131,612
Impact of tax rate changes	-	35,051
Changes in unrecognized deferred tax assets	1,932,643	926,104
Income tax expense	\$ -	\$ (130,341)
Income tax recognized in equity – convertible debentures	-	130,341

The significant components of the net deferred income tax asset (liability) are as follows:

	December 31, 2021	December 31, 2020
Deferred tax liabilities:	\$	\$
Convertible debt and commercial mortgage loan	(295,059)	(308,801)
Property, plant, and equipment and other	-	(7,165)
Deferred tax assets:		
Right of use and lease obligation	9,416	-
Share and debt issuance costs	248,589	220,075
Non-capital losses	37,054	95,981
Net deferred tax asset (liability)	\$ -	\$ -

The following provides the details of unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

	December 31, 2021	December 31, 2020
Property, plant, and equipment and other	\$ 2,658,277	\$ -
Non-capital loss carry forwards	28,870,541	22,660,198



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No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered. The Company's non-capital losses expire as follows:

	December 31, 2021	December 31, 2020
2028	\$ 773,349	\$ 773,349
2029	348,535	348,535
2030	237,852	237,852
2031	-	-
2032	6	6
2033	217,647	217,647
2034	489,713	489,713
2035	1,389,873	1,389,873
2036	1,892,937	1,892,937
2037	784,578	784,578
2038	4,264,952	4,264,952
2039	6,455,821	6,455,821
2040	6,221,851	6,221,851
2041	5,954,532	-
Total	29,031,646	23,077,114

23. Supplemental Cash Flow Information

Year-ended	December 31, 2021	December 31, 2020
Change in non-cash working capital items:		
Term deposit	\$ -	\$ 14,000
Accounts receivable	(4,694)	(208,941)
Prepaid expenses and deposits	277,889	(234,687)
Biological assets	2,307,351	1,468,788
Inventory	(2,202,325)	(3,137,797)
Accounts payable	110,680	1,021,318
Amount related to operating activities	\$ 488,901	\$ (1,077,319)

24. Related Party Transactions

The following is a summary of the Company's related party transactions during the year. Compensation of key management personnel includes short-term and long-term benefits, including salaries and stock options. The key management personnel of the Company are the Company's executive management team and the Board of Directors.

Year-ended	December 31, 2021	December 31, 2020
Stock based compensation	\$ 187,986	\$ 326,623
Compensation earned by directors	281,023	322,103
Compensation earned by key management	625,000	641,667
Total	\$ 1,094,009	\$ 1,290,393

As at December 31, 2021, of the total compensation earned by key management \$238,000 remains unpaid and of the total compensation earned by directors \$266,000 remains unpaid.

During the year ended December 31, 2021, the Company entered into a Shares for Services agreement with certain directors and an advisor of the Company, pursuant to which Sugarbud issued a total of 26,500 shares at a deemed price of \$5.00 per share in satisfaction of accrued portions of the cash retainers owing to such persons in the aggregate amount of \$132,500.

25. Commitments and Contingencies

Periodically, the Company may become involved in various claims and legal actions which occur in the ordinary course of operations. The results of such legal proceedings or related matters cannot be determined with certainty.

In 2019, the Company entered into a commitment to purchase land adjacent to its Facility, which was scheduled to close in 2020. The Company made the decision not to proceed with the land purchase, and a final settlement of \$465,000 was reached and during the year ended December 31, 2021, the Company settled the litigation in full.

26. Subsequent Events

- i. Subsequent to December 31, 2021, the Company completed a consolidation of all its issued and outstanding Common Shares on the basis of a ratio of one hundred pre-consolidation Common Shares for one post-consolidation Common Share (the "Share Consolidation"). Following the Share Consolidation, the Company had 5,699,793 Common Shares in issue. Also following the Share Consolidation, the number of outstanding common share purchase warrants, options, or other convertible securities of the Company were not altered; however, the exercise price and number of shares issuable on the exercise of any warrants, options, or other convertible securities of the Company were automatically proportionally adjusted on the basis of the 100:1 consolidation ratio, such that one hundred warrants, options, or other convertible securities are now exercisable for one post-consolidation Common Share. Where the Share Consolidation otherwise resulted in a holder of Common Shares holding a fraction of a Common Share, any fractional interest in Common Shares that is less than 0.5 of a Common Share was rounded down to the nearest whole Common Share and any fractional interest in Common Shares that is 0.5 or greater of a Common Share was rounded up to the nearest whole Common Share.
- ii. Subsequent to December 31, 2021, the Company entered into a supply agreement with Quebec-based licensed producer Médicibus, operators of Mendo Medical ("Mendo") to provide registered medical patients access to the Company's Craft Cannabis Collection nationwide via Mendo's online medical cannabis sales platform.
- iii. Subsequent to December 31, 2021, the Company disposed of six leased trucks resulting in gross proceeds of \$41,194.
- iv. Subsequent to December 31, 2021, the Company commenced a marketed public offering of convertible debenture units (each a "Debenture Unit") at a price of \$1,000 per Debenture Unit for aggregate gross proceeds to the Company of up to \$3.0 million (the "Offering") (which is expected to include management and/or insider participation).

Each Debenture Unit will consist of: (i) one 12.0% secured convertible debenture (each, a "Debenture"); and (ii) 1,000 common share purchase warrants of the Company (each, a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company (each, a "Common Share") at an exercise price of \$1.00, for a period of 5 years following the closing of the Offering. The Debentures will bear interest at a rate of 12.0% per annum from the date of issue, payable on a semi-annual basis, and will be: (i) paid in-kind in Common Shares based on the daily volume weighted average trading price for the 20 trading days preceding the date of interest payment or (ii) in cash, at the Company's option. The Debentures will mature 5 years from the closing of the Offering (the "Maturity Date") and the principal amount of the Debenture will be repaid in cash only. The principal amount of each Convertible Debenture will be convertible into Common Shares at the option of the holder at a conversion price equal to \$1.00. If the holder elects to convert the Convertible Debentures, then the holder will also receive an amount equal to the interest that the holder would have received if the holder had held the Convertible Debentures until the Maturity Date ("the Effective Interest"), payable in (i) units of the Company (each a "Unit"), each such Unit consisting of one Common Share and one Warrant (or if the holder is a Non-Arm's Length Party, Common Shares) based on the daily weighted average trading price for the 20 trading days preceding the date of such election; (ii) cash; or (iii) a combination of cash and Common Shares, at the Company's option.

Each holder of Convertible Debentures may, at their option, elect to exchange the aggregate principal amount of such holder's Convertible Debentures for an equivalent aggregate principal amount of 15.0% non-convertible secured notes expiring on the Maturity Date (each, a "Secured Note") on a one for one basis at any time prior to the Maturity Date (the "Exchange Option"). Any accrued interest from the date of exchanging the Convertible Debentures into Secured Notes will be carried forward and be payable on

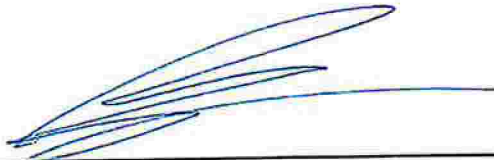


NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
expressed in Canadian dollars unless otherwise noted

the applicable interest payment date, together with the interest accruing from the Secured Notes beginning on the date of exchange.

- v. Subsequent to December 31, 2021, the Company received the remaining proceeds of \$225,000 related to the extension to the existing commercial mortgage loan with Connect First.
- vi. Subsequent to December 31, 2021, the Company's authorized overdraft of up to 75% of the Company's good quality accounts receivable was overdrawn by \$57,901 with the approval of Connect First. The Company is in on-going discussions with Connect First, to renegotiate the covenants attached to the commercial mortgage loan. Refer to Note 1 – Going Concern.

**THIS IS EXHIBIT "J" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

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.

September 23, 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 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 "**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, 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 Order) and only up to the amounts set out in the Initial 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 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) the Interim Financing Order must not be vacated, stayed, amended (without the Lender's consent), appealed or otherwise caused to become ineffective
- (d) 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

- (e) 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 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, 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;

- (l) 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;
- (m) 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;
- (n) Will not merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;
- (o) 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;
- (p) 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 associated with any appraisals;
- (q) 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;
- (r) Shall notify the Lender within one (1) Business Day of any Account Debtor notifying the Borrower that they are contesting any invoice;
- (s) will pay only those expenditures set out in the Approved Budget Forecast, or such other expenditures the Lender and Trustee consent to in writing, as outlined in greater detail in the Approved Budget Forecast section below;
- (t) 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;

- (u) 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;
- (v) provide the Lender with any financial or other information reasonably requested by the Lender; and
- (w) 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. 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 September 26, 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 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 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 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, 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 17, 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 and Lender.

18. 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;
- (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 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, and the BIA Proposal Proceedings and litigation proceedings stayed by the NOI, 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 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 the circumstances under which such information was provided.

19. 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.

20. 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.

- 21. 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.
- 22. 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.
- 23. 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 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 .
- 24. 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.
- 25. 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.
- 26. 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
- 27. Lender Counsel:** Dentons Canada LLP
- 28. 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 September 29, 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]

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

Name

Title

Signed

Accepted this__ day of September, 2022

SUGARBUD CRAFT GROWERS CORP. as Borrower

Name	Title
-------------	--------------

Signed
I have authority to bind the Corporation

Trichome Holdings Corp., as Guarantor

Name	Title
-------------	--------------

Signed
I have authority to bind the Corporation

1800905 Alberta Ltd., as Guarantor

Name	Title
-------------	--------------

Signed
I have authority to bind the Corporation

**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-●, 25-●, 25-● 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.
"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 documents contemplated by this Term Sheet and the Security.
"Interim 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
"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, following the filing of the NOIs, 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;
- (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 dated 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.

“Lien”

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

"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 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;
- (j) 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;
- (k) 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
- (l) 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 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.

"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.

"Real Estate Collateral"

means the real property located at 5822 52 Street, Stavelly, 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 23, 2022	NOI filed
September 29, 2022	Issuance of Initial Order, including Interim Financing Charge and Approval of the SISP
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
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 SISP.

**THIS IS EXHIBIT "K" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 26th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

Sale and Investment Solicitation Process

Introduction

1. On September 26, 2022, each of SugarBud Craft Growers Corp. ("**SugarBud**"), Trichome Holdings Corp. ("**Trichome**") and 1800905 Alberta Ltd. d/b/a 'Sugarbud' ("**180 Alberta**", each a "**Company**" and collectively, the "**Companies**") filed a Notice of Intention to Make a Proposal (each, an "**NOI**") pursuant s.50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**") in Estate Nos •, • and • (the "**NOI Proceedings**").
2. Alvarez & Marsal Canada Inc. is the proposal trustee of each of the Companies in the NOI Proceedings (in such capacity, the "**Proposal Trustee**").
3. On September 29, 2022, the Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**") granted Orders in the NOI Proceedings, among other things:
 - (a) extending the stay of proceedings in respect of the Companies pursuant to the NOI until December 12, 2022;
 - (b) authorizing the Companies to enter into an interim financing agreement (the "**Interim Financing**") with Connect First Credit Union Ltd. ("**Connect First**" or the "**Interim Lender**") whereby Connect First agreed to provide a maximum principal amount of \$2,000,000 in financing to the Companies, as well as granting a charge over all of the Companies' present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof; and
 - (c) authorizing the Companies, with the assistance of the Proposal Trustee, to pursue all avenues of sale of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
4. In this regard, the Proposal Trustee will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Companies and with the approval of the Court pursuant to a Court order dated September 29, 2022 (the "**SISP Order**"). The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the Business (as defined herein) of the Companies by way of sale, merger, reorganization, recapitalization, equity issuance or other similar transaction. The Companies intend to provide all qualified interested parties with an opportunity to participate in the SISP.
5. This document (the "**SISP Procedure**") outlines the SISP, which is comprised of two phases ("**Phase 1**" and "**Phase 2**", respectively).
6. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Alberta (each, a "**Business Day**") shall be deemed to occur on the next Business Day.

Opportunity

7. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one

or more components of the Companies' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.

8. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Timeline

9. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	October 5, 2022
Proposal Trustee to prepare and have available for Potential Bidders the CIM and Data Room	October 7, 2022
Phase 1 Bid Deadline	November 4, 2022
Phase 2 Bid Deadline	December 9, 2022
Transaction Approval Application Hearing	December 28, 2022
Closing Date Deadline	January 19, 2023

The dates set out in the SISP may be extended by the Proposal Trustee with the consent and approval of the Interim Lender.

SOLICITATION OF INTEREST: NOTICE OF THE SISP

10. As soon as reasonably practicable, but in any event by no later than October 5, 2022:
- (a) the Companies, in consultation with the Proposal Trustee, will prepare a list of Potential Bidders (as defined herein), including:
 - (i) parties that have approached the Companies or the Proposal Trustee indicating an interest in the Opportunity; and
 - (ii) local and international strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP,

(collectively, "**Known Potential Bidders**");
 - (b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant

information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the "Notice") to be published in The Globe and Mail (National Edition), and any other industry publication, website, newspaper or journal as the Companies, in consultation with the Proposal Trustee, consider appropriate, if any;

- (c) the Companies will issue a press release with Canada Newswire setting out the information contained in the Notice and such other relevant information which the Companies, in consultation with the Proposal Trustee, consider appropriate designating dissemination in Canada; and
 - (d) the Companies, in consultation with the Proposal Trustee, will prepare:
 - (i) a process summary (the "Teaser Letter") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
 - (ii) a non-disclosure agreement in form and substance satisfactory to the Companies and the Proposal Trustee, and their respective counsel (an "NDA").
11. The Proposal Trustee shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than October 7, 2022 and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Companies or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

PHASE 1: NON-BINDING LOIS

Qualified Bidders and Delivery of Confidential Information Memorandum

12. Any party who wishes to participate in the SISP (each, a "Potential Bidder") must deliver to the Companies and the Proposal Trustee, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Companies and the Proposal Trustee:
- (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Companies or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
 - (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
 - (c) a form of financial disclosure and credit quality support or enhancement that allows the Companies and the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a Sale Proposal or Investment Proposal (as each is defined herein), as applicable.
13. If the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, determine that a Potential Bidder has:
- (a) delivered the documents contemplated in paragraph 12 above; and

- (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,

then such Potential Bidder will be deemed to be a **"Phase 1 Qualified Bidder"**. For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies.

14. At any time during Phase 1 of the SISP, the Companies may, in their reasonable business judgment and after consultation with the Interim Lender and the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Phase 1 Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a Phase 1 Qualified Bidder for the purposes of the SISP.
15. The Proposal Trustee, with the assistance of the Companies, shall prepare and send to each Phase 1 Qualified Bidder a confidential information memorandum providing additional information considered relevant to the Opportunity (the **"CIM"**). The Companies and the Proposal Trustee and their respective advisors make no representation or warranty as to the information contained in the CIM or otherwise made available pursuant to the SISP, except to the extent expressly contemplated in any definitive sale or investment agreement with a successful bidder ultimately executed and delivered by the Companies.
16. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Companies.

Due Diligence

17. The Proposal Trustee, in consultation with the Companies, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to due diligence material and information relating to the Property and Business as they or the Proposal Trustee deem appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Companies, in their reasonable business judgment and after consulting with the Proposal Trustee, may agree.
18. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Companies nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Companies, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

Non-Binding Letters of Intent from Phase 1 Qualified Bidders

19. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an **"LOI"**) to the Proposal Trustee at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on November 4, 2022 (the **"Phase 1 Bid Deadline"**).

20. Subject to paragraph 44, an LOI will only be considered a qualified LOI (a "**Qualified LOI**") if:
- (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
 - (b) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
 - (i) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); or
 - (ii) make an investment in, restructure, reorganize or refinance the Business or the Companies (an "**Investment Proposal**");
 - (c) in the case of a Sale Proposal, it identifies or contains the following:
 - (i) the Purchase Price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
 - (iv) a description of the conditions and approvals required for a final and binding offer;
 - (v) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
 - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
 - (d) in the case of an Investment Proposal, it identifies or contains the following:
 - (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Companies in Canadian dollars;
 - (iii) the underlying assumptions regarding the *pro forma* capital structure;
 - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
 - (v) a description of the conditions and approvals required for a final and binding offer;
 - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
 - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and

- (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Proposal Trustee or the Companies.

Preliminary Assessment of Phase 1 Bids and Subsequent Process

21. Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee and the Interim Lender, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:

- (a) has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as the case may be); and
- (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a "**Phase 2 Qualified Bidder**", provided that the Companies may, in their reasonable business judgment and, with the approval of the Proposal Trustee, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders from the process) taking into account the factors identified in paragraph 22 hereof and any material adverse impact on the operations and performance of the Companies. Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SISP. No Phase 1 Qualified Bidder that has submitted a Qualified LOI shall be deemed not to be a Phase 2 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies and the Interim Lender.

22. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to:

- (a) the number of Qualified LOIs received;
- (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve Investment Proposals predicated on certain Property or Business;
- (c) the scope of the Property or Business to which any Qualified LOIs may relate; and
- (d) whether to proceed by way of sealed bid or auction with respect to some or all of the Property.

23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline (as defined herein), and any other deadlines or timeframes hereunder, shall be extended by the same time period, as necessary.

24. Following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 21 and 22 hereof, the Companies, in consultation with the Proposal Trustee, may prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") to be sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline.

PHASE 2: FORMAL OFFERS AND SELECTION OF SUCCESSFUL BIDDER

25. Paragraphs 27 to 34 below and the conduct of Phase 2 are subject to paragraphs 21 to 24, above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

Formal Binding Offers

26. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the following requirements to the Proposal Trustee at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on December 9, 2022 or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**"):
- (a) the bid shall comply with all of the requirements set forth in paragraph 20 above in respect of Phase 1 Qualified LOIs;
 - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property or Business and is consistent with any necessary terms and conditions established by the Companies and the Proposal Trustee and communicated to Phase 2 Qualified Bidders;
 - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
 - (d) the bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
 - (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Companies and the Proposal Trustee to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
 - (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;

- (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
 - (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Proposal Trustee (a "**Deposit**") in the amount of not less than 10% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 10% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
 - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
 - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Companies or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Companies;
 - (k) the bid is received by the Phase 2 Bid Deadline; and
 - (l) the bid contemplates closing the transaction set out therein on or before January 19, 2023.
27. Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee and the Interim Lender, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Phase 2 Qualified Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).
28. The Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate.
29. If the Proposal Trustee, in consultation with the Company and the Interim Lender, is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee may, with the approval of the Interim Lender, elect to (i) extend the Phase 2 Bid Deadline or (ii) seek Court approval to formally amend to the SISP.

30. The Companies may, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

Evaluation of Competing Bids

31. The Companies, in consultation with the Proposal Trustee, and the Interim Lender, will evaluate Qualified Bids based upon several factors including, without limitation:
- (a) the Purchase Price and the net value provided by such bid;
 - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
 - (c) the proposed transaction documents;
 - (d) factors affecting the speed, certainty and value of the transaction;
 - (e) the assets included or excluded from the bid;
 - (f) any related restructuring costs; and
 - (g) the likelihood and timing of consummating such transaction.

Selection of Successful Bid

32. The Companies, in consultation with the Interim Lender and with the approval of the Proposal Trustee, will:
- (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Companies, in consultation with the Proposal Trustee and the Interim Lender, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
 - (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**") for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee and in consultation with the Interim Lender, shall be subject to approval by the Court.
33. The Companies shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee and the Interim Lender, to reject any or all Phase 2 Qualified Bids.

Transaction Approval Application Hearing

34. At the hearing of the application to approve any transaction with a Successful Bidder (the "**Transaction Approval Application**"), the Companies shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Companies on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

35. All discussions regarding a Sale Proposal, Investment Proposal, LOI or Phase 2 Bid should be directed through the Proposal Trustee. Under no circumstances should the management of the Companies be contacted directly without the prior consent of the Proposal Trustee. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP process.
36. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Companies, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Companies, with the approval of the Proposal Trustee and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
37. In addition to the consultation rights granted to the Interim Lender, the Proposal Trustee may consult with any other parties with a material interest in the BIA proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Proposal Trustee (subject to paragraph 36 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Companies and the Proposal Trustee.

Deposits

38. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at financial institution in Canada.
39. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid.
40. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Companies select a Successful Bid pursuant to section • hereof or the Court declares a Successful Bid pursuant to section • hercof.
41. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Company has in respect of such breach or default.
42. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) than the Deposit shall be returned to the Successful Bidder.

Supervision of the SISP

43. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP by the Companies and, without limitation to that supervisory role, the Proposal Trustee will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other orders of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
44. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty,
 - (a) deem a non-compliant LOI to be a Qualified LOI; and
 - (b) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
45. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Companies or the Proposal Trustee and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Companies.
46. Without limiting the preceding paragraph, the Proposal Trustee shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, the Interim Lender or any other creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Proposal Trustee. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Proposal Trustee.
47. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
48. Without limiting in any way the intent and effect of the applicable provisions of the Interim Financing in respect of the SISP, and subject to the terms of the SISP Order, the Companies shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) with the prior written approval of the Proposal Trustee and the Interim Lender if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the NOI Proceedings shall be advised of any substantive modification to the procedures set forth herein.
49. In order to discharge its duties in connection with the SISP the Proposal Trustee may engage professional or business advisors or agents as the Proposal Trustee deems fit in its sole discretion.

Disclosure of Information to the Interim Lender

50. The Interim Lender shall have full and complete access to all Qualified LOIs, Phase 2 Qualified Bids and related materials and the Proposal Trustee, in consultation with the Companies, shall periodically update the Interim Lender on the SISP and the prospect of a Successful Bid being completed thereunder.

Further Orders

45. At any time during the SISP, the Proposal Trustee, the Companies, or the Interim Lender may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.

Schedule "1"

To the Proposal Trustee:

Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk
Bryan Krol
Stephen Oosterbaan

Email: okonowalchuk@alvarezandmarsal.com
bkrol@alvarezandmarsal.com
soosterbaan@alvarezandmarsal.com

COURT FILE NUMBER	25-2868952 25-2868957 25-2868949	<div style="border: 1px solid black; padding: 10px; width: fit-content;">Clerk's Stamp:</div>
COURT	COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
MATTER	IN THE MATTER OF THE <i>BANKRUPTCY AND INSOLVENCY ACT</i> , R.S.C. 1985, c. B-3, AS AMENDED, AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SUGARBUD CRAFT GROWER CORP. AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TRICHOME HOLDINGS CORP. AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 1800905 ALBERTA LTD.	
APPLICANTS	SUGARBUD CRAFT GROWER CORP., TRICHOME HOLDINGS CORP., and 1800905 ALBERTA LTD.	
DOCUMENT	SUPPLEMENTAL AFFIDAVIT OF DANIEL T. WILSON	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MLT AIKINS LLP 2100, 222-3rd Avenue SW Calgary, AB T2P0B4 Solicitor : Ryan Zahara/Chris Nyberg Phone Number: 403-693-5420/2636 Email: rzahara@mltaikins.com/cnyberg@mltaikins.com Fax Number: (403) 508-4349 File No.: 0158011/00001	

**Counsel for the Applicants, Sugarbud Craft Grower Corp.,
Trichome Holdings Corp., and 1800905 Alberta Ltd.**

**SUPPLEMENTAL AFFIDAVIT OF DANIEL T. WILSON
Sworn on September 28, 2022**

I, Daniel T. Wilson, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the President and Chief Executive Officer, interim Vice President of Finance and Chief Financial Officer, and a Director and Chairman of the Board of Sugarbud Craft

2. I have personal knowledge of the matters and facts herein deposed, except where based on information and belief, in which case I believe the same to be true.
3. All capitalized terms not otherwise defined herein shall have the same meaning as within my Affidavit sworn on September 26, 2022 (the "**September 26 Affidavit**"). This Affidavit is supplemental to the September 26, 2022.
4. Attached hereto and marked as **Exhibit "A"** is a copy of the Applicants' organizational chart current to September 28, 2022. The document attached hereto as Exhibit "A" is updated to accurately reflect the organizations personnel as of September 26, 2022 and updates the version at Exhibit "C" to the September 26 Affidavit.
5. Attached hereto and marked as **Exhibit "B"** are copies of revised NOI Certificates current to September 27, 2022. The documents attached hereto as Exhibit "B" were provided by the office of the Superintendent of Bankruptcy on September 27, 2022 and contain the updated Estate numbers for each of the Applicants.
6. This Supplemental Affidavit is sworn in support of Sugarbud's Application for an Order consolidating the NOI Proceeding, extending the Stay Period, approving the Interim Financing Facility, approving the SISP, approving the KERP and approving the Charges.

SWORN before me at the City of Calgary, in)
the Province of Alberta, this 28th day of)
September, 2022,)

A Commissioner for Oaths in and for the
Province of Alberta

DANIEL T. WILSON

30289200v3

**THIS IS EXHIBIT "A" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 28th day of September 2022**

A handwritten signature in black ink, appearing to be 'SM', written over a horizontal line.

A Commissioner for Oaths in and for the Province of Alberta

**SCOTT J.A. MACKENZIE
STUDENT-AT-LAW**



CORPORATE
STRUCTURE

SugarBud Craft
Growers Corp.

Trichome Holdings
Corp.

1800905 Alberta Ltd.
Doing Business As (d.b.a.)
'Sugarbud'
LIC-4LSWAF93BR-2022-1

SugarBud Craft Growers Corp.

CURRENT STATUS

BOARD OF DIRECTORS

DANIEL WILSON

DIRECTOR

JOSEPH DIETRICH

DIRECTOR

OFFICERS

DANIEL WILSON

PRESIDENT & CHIEF EXECUTIVE OFFICER

DANIEL WILSON

VICE PRESIDENT FINANCE & CHIEF FINANCIAL OFFICER

DIRECTOR

- Active Director Role

OFFICER

- Officer Role

FIRST LAST

- Person in Role

STRUCTURE

- Corporate Structure

PARENT COMPANY

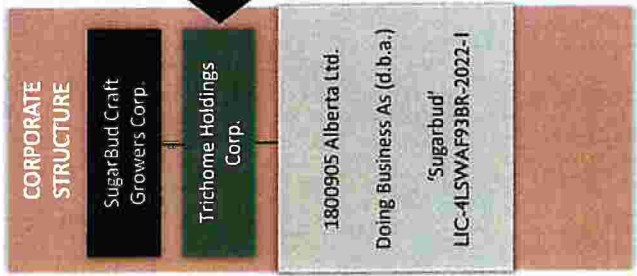
- Parent Company (publicly traded)

HOLDING COMPANY

- Holding Company (wholly owned)

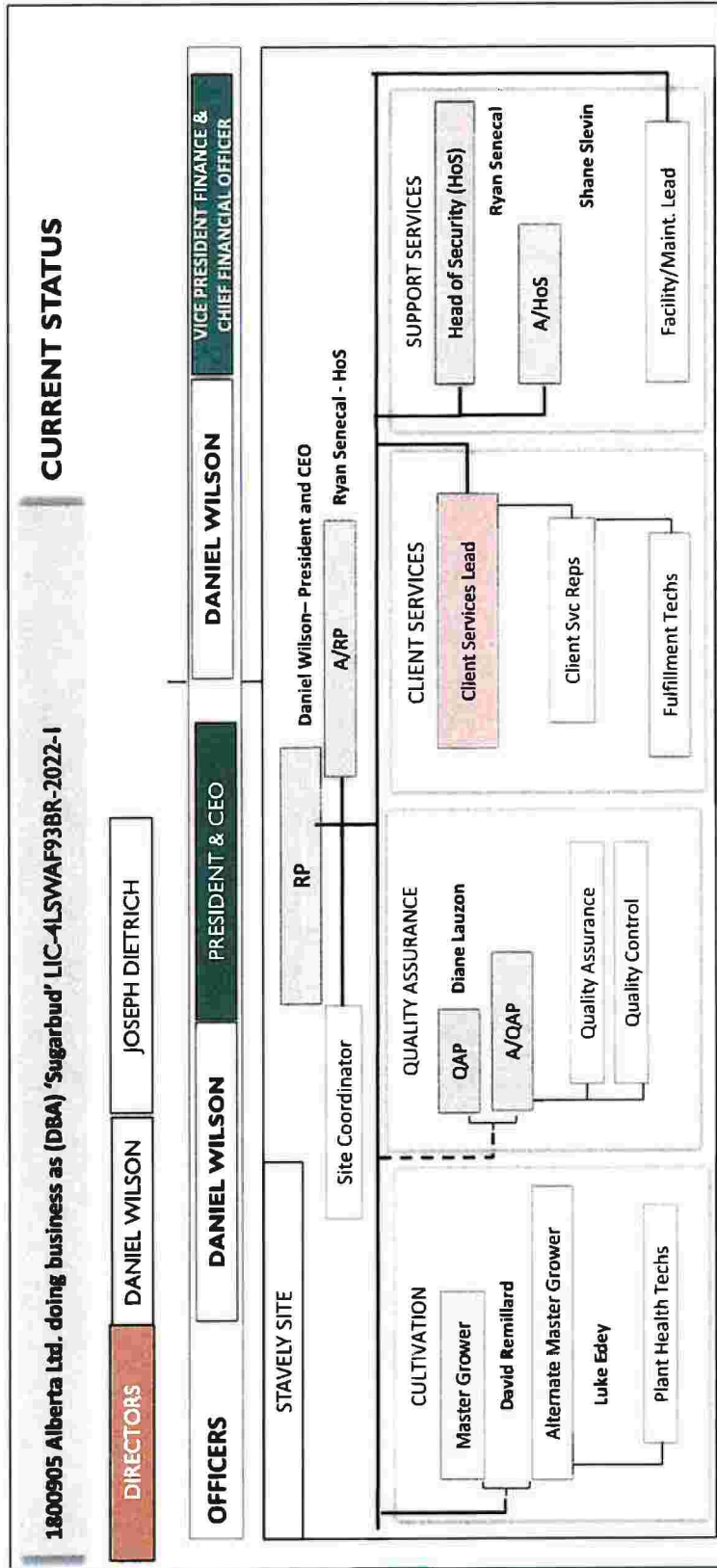
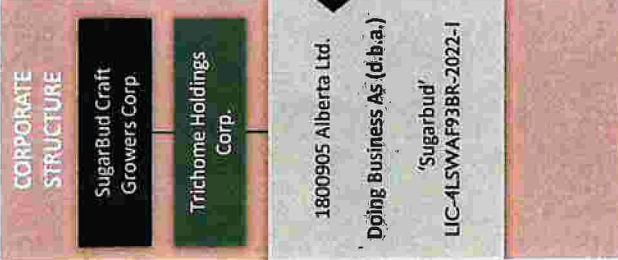
LICENSED COMPANY

- Licensed Company (wholly owned)



CURRENT STATUS		
SugarBud Craft Growers Corp.		
BOARD OF DIRECTORS		
DANIEL WILSON	DIRECTOR	DIRECTOR
OFFICERS		
DANIEL WILSON		PRESIDENT & CHIEF EXECUTIVE OFFICER
DANIEL WILSON		VICE PRESIDENT FINANCE & CHIEF FINANCIAL OFFICER

STRUCTURE	DIRECTOR	- Active Director Role
PARENT COMPANY	OFFICER	- Officer Role
HOLDING COMPANY	FIRST LAST	- Person in Role
LICENSED COMPANY		



STRUCTURE	DIRECTOR	OFFICER	CANNABIS REG. ROLE	MANAGER/SUPERVISOR
- Corporate Structure	- Director Role	- Officer Role	- Key Role/Position by Cannabis Regs	- Manager/Supervisor at the site
- Parent Company (publicly traded)				
- Holding Company (wholly owned)				
- Licensed Company (wholly owned)				

ROLE/POSITION/SERVICE - Role/Position or general service

Name of Security Cleared Person in Key Role (Required)

**THIS IS EXHIBIT "B" TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT CALGARY, ALBERTA,
This 28th day of September 2022**



A Commissioner for Oaths in and for the Province of Alberta

**SCOTT J.A. MACKENZIE
STUDENT-AT-LAW**



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2868952
Estate No. 25-2868952

In the Matter of the Notice of Intention to make a proposal of:

SugarBud Craft Growers Corp.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 27, 2022, 09:46

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2868957
Estate No. 25-2868957

In the Matter of the Notice of Intention to make a proposal of:

Trichome Holdings Corp.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 27, 2022, 09:52

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2868949
Estate No. 25-2868949

In the Matter of the Notice of Intention to make a proposal of:

1800905 Alberta Ltd.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 27, 2022, 09:44

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada

THIS IS **EXHIBIT "B"** TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT Calgary, Alberta,
this 7th day of October 2022.



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

COURT FILE/
ESTATE NUMBERS 25-2868949
25-2868952
25-2868957

Clerk's Stamp

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*
ACT, RSC 1985, c B-3, AS AMENDED

APPLICANTS

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF SUGARBUD CRAFT GROWERS
CORP.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF TRICHOME HOLDINGS CORP.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF 1800905 ALBERTA LTD.

DOCUMENT

**FIRST REPORT OF ALVAREZ & MARSAL CANADA INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL**

SEPTEMBER 27, 2022

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSAL TRUSTEE
ALVAREZ & MARSAL CANADA INC.
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Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Orest Konowalchuk / Bryan Krol
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Calgary, AB T2P 1G1
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Fax: (403) 260-0332
Email: dlegeyt@bdplaw.com
ralgar@bdplaw.com



ALVAREZ & MARSAL

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CONFIDENTIAL APPENDICES

APPENDIX 1	Key Employee Retention Plan
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INTRODUCTION

1. On September 26, 2022 (the "**Filing Date**"), each of SugarBud Craft Growers Corp. ("**SCGC**"), Trichome Holdings Corp. ("**THC**") and 1800905 Alberta Ltd. ("**OpCo**") together with SCGC and THC, the "**Applicants**", "**Sugarbud**" or the "**Companies**") filed a Notice of Intention to Make a Proposal ("**NOI**" or the "**Filing**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**"). Alvarez & Marsal Canada Inc. ("**A&M**") consented to act as Trustee of each of the Applicants under the NOI (the "**Proposal Trustee**").
2. Pursuant to section 50.4(8) of the BIA, the initial stay of proceedings (the "**Stay**") under the NOI proceedings is from September 26, 2022 to October 26, 2022 (the "**Initial Stay Period**").
3. Copies of the Certificates of Filing evidencing the NOI issued by the Office of the Superintendent of Bankruptcy are collectively attached hereto as Appendix "A".

Originating Application by the Companies – September 29, 2022

4. On September 26, 2022, the Companies filed an application (the "**Application**") with this Honourable Court to seek an Order which would, among other things:
 - a) approve the Applicants' ability to borrow under an interim financing facility to finance their working capital requirements, other general corporate purposes, and post-filing expenses and costs (the "**Interim Financing Facility**");
 - b) approve a sale, refinancing and investment solicitation process (the "**SISP**") to seek an investment in or sale of the Applicants' property as part of the restructuring process;
 - c) approving a key employee retention plan ("**KERP**"), a copy of which is appended to this First Report as Confidential Appendix "1", to ensure the continuity of operations during the restructuring proceedings

and a charge to secure the amounts payable under the KERP (the "**KERP Charge**");

- d) grant the following priority charges (the "**Charges**") over the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**");
 - i. the Administration Charge in favour of the Trustee, counsel to the Trustee and counsel to the Applicants;
 - ii. the Directors' Charge in favour of the Directors and Officers;
 - iii. the Interim Lender's Charge in favour of Connect First Credit Union Ltd. ("**CFCU**" or the "**Interim Lender**"); and
 - iv. the KERP Charge;
- e) extend the Stay for a further period of not more than 45 days from the expiry of the Initial Stay Period to December 10, 2022; and
- f) approve a Restricted Court Access Order (a "**Sealing Order**") in respect of the confidential information associated with the KERP which is appended to this Report as Confidential Appendix "**1**".

PURPOSE

- 5. The purpose of this First Report of the Proposal Trustee (the "**First Report**" or this "**Report**") is to provide this Honourable Court and the Companies' stakeholders with information and the Proposal Trustee's comments in respect of the following:
 - a) the Companies' background;
 - b) the activities of the Companies and the Proposal Trustee prior to and since the filing of the NOI;

- c) the components and timing of the SISP;
- d) the Companies' cash flow projection for the 13-week period from September 26, 2022 to December 23, 2022;
- e) the Companies' Application seeking:
 - i. approval of the Interim Financing Facility;
 - ii. approval of the proposed Charges;
 - iii. approval of the KERP;
 - iv. for a Sealing Order for an order sealing Confidential Appendix "1" to this Report; and
 - v. an extension of the Stay up to and including December 10, 2022; and
- f) the Proposal Trustee's overall recommendations in respect of the foregoing.

TERMS OF REFERENCE

- 6. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information and other information provided by the Companies and other third parties. The Proposal Trustee has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed.
- 7. Future-oriented financial information relied upon in this Report is based on the Companies' assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
- 8. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

9. The First Report has been prepared by the Proposal Trustee pursuant to the BIA.
10. This First Report is not, and should not be construed or interpreted as, an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Companies during these proceedings and/or at any other time.
11. The Proposal Trustee has not audited or reviewed the assets of the Companies and, with respect to such assets, has relied to a significant degree upon information provided by the Companies.
12. The Trustee is specifically not directed or empowered to take possession of the assets of the Companies or to manage any of the Companies' business and affairs of the Companies.

BACKGROUND

13. Sugarbud is a vertically integrated cannabis business with expertise at each stage of the cannabis product life-cycle, from cultivation and extraction to brand development, marketing and sales.
14. Sugarbud operates a federally licensed cannabis production facility located in Stavely, Alberta (the "**Facility**") where it produces, distributes, and sells cannabis products across Canada.
15. Sugarbud supplies various cannabis products to a number of provincial purchasing entities pursuant to supply agreements including:
 - a) British Columbia (BC Liquor Distribution Branch);
 - b) Alberta (Alberta Gaming, Liquor and Cannabis Commission);
 - c) Ontario (Ontario Cannabis Retail Corporation);

- d) Manitoba (Manitoba Liquor and Lotteries);
- e) Quebec (SQDC);
- f) New Brunswick (Cannabis NB);
- g) Nova Scotia (Nova Scotia Liquor Commission);
- h) Northwest Territories (Northwest Territories Liquor and Cannabis Commission); and
- i) Newfoundland (Cannabis Newfoundland).

16. Since receiving its cultivation licence and commencing its cannabis operation in August of 2019, Sugarbud has been cash flow negative for the entire history of its operations. Despite attempts to access additional financing or complete a strategic transaction, Sugarbud has faced, and continues to face, significant working capital deficit which makes it unable to pay its ongoing obligations as they become due. Sugarbud has reviewed several strategic alternative opportunities, including potential merger and acquisition targets, but has been unsuccessful in its attempts to date.
17. On September 22, 2022, CFCU, the Companies' primary secured lender, demanded on its loan. Sugarbud has exceed the amount currently available under its existing credit facility with CFCU and no longer has any available cash flow to fund its operations. CFCU is only prepared to fund the Companies on a super-priority basis (if approved by the Court), through a debtor driven NOI Proceeding, as discussed in greater detail below. As a result, on September 26, 2022, Sugarbud sought creditor protection by commencing the NOI Proceeding to, among other things, obtain the benefit of the Interim Financing Facility in order to continue operations and to commence the SISP, with the intention of implementing a restructuring transaction that may see all or a portion of the Applicants' business sold as a going concern.

18. The affidavit of Dan Wilson, the Chief Executive Officer of each of the Companies, sworn September 26, 2022 (the "**DW Affidavit**"), has been filed in support of this Application and provides details and background of the Companies' operations and financial position, the various restructuring efforts to date, the reasons for the commencement of these proceedings and specifically the reasons for this application.
19. Further background on the Companies and their operations is contained in the materials filed in support of the Application, including the DW Affidavit. These documents, together with other information regarding the NOI, have been posted on the Proposal Trustee's website at www.alvarezandmarsal.com/sugarbud (the "**Case Website**").

ACTIVITIES OF THE COMPANIES AND THE PROPOSAL TRUSTEE

20. Prior to and since the Filing Date, the Proposal Trustee and the Companies' management ("**Management**") have engaged in the following activities:
 - a) the Proposal Trustee is preparing the initial notice to all known creditors to notify them of the NOI proceedings pursuant to section 50.4 (6) of the BIA (the "**Notice to Creditors**"). The Notice to Creditors, including a list of creditors, will be mailed to all known creditors prior to September 30, 2022 and posted on the Case Website.
 - b) Management, with the assistance of the Proposal Trustee, prepared a cash flow forecast statement (the "**Cash Flow Forecast**") for the 13-week period from September 26, 2022 to December 23, 2022 (the "**Forecast Period**"). The Cash Flow Forecast will be filed with the Office of Superintendent of Bankruptcy on or before October 6, 2022 in accordance with section 50.4(2) of the BIA. A copy of the Cash Flow Forecast is attached hereto as Appendix "**B**";
 - c) the Proposal Trustee engaged the services of Burnet, Duckworth & Palmer LLP ("**BD&P**") to act as its independent legal counsel;

- d) various discussions were held between the Proposal Trustee, its legal counsel, the Companies, the Companies' legal counsel and the Companies' lender, CFCU, relating to the Companies' strategic alternatives and options available prior to the Filing and matters relevant to the NOI proceedings, including reviewing and providing comments on the Companies' proposed SISP, KERP, Interim Financing Facility and the Charges and other relief being sought by the Companies in its Originating Application with the Court; and
- e) continued to monitor the Companies' financial affairs and activities.

SALES AND INVESTMENT SOLICITATION PROCESS

Overview

- 21. The Companies have determined that it is in the best interests of their creditors and other stakeholders for the Companies to undertake a restructuring process. The SISP is the central component of the restructuring process. The Companies, with the assistance of the Proposal Trustee, will market their business pursuant to a robust SISP which is designed to ensure that a wide range of potential interested parties are canvassed that will enable the Companies to receive the best possible offer to maximize value of their estates for the benefit of all stakeholders within the NOI proceedings.
- 22. Sugarbud, with the support of the Proposal Trustee, believes that the SISP provides for the greatest flexibility in soliciting and selecting bids from interested parties for the sale of or investment in the business or assets of the Companies, or for a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Companies, or some combination thereof, and will provide the greatest opportunity for the Companies to complete a restructuring of their operational and financial affairs.
- 23. CFCU supports the proposed SISP, provided that this Honourable Court approves the proposed Interim Financing Facility and the Interim Lender Charge.

Summary of the SISP

24. A copy of the SISP is attached as Appendix "C". The Proposal Trustee has summarized certain key points of the SISP below. All Potential Bidders (defined below) are advised to review the SISP document in detail.
25. Pursuant to the SISP, all qualified interested parties will be provided with an opportunity to participate in the SISP. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one or more components of the Property and business operations (the "**Business**") as a going concern or otherwise.
26. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "*as is, where is*" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.
27. The key components of the SISP are as follows (with capitalized terms used but not defined below intended to bear their respective meanings as defined in the SISP):
 - a) the Proposal Trustee, in consultation with the Companies, shall prepare a list of Potential Bidders, including; (i) parties that have approached the Companies and/or the Proposal Trustee indicating an interest in the Opportunity, (ii) strategic and financial parties who the Companies, in

consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP;

- b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the "**Notice**") to be published in The Globe and Mail (National Edition), and any other industry publication, website, newspaper or journal as the Companies, in consultation with the Proposal Trustee, consider appropriate, if any;
- c) the Companies will issue a press release with Canada Newswire and any relevant newswire such other jurisdictions as the Companies may deem necessary and advisable setting out the information contained in the Notice and such other relevant information which the Companies, in consultation with the Proposal Trustee, consider appropriate;
- d) the Companies, in consultation with the Proposal Trustee, will prepare and distribute a process summary (the "**Teaser Letter**") describing the Opportunity and outlining the process under the SISP. The Teaser Letter will invite interested parties to express their interest pursuant to the SISP and execute a non-disclosure agreement ("**NDA**") that is satisfactory to the Companies and the Proposal Trustee;
- e) Any party who wishes to participate in the SISP (each, a "**Potential Bidder**") must deliver to the Companies and the Proposal Trustee, an executed NDA, a letter setting forth the required information as laid out in the SISP and a form of financial disclosure and credit quality support that enables the Companies and the Proposal Trustee to understand the Potential Bidder's ability to consummate a potential transaction;
- f) If the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee,

determine that a Potential Bidder has satisfied the requirements as noted above and within the SISP procedure document, then the Potential Bidder will be deemed to be a **"Phase 1 Qualified Bidder"**;

- g) The Proposal Trustee, with the assistance of the Companies, shall prepare and send to each Phase 1 Qualified Bidder a confidential information memorandum providing additional information considered relevant to the Opportunity (the **"CIM"**) as well as access to a virtual data room (**"VDR"**) that will host additional confidential material with respect to the Opportunity;
- h) A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an **"LOI"**) to the Proposal Trustee at the address specified in the SISP procedure document, to be received by them not later than 5:00 PM (Calgary Time) on November 4, 2022 (the **"Phase 1 Bid Deadline"**);
- i) Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee and the Interim Lender, will assess the Qualified LOIs and select certain parties to advance to Phase 2 a **"Phase 2 Qualified Bidder,"** and shall be permitted to proceed to Phase 2 of the SISP;
- j) The Companies, in consultation with the Proposal Trustee, may prepare a bid process letter for Phase 2 (the **"Bid Process Letter"**) to be sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline;
- k) Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a **"Phase 2 Bid"**) that complies with all of the requirements in the SISP procedure document to the Proposal Trustee at the address specified, so as to be received by them not later

than 5:00 PM (Calgary Time) on December 9, 2022 or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**");

- l) Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee and the Interim Lender, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**";
- m) The Proposal Trustee will notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate;
- n) The Companies, in consultation with the Interim Lender and with the approval of the Proposal Trustee, will review and evaluate each Qualified Bid and identify the highest or otherwise best bid (the "**Successful Bid**"). The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee and in consultation with the Interim Lender, shall be subject to approval by this Honourable Court;
- o) the Companies and the Proposal Trustee shall take all necessary steps required to implement the transaction contemplated by the Successful Bid(s) and either the Companies or the Proposal Trustee, as applicable, shall apply to the Court (the "**Transaction Approval Motion**") for an order approving the Successful Bid(s) and authorizing the Companies to enter into any and all necessary agreements with respect to the Successful Bid(s) and to undertake such other actions as may be necessary or appropriate to implement and give effect to the Successful Bid(s); and

- p) the Companies and the Successful Bidder shall take all reasonable steps to complete the transaction contemplated by the Successful Bid as soon as possible after the Successful Bid is approved by the Court.

28. A summary of the timelines included in the proposed SISP are outlined in the chart as follows:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	As soon as reasonably practicable
Proposal Trustee to prepare and have available for Potential Bidders the CIM and Data Room	As soon as reasonably practicable
Phase 1 Bid Deadline	November 4, 2022
Phase 2 Bid Deadline	December 9, 2022
Transaction Approval Application Hearing	December 28, 2022
Closing Date Deadline	January 19, 2023

29. The Proposal Trustee may, at any time during the SISP, apply to this Honourable Court for advice and directions with respect to the discharge of its obligations and duties thereunder.

The Proposal Trustee's comments on the SISP

30. The Proposal Trustee is of the view that the implementation of the proposed SISP by the Proposal Trustee, in consultation with the Companies, is appropriate under the circumstances. The Proposal Trustee is of the respectful view that the SISP ought to be approved by this Honourable Court for the following reasons:

- a) the SISP provides a fair and transparent process which will be conducted in such a manner as to give potential bidders equal opportunity to express their interest in making an offer on the Companies' business and/or assets;

- b) the SISP provides for an initial five-week marketing process (Phase I) to sufficiently expose the Companies and its assets to the Canadian and US market;
 - c) no stakeholder, including secured creditors, appears likely to be prejudiced by the process;
 - d) the CFCU, as both the Companies' senior-secured lender and the Interim Lender, is supportive of the proposed SISP; and
 - e) the Proposal Trustee has significant experience in marketing distressed companies in these types of circumstances.
31. The Proposal Trustee is also of the view that time is of the essence in ensuring that an efficient restructuring of the business occurs in order to allow Sugarbud to continue to restructure its business affairs and to continue its operations as a going concern.

CASH FLOW FORECAST

32. The Companies, with the assistance of the Proposal Trustee, have prepared the Cash Flow Forecast.
33. A summary of the Cash Flow Forecast and select assumptions underlying same are as follows:
- a) total projected cash receipts of approximately \$564,000;
 - b) total operating cash disbursements forecast of approximately \$1.5 million and non-operating cash disbursements of approximately \$853,000, resulting in a net decrease in cash of approximately \$1.7 million during the Forecast Period; and
 - c) the proposed interim financing of approximately \$1.7 million will be required over the Forecast Period.

34. Significant assumptions made by the Companies with respect to the Cash Flow Forecast are included in Appendix "B".
35. Based on the assumption that the maximum \$2,000,000 is available for the Companies under the proposed Interim Financing Facility, it is currently estimated that the funds will be sufficient in order to allow the Companies to operate during the period contemplated in the SISP and to complete the NOI proceedings.

INTERIM FINANCING FACILITY

36. The Cash Flow Forecast indicates that, with access to the Interim Financing Facility of \$2,000,000, the Companies will be able to fund operations in the normal course of business and to complete the SISP and NOI proceedings. In contrast, without the Interim Financing Facility, the Companies will not have sufficient funds to operate.
37. The Companies are seeking to obtain and borrow under the Interim Financing Facility in order to finance the Companies' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$2,000,000 unless agreed to by the parties permitted by further order of this Honourable Court. Such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Companies and the Interim Lender, which is attached as Appendix "D".
38. The Interim Financing Facility will be available to the Companies from the target closing date, which is one business day after the Interim Financing Order is pronounced and entered by the Court, until the Maturity Date (defined in the Term Sheet). The Companies can request advances under the Credit Facility pursuant to the Approved Budget Forecast on a weekly basis or deemed necessary in the sole discretion of the Interim Lender. Amounts drawn and outstanding under the Credit Facility will bear interest at a rate equal to 12% *per annum*. The Interim's Lender Charge (discussed and defined below) will to secure the obligations owing under the Interim Financing Facility.

39. The Proposal Trustee has reviewed the terms and values within the Interim Financing Term Sheet and believe that they are consistent with this market and other insolvency proceedings of this nature. To gain comfort of the terms within the Interim Financing Term Sheet the Proposal Trustee reviewed historical term sheets from former NOI proceedings to ensure that the respective terms and values were consistent with other proceedings of this nature. Additionally, the Proposal Trustee was involved with the various discussions between the Companies, its counsel and the Interim Lender that led to the final terms and values of the Interim Financing Term Sheet. As such, the Proposal Trustee believes the terms and quantum that the Companies are seeking through the Interim Financing Term Sheet appear fair and reasonable under the circumstance.
40. Pursuant to section 50.6(5) of the BIA, the Proposal Trustee has reviewed the proposed Interim Financing Term Sheet and has considered the following factors:
- a) the period during which the Companies are expected to be subject to the proceedings under the BIA;
 - b) how the Companies' business and financial affairs are to be managed during the proceedings;
 - c) whether management has the confidence of its major creditor(s) impacted under these proceedings;
 - d) whether the Interim Financing Facility would enhance the prospects of a viable proposal being made in respect of the Companies; and
 - e) the nature and value of the Companies' property.
41. In consideration of the foregoing factors, the Proposal Trustee notes that the Companies currently have limited cash resources and may not be able to complete their restructuring and/or initiate the proposed SISP should the Interim Financing Facility not be approved by this Honourable Court. The Proposal Trustee further

notes that the Companies are carefully managing cash on a day-to-day basis with oversight from the Proposal Trustee.

42. The Proposal Trustee is further of the view that the Interim Financing Facility is warranted as without it, it would be exceedingly difficult for the Companies to successfully restructure under the NOI (or at all). Further, and in any event, in any probable realization strategy, a receiver, trustee or other administrator or manager would likely recommend expending a similar amount of funds in order to preserve and market the Companies and/or their assets.

CRITICAL SUPPLIER PRE-FILING PAYMENTS

43. Prior to the Filing, the Companies' management identified certain vendor's invoices totalling \$84,500 that were deemed critical (the "**Critical Supplier Invoices**"). However, the Companies' existing credit facility was fully utilized and as such they did not have available funds to pay these amounts.
44. On September 23, 2022, CFCU made funds available to the Companies in excess of the existing credit facility to process the Critical Supplier Invoices, thereby increasing the Companies' indebtedness to CFCU.
45. The Cash Flow Statement currently contemplates the repayment of the value of the Critical Supplier Invoices to CFCU in Week 1, utilizing funds made available pursuant to the proposed Interim Financing Facility.
46. The Proposal Trustee has reviewed the documentation underlying the Critical Supplier Invoices and is of the respectful view that they were (i) critical in nature and (ii) necessary to be paid to ensure not only the viability and stability of the Companies' business, but also to allow the Companies to continue their operations prior to and during the NOI proceedings.
47. The Proposal Trustee is of the respectful view that it is appropriate under the circumstances for this Honourable Court to permit the Companies to reimburse

CFCU for the Critical Supplier Invoices as contemplated by the Cash Flow Statement.

KEY EMPLOYEE RETENTION PLAN

48. Sugarbud's Board of Directors has identified a group of key personnel (the "**Key Employees**") who are critical to the Companies' restructuring efforts, supporting the SISP and managing the day-to-day operations.
49. In order to retain and incentivize the Key Employees as full-time employees, Sugarbud has developed the KERP. Under the provisions of the KERP, each of the Key Employees will receive a set amount, payable on achieving two milestones:
 - a) The Phase I Bid Deadline; and
 - b) the closing of a sale transaction under the proposed SISP.
50. The maximum aggregate amount of payments under the KERP is \$140,000 for six Key Employees, which represents approximately two months of additional salary for each individual. A detailed breakdown of the proposed amount is attached as Confidential Appendix "1".
51. The KERP was developed by Sugarbud in consultation with the Proposal Trustee, and their advisors, and is supported by CFCU. The Proposal Trustee is of the view that the KERP is reasonable and appropriate in the circumstances for the following reasons:
 - a) it will provide stability to the business and provides continuity of leadership and knowledge during the pendency of the NOI proceedings by encouraging the Key Employees to remain with Sugarbud for a reasonable period of time;
 - b) the Key Employees are critical to efficient and cost-effective execution of the SISP and their participation should enhance or maximize realizations for the benefit of stakeholders;

- c) identifying replacement management with the requisite sector experience and knowledge of the underlying business is not practical in the short term;
- d) certain Key Employees have indicated that they would consider alternative employment opportunities should there not be any material retention payment amounts made available;
- e) the number of Key Employees is proportionately reasonable to the size and nature of the business and the milestones are consistent with the timeline set out in the SISP;
- f) the Proposal Trustee considered the proposed KERP terms with those in other recent CCAA and NOI proceedings and is satisfied that the quantum of the KERP payments and the terms of the KERP are commercially reasonable and are not 'off-market' in the circumstances; and
- g) the KERP has been approved by the Companies' Board of Directors and is supported by CFCU, the senior-secured creditor and the proposed Interim Lender.

52. The Companies' Application provides for a KERP Charge in an amount not to exceed \$140,000 in favour of the Key Employees as security for all amounts becoming payable under the KERP. The KERP Charge is to rank in subordinate to all other encumbrances and Charges (defined below). The details of the KERP have been provided to this Honourable Court by the Proposal Trustee, subject to a sealing request made by the Companies.

PRIORITY CHARGES

Administration Charge

53. The Companies are seeking a charge (the "**Administration Charge**") up to a maximum of \$500,000 over the Property in order to secure payment of the fees and

disbursements of the Proposal Trustee, legal counsel for the Proposal Trustee and legal counsel for the Companies.

54. Given the tight liquidity constraints that the Companies have been operating under, there is a heightened risk to the timely funding of professional fees relating to these proceedings even if funds are ultimately available under the Interim Financing Facility, which is subject to approval by this Honourable Court. These proceedings require the prompt and vigorous involvement of professional advisors to guide and/or complete a successful proposal, accordingly, it is the Proposal Trustee's respectful view that the Administration Charge is reasonable and appropriate to ensure the continued support of the respective professionals in the Companies' efforts to restructure its affairs by way of a sale and marketing process and/or other possible restructuring options.

Interim Financing Charge

55. The Companies are seeking a charge (the "**Interim Financing Charge**") against the Property to secure obligations incurred on the Interim Financing Facility.
56. The Interim Financing Charge is necessary in order to ensure that the Interim Lender has security for the Interim Financing Facility. The proposed quantum of the advance under Interim Financing Facility has been determined based upon the projected cash flow needs set out in the Companies' Cash Flow Forecast.
57. It is the Proposal Trustee's respectful view that the Interim Financing Charge is reasonable and appropriate to ensure the working capital necessary to complete these proceedings.

Director's Charge

58. The Companies are seeking a charge (the "**Directors Charge**") against the Property to a maximum amount of \$200,000 as security for the Companies' obligation to indemnify such directors and officers for obligations and liabilities which they may incur in such capacities after the commencement of these proceedings, except to

the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

59. The Directors' Charge is intended to secure amounts that may be incurred post-Filing and address potential claims that may be brought against directors and officers that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.
60. The Companies require the services of their directors and officers to develop a viable proposal. The Companies' directors and officers have the technical knowledge, experience, and relationships necessary to maximize the value of the Companies and to guide it through a successful restructuring. In addition, the directors also have the required security clearances required with Health Canada to be able to operate in the cannabis sector.
61. The Proposal Trustee has reviewed the quantum of potential claims that may be brought against directors and officers by reviewing items such as source deduction obligations and GST/excise taxes. The Proposal Trustee is respectfully of the view that the Directors Charge is reasonable in the circumstances, particularly in light of the limitations on the scope of the Directors' Charge.

Ranking of Priority Claims

62. The priorities of the Administration Charge, the Interim Financing Charge, the Directors' Charge and the KERP Charge (collectively, the "**Charges**"), as among them, shall be as follows:
 - a) First: Administration Charge, up to the maximum amount of \$500,000;
 - b) Second: Interim Lender's Charge, to the extent drawn on the Interim Financing Facility and up to a maximum of \$2,000,000;
 - c) Third: Directors' Charge, up to the maximum amount of \$200,000; and
 - d) Fourth, KERP Charge, up to the maximum of \$140,000.

63. Each of the Charges shall constitute a charge on the Property and subject always to section 136 of the BIA and the Charges (if granted) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person.

APPLICATION TO EXTEND THE TIME TO PREPARE A PROPOSAL

64. Unless it is extended, the Initial Stay Period will expire on October 26, 2022. The Companies are seeking an extension of the period in which it is required to file a proposal to December 10, 2022 pursuant to section 50.4 (9) of the BIA (the "**Proposed Stay Extension**").
65. The Proposal Trustee considered the following factors regarding the Stay Extension:
- a) the Companies are acting in good faith and with due diligence;
 - b) the Companies will likely be able to make a viable proposal if the Initial Stay Period were to be extended; and
 - c) no creditor in these proceedings will materially prejudiced if the extension were to be granted.
66. The Proposal Trustee has considered the request of the Companies for the Proposed Stay Extension and the circumstances currently present facing the Companies the Proposal Trustee is supportive of a 45 day stay extension to December 10, 2022, which should serve to provide the Companies with the continued time required to facilitate the proposed SISP.

PROPOSAL TRUSTEE'S RECOMMENDATIONS

67. The Trustee recommends that this Honourable Court approve:
- a) the SISP;
 - b) the Interim Financing Term Sheet and Interim Financing Facility;

- c) the KERP;
- d) the sealing order respecting the KERP; and
- e) the Proposed Stay Extension.

All of which is respectfully submitted this 27th day of September, 2022

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposal Trustee of
SugarBud Craft Growers Corp, Trichome Holdings Corp,
And 1800905 Alberta Ltd., and
not in its personal or corporate capacity**



Orest Konowalchuk, LIT
Senior Vice-President



Bryan Krol
Director

APPENDIX "A"



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2868952
Estate No. 25-2868952

In the Matter of the Notice of Intention to make a proposal of:

SugarBud Craft Growers Corp.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 27, 2022, 09:46

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2868957
Estate No. 25-2868957

In the Matter of the Notice of Intention to make a proposal of:

Trichome Holdings Corp.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 27, 2022, 09:52

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2868949
Estate No. 25-2868949

In the Matter of the Notice of Intention to make a proposal of:

1800905 Alberta Ltd.

Insolvent Person

ALVAREZ & MARSAL CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

September 26, 2022

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 27, 2022, 09:44

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada

APPENDIX "B"

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.

Management Prepared 13 Week Cash Flow Forecast

For the period September 26, 2022 to December 23, 2022

unaudited, in CAD \$000's

	Forecast Period													Total
	Week 1 30-Sep-22	Week 2 7-Oct-22	Week 3 14-Oct-22	Week 4 21-Oct-22	Week 5 28-Oct-22	Week 6 4-Nov-22	Week 7 11-Nov-22	Week 8 18-Nov-22	Week 9 25-Nov-22	Week 10 2-Dec-22	Week 11 9-Dec-22	Week 12 16-Dec-22	Week 13 23-Dec-22	Total Week 1 to Week 13
Cash Receipts														
Alberta (AGLC)	-	-	-	-	-	-	107	-	-	-	-	50	50	207
BC (BCLBD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ontario (OCS)	-	-	-	52	-	-	-	-	-	102	94	50	50	348
Yukon (YLC)	3	-	-	-	-	-	-	-	-	-	-	-	-	3
Other (Medical Sales)	-	-	-	-	6	-	-	-	-	-	-	-	-	6
Total Cash Receipts	3	-	-	52	6	-	107	-	-	102	94	100	100	564
Operating Cash Disbursements														
Payroll and Employee Benefits	109	-	97	36	97	-	-	133	-	97	-	133	-	701
Insurance	-	-	10	-	-	7	-	10	-	7	-	10	50	93
Excise Taxes	-	-	-	-	-	-	-	63	-	-	-	50	-	113
Utilities and Taxes	-	-	-	-	44	-	-	-	-	9	35	-	-	87
Production Components, Supplies and Services	-	4	10	-	4	-	-	14	-	4	2	10	-	47
Facility Maintenance and Services	2	9	10	-	1	9	4	5	-	10	4	5	1	60
Health Canada License and Excise Fee	62	-	-	-	-	-	-	-	-	-	-	-	-	62
Cultivation Components and Supplies	16	-	14	-	-	-	-	14	-	-	-	14	-	58
IT and Compliance Software fees	6	4	0	-	9	1	-	0	2	7	1	0	2	31
Facility PPE	5	3	-	-	5	-	3	-	-	5	3	-	5	28
Freight	6	6	-	2	-	-	-	8	-	-	-	8	-	30
Compliance Fees	-	-	-	-	-	2	-	-	-	-	-	-	-	2
Critical Supplier Pre-Filing Payments	84	-	-	-	-	-	-	-	-	-	-	-	-	84
Contingency	-	-	-	-	20	-	-	-	20	-	-	-	-	60
Total Operating Cash Disbursements	228	87	140	38	181	17	6	246	22	138	44	230	78	1,455
Non-Operating Cash Disbursements														
Proposal Trustee Fees	-	86	75	-	125	-	-	-	110	-	-	-	100	496
Proposal Trustee Counsel Fees	-	40	-	-	40	-	-	-	30	-	-	-	30	140
MLT Atkins Fees	-	50	-	-	30	-	-	-	30	-	-	-	30	140
Sikeman Elliot	-	-	5	-	-	-	-	5	-	-	-	-	-	10
Proposed Key Employee Retention Plan	-	-	-	-	-	35	-	-	-	-	-	-	-	35
Working Capital Corporation	-	11	-	11	-	11	-	-	-	-	-	-	-	32
Total Non-Operating Cash Disbursements	-	187	80	11	195	46	-	5	170	-	-	-	160	853
Net Cash Flow	(226)	(274)	(220)	4	(369)	(63)	101	(251)	(192)	(36)	50	(130)	(138)	(1,743)
Opening Cash	-	(226)	(489)	(720)	(716)	(,085)	(1,148)	(1,047)	(1,298)	(1,490)	(1,526)	(1,476)	(1,605)	-
Net Cash Flow	(226)	(274)	(220)	4	(369)	(63)	101	(251)	(192)	(36)	50	(130)	(138)	(1,743)
Closing Cash	(226)	(499)	(720)	(716)	(1,085)	(1,148)	(1,047)	(1,298)	(1,490)	(1,526)	(1,476)	(1,605)	(1,743)	(1,743)

UNAUDITED CASH FLOW FORECAST TO BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & PROPOSAL TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

SugarBud Craft Growers Corp., Trichome Holdings Corp.

and 1800905 Alberta Ltd.

Dan Wilson
Interim CFO, President, CEO & Chairman

Alvarez & Marsal Canada Inc. - Proposal Trustee


Orest Konowalchuk, LIT
Senior Vice President

**In the Matter of the Notice of Intention to make a Proposal of
SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.**

**Notes to the Consolidated Statement of Cash Flow for the 13-week
period ending December 23, 2022**

Purpose and General Assumptions of the Cash Flow Statement

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. (collectively, the **"Companies"** or **"Sugarbud"**) have prepared this Cash Flow Statement and the accompanying Notes to the Cash Flow Statement (collectively the **"Cash Flow Statement"**) in support of the proposal proceedings that have been filed under the Bankruptcy and Insolvency Act (**"BIA"**) on September 26, 2022.

Alvarez & Marsal Canada Inc. is the Proposal Trustee in this matter (the **"Proposal Trustee"**). The Cash Flow Statement should be read in conjunction with the Report on Cash Flow Statement by the Companies (Form 30 under the BIA) and also with the Proposal Trustee's Report on Cash Flow Statement (Form 29 under the BIA).

The Companies have prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Companies' planned course of action for the period from September 26, 2022 to December 23, 2022 (the **"Cash Flow Period"**). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Companies and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The Cash Flow Statement has been developed pursuant to subsection 50 (6) of the BIA and is in support of these BIA proceedings. The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary.

This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

The projected cash flow statement is prepared in thousand Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. Alberta (AGLC) Receipts: Represents forecast collections from the Alberta Gaming and Liquor Corporation (AGLC), a crown corporation who is the sole authorized distributor for the province. 15 day payment terms from the date of shipping have been assumed for collections. A 2% discount has been included as per the payment terms stipulated in the supply agreement. Estimated Week 12 and Week 13 collections based on historical monthly sales figures, inventory levels, and input from Sugarbud management.
2. British Columbia (BCLBD) Receipts: Represents forecast collections from the BC Liquor Distribution Branch (BCLDB), a crown corporation who is the sole authorized distributor for the province. 30 day payment terms have been assumed, based on historical payments terms.
3. Ontario (OCS) Receipts: Represents forecast collections from the Ontario Cannabis Store (OCS), a crown corporation who is the sole authorized distributor for the province. 60 day payment terms from the date of shipping have been assumed, based on historical collections. A 0.3% data

subscription fee has been included as per the supply agreement. Estimated Week 12 and Week 13 collections based on historical monthly sales figures, inventory levels, and input from Sugarbud management.

4. Yukon (YLC) Receipts: Represents forecast collections from the Yukon Liquor Corporation (YLC), a crown corporation who is the sole authorized distributor for the territory. 30 day payment terms from the date of shipping have been assumed, based on historical collections and stipulated in the supply agreement.
5. Forecast receipt of amount outstanding of \$6,320 as per medical sale agreement with Mendo Cannabis. Payments have not been received for shipments since February 2022, and as a result no further sales will be made until collections are received.
6. Payroll and Employee Benefits: Payroll includes estimated employee and CEO payroll, Alberta Workers' Compensation Board (WCB) payments, and employee group benefits. Amounts do not include payment of outstanding source deductions (approximately \$263,000) or outstanding employee expenses (approximately \$154,000). Amounts also include forecast costs of one contractor who completes bookkeeping and accounting services for SugarBud. Alberta WCB and employee group benefit payments have been assumed on the third week of each month beginning after commencement of the proposal proceedings. Payroll amounts assume furlough program initiated by Sugarbud management that commences on October 1, 2022. This involves the furlough of certain non-essential employees for 90 days and is expected to result in bi-weekly payroll savings which have been reflected in the cash flow beginning in Week 3. The furlough has an associated severance liability of approximately \$80,000 which is payable in January 2023.
7. Insurance includes product recall insurance, property, equipment breakdown, general liability insurance and D&O insurance. Regular payments to be made after commencement of the proposal proceedings for the product recall and property, equipment breakdown, and general liability policies. Previous amounts owing assumed to be stayed due to the proposal proceedings, and as a result only regular monthly payments are to be made after the date of filing. Assuming that a \$50,000 renewal is completed for the D&O insurance policy during Week 13.
8. Excise Tax Payment: It is assumed excise tax payments incurred prior to commencement of the proposal proceedings are stayed. Management estimates that Sugarbud has approximately \$1.1 million in outstanding excise taxes owing as at July 31, 2022. Excise taxes owing during the forecast period are assumed to be paid by the Companies in normal course. Excise tax estimates based on historical amounts paid and input from the Companies management.
9. Utilities and Taxes include forecast monthly electricity, natural gas, water, property taxes, and backup power charges. It is assumed that all amounts owing prior to commencement of the proposal proceedings are to be stayed. Post-filing utility payments are to be made in normal course and are based on historical costs and input from the Companies management.
10. Production Components, Supplies and Services: Production components and supplies include critical production components required for revenue generating PO fulfillment. Includes product jars, lids, labels, tubes, seals, QA/QC test kits and supplies, lab release certificates and costs. Forecast based on historical averages and input from Sugarbud management.

11. Facility Maintenance and Services: Includes waste and recycling services, mechanical maintenance and lease payments, lease payments on facility operating equipment, sanitation and maintenance supplies.
12. Annual fee required for Health Canada license and excise tax account. This does not include payment for Cannabis Fee Order levy for April 1, 2021 to March 31, 2022, which is assumed to be stayed upon commencement of the proposal proceedings.
13. Cultivation Components and Supplies: Payments for cultivation supplies such as nutrients, pest management supplies and Grodan blocks. Forecast based on historical averages and input from Sugarbud management.
14. IT and Compliance Software Fees: Includes seed to sale IT software, NAV 365 ERP software costs, and facility security monitoring fees.
15. Facility PPE: Includes payments to Cintas Corporation for production and cultivation personal protective equipment.
16. Payments to freight companies which transport product to provincial distribution centers. It is assumed that amounts owing prior to the commencement of the proposal proceedings are stayed. Post-filing freight payments to be made based on price per PO shipment.
17. Compliance fees include forecast TSX administrative fees.
18. Critical Supplier Pre-Filing Payments: The payment of approximately \$84,000 in certain critical vendor invoices which were made before the proposal proceedings commenced and required to ensure the continuing operation of the Companies. These payments made prior to the proposal proceedings are to be, subject to Court approval, reimbursed from the funds made available through the proposed interim financing facility.
19. A contingency of \$20,000 per month has been assumed to account for unexpected costs that the Companies may incur during the proposal proceedings.
20. Forecast professional fees of the Proposal Trustee, its legal counsel (Burnet, Duckworth & Palmer LLP) and those fees and costs of the Companies' legal advisors. The estimated fees and costs associated with the administration of the proposed SISP are reflected in the fees and costs of the Proposal Trustee as it is assumed (subject to court approval) that the Proposal Trustee will be administering the SISP in these proceedings.
21. Key Employee Retention Plan (KERP): Includes retention payments to six employees who are critical for the day-to-day operations of the Companies and the preservation of the Companies' Health Canada license. These six employees include the CEO, director of production, national sales director, QAP manager, security lead and facility manager. The KERP involves the payment of approximately \$35,000 upon the receipt of bids, forecast for Week 6, and a second retention payment of approximately \$135,000 upon the closing of a transaction in January 2023.
22. Forecast payments to Working Capital Corporation for the completion of Q2 2022 (June 30, 2022) financial statements. The filing timeline for the Q2 2022 financial statements has been extended to September 29, 2022.

**UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ
IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE
CASH FLOW STATEMENT**

SugarBud Craft Growers Corp.,
Trichome Holdings Ltd. and
1800905 Alberta Ltd.

Trustee – Alvarez & Marsal Canada Inc.



Dan Wilson
Interim CFO, President, CEO & Chairman

Date: September 26, 2022



Orest Konowalchuk, LIT
Senior Vice-President

Date: September 26, 2022

APPENDIX "C"

Sale and Investment Solicitation Process

Introduction

1. On September 26, 2022, each of SugarBud Craft Growers Corp. ("**SugarBud**"), Trichome Holdings Corp. ("**Trichome**") and 1800905 Alberta Ltd. d/b/a 'Sugarbud' ("**180 Alberta**"), each a "**Company**" and collectively, the "**Companies**") filed a Notice of Intention to Make a Proposal (each, an "**NOI**") pursuant s.50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**") in Estate Nos •, • and • (the "**NOI Proceedings**").
2. Alvarez & Marsal Canada Inc. is the proposal trustee of each of the Companies in the NOI Proceedings (in such capacity, the "**Proposal Trustee**").
3. On September 29, 2022, the Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**") granted Orders in the NOI Proceedings, among other things:
 - (a) extending the stay of proceedings in respect of the Companies pursuant to the NOI until December 12, 2022;
 - (b) authorizing the Companies to enter into an interim financing agreement (the "**Interim Financing**") with Connect First Credit Union Ltd. ("**Connect First**" or the "**Interim Lender**") whereby Connect First agreed to provide a maximum principal amount of \$2,000,000 in financing to the Companies, as well as granting a charge over all of the Companies' present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof; and
 - (c) authorizing the Companies, with the assistance of the Proposal Trustee, to pursue all avenues of sale of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
4. In this regard, the Proposal Trustee will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Companies and with the approval of the Court pursuant to a Court order dated September 29, 2022 (the "**SISP Order**"). The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the Business (as defined herein) of the Companies by way of sale, merger, reorganization, recapitalization, equity issuance or other similar transaction. The Companies intend to provide all qualified interested parties with an opportunity to participate in the SISP.
5. This document (the "**SISP Procedure**") outlines the SISP, which is comprised of two phases ("**Phase 1**" and "**Phase 2**", respectively).
6. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Alberta (each, a "**Business Day**") shall be deemed to occur on the next Business Day.

Opportunity

7. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one

or more components of the Companies' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.

8. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Timeline

9. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	October 5, 2022
Proposal Trustee to prepare and have available for Potential Bidders the CIM and Data Room	October 7, 2022
Phase 1 Bid Deadline	November 4, 2022
Phase 2 Bid Deadline	December 9, 2022
Transaction Approval Application Hearing	December 28, 2022
Closing Date Deadline	January 19, 2023

The dates set out in the SISP may be extended by the Proposal Trustee with the consent and approval of the Interim Lender.

SOLICITATION OF INTEREST: NOTICE OF THE SISP

10. As soon as reasonably practicable, but in any event by no later than October 5, 2022:
- (a) the Companies, in consultation with the Proposal Trustee, will prepare a list of Potential Bidders (as defined herein), including:
 - (i) parties that have approached the Companies or the Proposal Trustee indicating an interest in the Opportunity; and
 - (ii) local and international strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP,
 (collectively, "**Known Potential Bidders**");
 - (b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant

information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the "Notice") to be published in The Globe and Mail (National Edition), and any other industry publication, website, newspaper or journal as the Companies, in consultation with the Proposal Trustee, consider appropriate, if any;

- (c) the Companies will issue a press release with Canada Newswire setting out the information contained in the Notice and such other relevant information which the Companies, in consultation with the Proposal Trustee, consider appropriate designating dissemination in Canada; and
 - (d) the Companies, in consultation with the Proposal Trustee, will prepare:
 - (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
 - (ii) a non-disclosure agreement in form and substance satisfactory to the Companies and the Proposal Trustee, and their respective counsel (an "**NDA**").
11. The Proposal Trustee shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than October 7, 2022 and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Companies or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

PHASE 1: NON-BINDING LOIS

Qualified Bidders and Delivery of Confidential Information Memorandum

12. Any party who wishes to participate in the SISP (each, a "**Potential Bidder**") must deliver to the Companies and the Proposal Trustee, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Companies and the Proposal Trustee:
- (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Companies or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
 - (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
 - (c) a form of financial disclosure and credit quality support or enhancement that allows the Companies and the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a Sale Proposal or Investment Proposal (as each is defined herein), as applicable.
13. If the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, determine that a Potential Bidder has:
- (a) delivered the documents contemplated in paragraph 12 above; and

- (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,

then such Potential Bidder will be deemed to be a **"Phase 1 Qualified Bidder"**. For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies.

14. At any time during Phase 1 of the SISP, the Companies may, in their reasonable business judgment and after consultation with the Interim Lender and the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Phase 1 Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a Phase 1 Qualified Bidder for the purposes of the SISP.
15. The Proposal Trustee, with the assistance of the Companies, shall prepare and send to each Phase 1 Qualified Bidder a confidential information memorandum providing additional information considered relevant to the Opportunity (the **"CIM"**). The Companies and the Proposal Trustee and their respective advisors make no representation or warranty as to the information contained in the CIM or otherwise made available pursuant to the SISP, except to the extent expressly contemplated in any definitive sale or investment agreement with a successful bidder ultimately executed and delivered by the Companies.
16. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Companies.

Due Diligence

17. The Proposal Trustee, in consultation with the Companies, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to due diligence material and information relating to the Property and Business as they or the Proposal Trustee deem appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Companies, in their reasonable business judgment and after consulting with the Proposal Trustee, may agree.
18. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Companies nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Companies, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

Non-Binding Letters of Intent from Phase 1 Qualified Bidders

19. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an **"LOI"**) to the Proposal Trustee at the address specified in Schedule "I" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on November 4, 2022 (the **"Phase 1 Bid Deadline"**).

20. Subject to paragraph 44, an LOI will only be considered a qualified LOI (a "**Qualified LOI**") if:
- (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
 - (b) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
 - (i) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); or
 - (ii) make an investment in, restructure, reorganize or refinance the Business or the Companies (an "**Investment Proposal**");
 - (c) in the case of a Sale Proposal, it identifies or contains the following:
 - (i) the Purchase Price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
 - (iv) a description of the conditions and approvals required for a final and binding offer;
 - (v) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
 - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
 - (d) in the case of an Investment Proposal, it identifies or contains the following:
 - (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Companies in Canadian dollars;
 - (iii) the underlying assumptions regarding the *pro forma* capital structure;
 - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
 - (v) a description of the conditions and approvals required for a final and binding offer;
 - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
 - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and

- (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Proposal Trustee or the Companies.

Preliminary Assessment of Phase 1 Bids and Subsequent Process

21. Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee and the Interim Lender, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:

- (a) has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as the case may be); and
- (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a "**Phase 2 Qualified Bidder**", provided that the Companies may, in their reasonable business judgment and, with the approval of the Proposal Trustee, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders from the process) taking into account the factors identified in paragraph 22 hereof and any material adverse impact on the operations and performance of the Companies. Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SISF. No Phase 1 Qualified Bidder that has submitted a Qualified LOI shall be deemed not to be a Phase 2 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies and the Interim Lender.

22. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to:

- (a) the number of Qualified LOIs received;
- (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve Investment Proposals predicated on certain Property or Business;
- (c) the scope of the Property or Business to which any Qualified LOIs may relate; and
- (d) whether to proceed by way of sealed bid or auction with respect to some or all of the Property.

23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline (as defined herein), and any other deadlines or timeframes hereunder, shall be extended by the same time period, as necessary.

24. Following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 21 and 22 hereof, the Companies, in consultation with the Proposal Trustee, may prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") to be sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline.

PHASE 2: FORMAL OFFERS AND SELECTION OF SUCCESSFUL BIDDER

25. Paragraphs 27 to 34 below and the conduct of Phase 2 are subject to paragraphs 21 to 24, above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

Formal Binding Offers

26. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the following requirements to the Proposal Trustee at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on December 9, 2022 or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**"):
- (a) the bid shall comply with all of the requirements set forth in paragraph 20 above in respect of Phase 1 Qualified LOIs;
 - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property or Business and is consistent with any necessary terms and conditions established by the Companies and the Proposal Trustee and communicated to Phase 2 Qualified Bidders;
 - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
 - (d) the bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
 - (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Companies and the Proposal Trustee to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
 - (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;

- (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
 - (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Proposal Trustee (a "**Deposit**") in the amount of not less than 10% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 10% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
 - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
 - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Companies or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Companies;
 - (k) the bid is received by the Phase 2 Bid Deadline; and
 - (l) the bid contemplates closing the transaction set out therein on or before January 19, 2023.
27. Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee and the Interim Lender, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Phase 2 Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).
28. The Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate.
29. If the Proposal Trustee, in consultation with the Company and the Interim Lender, is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee may, with the approval of the Interim Lender, elect to (i) extend the Phase 2 Bid Deadline or (ii) seek Court approval to formally amend to the SISP.

30. The Companies may, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

Evaluation of Competing Bids

31. The Companies, in consultation with the Proposal Trustee, and the Interim Lender, will evaluate Qualified Bids based upon several factors including, without limitation:
- (a) the Purchase Price and the net value provided by such bid;
 - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
 - (c) the proposed transaction documents;
 - (d) factors affecting the speed, certainty and value of the transaction;
 - (e) the assets included or excluded from the bid;
 - (f) any related restructuring costs; and
 - (g) the likelihood and timing of consummating such transaction.

Selection of Successful Bid

32. The Companies, in consultation with the Interim Lender and with the approval of the Proposal Trustee, will:
- (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Companies, in consultation with the Proposal Trustee and the Interim Lender, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
 - (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**") for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee and in consultation with the Interim Lender, shall be subject to approval by the Court.
33. The Companies shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee and the Interim Lender, to reject any or all Phase 2 Qualified Bids.

Transaction Approval Application Hearing

34. At the hearing of the application to approve any transaction with a Successful Bidder (the "**Transaction Approval Application**"), the Companies shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Companies on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

35. All discussions regarding a Sale Proposal, Investment Proposal, LOI or Phase 2 Bid should be directed through the Proposal Trustee. Under no circumstances should the management of the Companies be contacted directly without the prior consent of the Proposal Trustee. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP process.
36. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Companies, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Companies, with the approval of the Proposal Trustee and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
37. In addition to the consultation rights granted to the Interim Lender, the Proposal Trustee may consult with any other parties with a material interest in the BIA proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Proposal Trustee (subject to paragraph 36 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Companies and the Proposal Trustee.

Deposits

38. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at financial institution in Canada.
39. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid.
40. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Companies select a Successful Bid pursuant to section • hereof or the Court declares a Successful Bid pursuant to section • hereof.
41. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Company has in respect of such breach or default.
42. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder.

Supervision of the SISP

43. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP by the Companies and, without limitation to that supervisory role, the Proposal Trustee will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other orders of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
44. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty,
- (a) deem a non-compliant LOI to be a Qualified LOI; and
 - (b) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
45. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Companies or the Proposal Trustee and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Companies.
46. Without limiting the preceding paragraph, the Proposal Trustee shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, the Interim Lender or any other creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Proposal Trustee. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Proposal Trustee.
47. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
48. Without limiting in any way the intent and effect of the applicable provisions of the Interim Financing in respect of the SISP, and subject to the terms of the SISP Order, the Companies shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) with the prior written approval of the Proposal Trustee and the Interim Lender if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the NOI Proceedings shall be advised of any substantive modification to the procedures set forth herein.
49. In order to discharge its duties in connection with the SISP the Proposal Trustee may engage professional or business advisors or agents as the Proposal Trustee deems fit in its sole discretion.

Disclosure of Information to the Interim Lender

50. The Interim Lender shall have full and complete access to all Qualified LOIs, Phase 2 Qualified Bids and related materials and the Proposal Trustee, in consultation with the Companies, shall periodically update the Interim Lender on the SISP and the prospect of a Successful Bid being completed thereunder.

Further Orders

45. At any time during the SISP, the Proposal Trustee, the Companies, or the Interim Lender may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.

APPENDIX "D"

Confidential - For Discussion Purposes Only

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.

September 23, 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 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 "**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, 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 Order) and only up to the amounts set out in the Initial 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 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) the Interim Financing Order must not be vacated, stayed, amended (without the Lender's consent), appealed or otherwise caused to become ineffective
- (d) 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

- (e) 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 SISP, 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 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, 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;

- (l) 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;
- (m) 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;
- (n) Will not merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;
- (o) 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;
- (p) 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 associated with any appraisals;
- (q) 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;
- (r) Shall notify the Lender within one (1) Business Day of any Account Debtor notifying the Borrower that they are contesting any invoice;
- (s) will pay only those expenditures set out in the Approved Budget Forecast, or such other expenditures the Lender and Trustee consent to in writing, as outlined in greater detail in the Approved Budget Forecast section below;
- (t) 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;

- (u) 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;
- (v) provide the Lender with any financial or other information reasonably requested by the Lender; and
- (w) 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. 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 September 26, 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 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 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 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, 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 17, 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 and Lender.

18. 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;
- (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 constituting 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 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, and the BIA Proposal Proceedings and litigation proceedings stayed by the NOI, 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 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 the circumstances under which such information was provided.

19. 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.

20. 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.

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CFCU/SugarBud Craft Growers Corp. Term Sheet

Page 14 of 14

- 21. 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.
- 22. 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.
- 23. 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 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 .
- 24. 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.
- 25. 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.
- 26. 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
- 27. Lender Counsel:** Dentons Canada LLP
- 28. 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 September 29, 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]

Confidential**CFCU/SugarBud Craft Growers Corp. Term Sheet**

Signature Page

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

Name**Title**

Signed*Signature Page to Binding Term Sheet*

Confidential
CFCU/SugarBud Craft Growers Corp. Term Sheet

Signature Page

Accepted this__ day of September, 2022

SUGARBUD CRAFT GROWERS CORP. as Borrower

Name	Title
------	-------

Signed
I have authority to bind the Corporation

Trichome Holdings Corp., as Guarantor

Name	Title
------	-------

Signed
I have authority to bind the Corporation

1800905 Alberta Ltd., as Guarantor

Name	Title
------	-------

Signed
I have authority to bind the Corporation

Signature Page to Binding Term Sheet

**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-•, 25-•, 25-• 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.
"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 documents contemplated by this Term Sheet and the Security.
"Interim 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
"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, following the filing of the NOIs, 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 SISF;
- (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;
- (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 dated 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.

“Lien”

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

"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 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;
- (j) 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;
- (k) 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
- (l) 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 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.

"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.
"Real Estate Collateral"	means the real property located at 5822 52 Street, Stavely, 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 23, 2022	NOI filed
September 29, 2022	Issuance of Initial Order, including Interim Financing Charge and Approval of the SISP
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
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 SISP.

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APPENDIX "1"

Intentionally Omitted

THIS IS **EXHIBIT "C"** TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT Calgary, Alberta,
this 7th day of October 2022.



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor

COURT FILE NUMBER 25-2868952
25-2868957
25-2868949

COURT COURT OF KING'S BENCH OF
ALBERTA

JUDICIAL CENTRE CALGARY



COM

MATTER IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*
ACT, R.S.C. 1985, c. B-3, AS AMENDED,

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF SUGARBUD CRAFT GROWER
CORP.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF TRICHOME HOLDINGS CORP.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF 1800905 ALBERTA LTD.

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

DOCUMENT: **ORDER (APPROVAL OF PROCEDURAL CONSOLIDATION,
INTERIM FINANCING CHARGE, KERP CHARGE, SISP,
D&O CHARGE, AND ADMINISTRATION CHARGE)**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MLT AIKINS LLP
2100 Livingston Place
222 - 3rd Avenue S.W.
Calgary, AB T2P 0B4
Solicitor : Ryan Zahara/Chris Nyberg
Phone Number: 403-693-5420/2636
Email: rzahara@mltaikins.com/cnyberg@mltaikins.com
Fax Number: 403.508.4349
File No.: 0158011/00001

DATE ON WHICH ORDER WAS PRONOUNCED: SEPTEMBER 29, 2022

LOCATION OF HEARING OR TRIAL: CALGARY, ALBERTA

JUSTICE WHO MADE THIS ORDER: HONOURABLE JUSTICE D.B. NIXON

UPON THE APPLICATION of Sugarbud Craft Grower Corp. ("**SCGC**"), Trichome Holdings Corp. ("**THC**"), and 1800905 Alberta Ltd. ("**Op Co**", and together with SCGC and THC, "**Sugarbud**" or the "**Applicants**") served on September 26 2022; AND UPON reading Affidavit of Daniel T. Wilson sworn September 26 2022 (the "**Wilson Affidavit**") and the First Report of the Proposal Trustee dated September 27, 2022 (the "**First Report**"); AND UPON hearing submissions by counsel for Sugarbud, counsel for Alvarez & Marsal Canada Inc., in its capacity as proposal trustee of the Applicants (the "**Proposal Trustee**") and counsel for Connect First Credit Union Ltd. and any other counsel or other interested parties present,

IT IS HEREBY ORDERED THAT:

Service

1. The time for service of the notice of application for this order (the "**Order**") is hereby abridged and deemed good and sufficient and this application is properly returnable today, and no other than those persons served is entitled to service of the notice of application.

Defined Terms

2. Unless otherwise indicated, all capitalized terms used herein and not otherwise defined shall have the meanings used in the Wilson Affidavit or the IF Term Sheet (as defined below).

Procedural Consolidation

3. The bankruptcy estates of the Applicants, SCGC (Estate No. 25-2868952), THC (Estate No. 25-2868957) and Opco (Estate No. 25-2868949) and, collectively, the "**Estates**") shall, subject to further order of the Court, be procedurally consolidated and shall continue under Estate No. 25-2868952 such capacity the "**Consolidated Proposal Proceeding**".
4. Without limiting the generality of the foregoing, the Proposal Trustee of the Applicants is hereby authorized and directed to administer the Estates on a consolidated basis for all purposes in carrying out its administrative duties and other responsibilities as proposal trustee under the BIA as if the Consolidated Proposal Proceeding were a single proceeding under the BIA, including without limitation:
 - (a) the meeting of creditors of the Applicants may be convened and conducted jointly;

- (b) the Proposal Trustee is authorized to issue consolidated reports in respect of the Applicants; and
 - (c) the Proposal Trustee is authorized to deal with all filings and notices relating to the proposal proceedings of the Applicants, each as required under the BIA on a consolidated basis.
5. Any pleadings or other documents served or filed in the Consolidated Proposal Proceeding by any party shall be deemed to have been served or filed in each of the proceedings comprising the Consolidated Proposal Proceeding.
6. A copy of this Order shall be filed by the Applicants in the court file for each of the Estates but any subsequent document required to be filed will be hereafter only be required to be filed in the Consolidated Proposal Proceeding in Estate No. 25-2868952.
7. The procedural consolidation of the Estates pursuant to this Order shall not:
- (a) affect the legal status or corporate structure of the Applicants; or
 - (b) cause any of the Applicants to (i) be liable for any claim for which they are otherwise not liable, or (ii) have an interest in an asset to which it otherwise would not have.
8. The Estates are not substantially consolidated, and nothing in this Order shall be construed to that affect.
9. The Proposal Trustee or the Applicants may apply to this Court for advice and directions with respect to the implementation of this Order or with respect to any other matter relating to the procedural and or substantive consolidation of the Estates.

Extension of Time to File Proposal

10. Pursuant to subsection 50.4(9) of the BIA, the period within which the Applicants are required to file a proposal to its creditors with the Official Receiver under subsection 62(1) of the BIA shall be and is hereby extended until December 10, 2022.

Approval of the SISP

11. The SISP and the SISP Procedures, substantially in the form attached as Schedule "A" hereto, shall be and are hereby approved and the Applicants and the Proposal Trustee are authorized and directed to carry out the SISP in accordance with the SISP Procedures and this Order, and are hereby authorized and directed to take such steps as they consider necessary or appropriate in carrying out each of their obligations thereunder, subject to prior to approval of this Court being obtained before the completion of any transaction(s) resulting from the SISP.

Administration Charge

12. Legal counsel to the Applicants, MLT Aikins LLP, and the Proposal Trustee and its legal counsel Burnett, Duckworth and Palmer LLP, (collectively, the "**Administrative Professionals**") as security for their respective professional fees and disbursements incurred both before the commencement of the NOI proceeding and before or after the granting of this Order, shall be entitled to the benefit of, and are hereby granted, a first ranking charge (the "**Administration Charge**") on all of the Applicants' present and after-acquired assets, property and undertakings (the "**Property**"), which charge shall not exceed \$500,000 as security for the Administrative Professionals' professional fees and disbursements incurred at normal rates and charges, both before and after the commencement of the NOI Proceedings and the making of this Order.

Interim Financing and Interim Lender's Charge

13. The Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from Connect First Credit Union Ltd. (the "**Interim Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$2,000,000 unless permitted by further order of this Court.
14. Such credit facility shall be substantially on the terms and subject to the conditions set forth in the term sheet between the Applicants and the Interim Lender (the "**IF Term Sheet**"), a copy of which is appended at Exhibit "J" to the Wilson Affidavit.
15. The Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs, and security documents, guarantees and

other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the IF Term Sheet or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities, and obligations to the Interim Lender under and pursuant to the IF Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

16. The Interim Lender shall be entitled to the benefits of and is hereby granted a charge (the "**Interim Lender's Charge**") on the Property of the Applicants to secure all obligations under the IF Term Sheet and Definitive Documents incurred on or after the date of this Order which charge shall not exceed the aggregate amount advanced on or after the date of this Order under the IF Term Sheet and Definitive Documents. The Interim Lender's Charge shall not secure any obligation existing before the commencement of the NOI Proceeding, except as otherwise noted in the IF Term Sheet. The Interim Lender's Charge shall have the priority set out in paragraphs 24 and 26 hereof.
17. Notwithstanding any other provision of this Order:
 - (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge or any of the Definitive Documents;
 - (b) upon the occurrence of an event of default under the Definitive Documents or the Interim Lender's Charge, the Interim Lender, upon 5 days notice to the Applicants and the Proposal Trustee, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the IF Term Sheet, Definitive Documents, and the Interim Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the Interim Lender to the Applicants against the obligations of the Applicants to the Interim Lender under the IF Term Sheet, the Definitive Documents or the Interim Lender's Charge, to make demand, accelerate payment, and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the

Applicants and for the appointment of a trustee in bankruptcy of the Applicants;
and

- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, monitor, interim receiver, receiver or receiver and manager of the Applicants or the Property.

- 18. The Interim Lender shall be treated as unaffected in any proposal filed by the Applicants under the BIA, with respect to any advances made under the IF Term Sheet and Definitive Documents.

Directors' Charge

- 19. The Applicants shall indemnify their directors and officers (collectively, the **"Directors and Officers"**) against obligations and liabilities that they may incur as directors and or officers of the Applicants after the commencement of the within proceedings except to the extent that, with respect to any officer or director, the obligation was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
- 20. The Directors and Officers shall be entitled to the benefit of and are hereby granted a charge (the **"Directors' Charge"**) on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 24 and 26 herein.
- 21. Notwithstanding any language in any applicable insurance policy to the contrary:
 - (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and
 - (b) the Directors and Officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

KERP and KERP Charge

22. The terms and conditions of the KERP are hereby approved and the Applicants are authorized to perform its obligations thereunder, including making all payments required in accordance with the terms thereof.
23. The employees eligible under the KERP shall be entitled to the benefit of and are hereby granted a charge on the Property to the extent of an aggregate amount of \$140,000 (the "**KERP Charge**") as security for the payment of the obligations of the Applicants provided thereunder. The KERP Charge shall have a priority set out in paragraphs 24 and 26 of this Order.

Validity and Priority of Charges

24. The priorities of the Administration Charge, the Interim Lender's Charge, the Directors' Charge, and the KERP Charge (collectively, the "**Charges**"), as among them, shall be as follows:
 - (a) First – Administration Charge (to the maximum amount of \$500,000);
 - (b) Second – Interim Lender's Charge;
 - (c) Third – Directors' Charge (to the maximum amount of \$200,000); and
 - (d) Fourth – KERP Charge (to the maximum amount of \$140,000).
25. The filing, registration or perfection of the Charges shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.
26. Each of the Administration Charge, the Interim Lender's Charge, the Directors' Charge and the KERP Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person. On a without prejudice basis, for the purposes of this NOI Proceeding only, and solely in respect of SCGC's Property, SCGC hereby agrees that the Charges shall rank subsequent to any amounts outstanding and owed by SCGC to His Majesty the King in the right of Canada, as represented by the Minister of National Revenue and the Canada Revenue Agency (collectively, the "**CRA**")

pursuant to subsection 227(4.1) of the Income Tax Act, subsection 23(4) of the Canada Pension Plan, and subsection 86(2.1) of the Employment Insurance Act by SCGC (collectively, the "**Source Deductions**"). The agreement regarding the ranking of the Charges between SCGC and the CRA in respect of the Source Deductions is not determinative of the ranking of any charges granted by the Court in any other proceedings and shall not be used as a precedent for future matters.

27. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge, the Interim Lender's Charge, Directors' Charge and the KERP Charge unless the Applicant also obtains the prior written consent of the Proposal Trustee, the Interim Lender, and the beneficiaries of the Directors' Charge, the Administration Charge, the KERP Charge, or further order of this Court.
28. The Administration Charge, IF Term Sheet, the Definitive Documents, the Interim Lender's Charge, Directors' Charge and the KERP Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the Interim Lender thereunder shall not otherwise be limited or impaired in any way by:
 - (a) the pendency of these proceedings and the declarations of insolvency made in this Order;
 - (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications;
 - (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA;
 - (d) the provisions of any federal or provincial statutes; or
 - (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") that binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:
 - (i) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents in respect thereof [, including

the IF Term Sheet or the Definitive Documents,] shall create or be deemed to constitute a new breach by the Applicants of any Agreement to which they are a party;

- (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges, the Applicants entering into the IF Term Sheet or the execution, delivery or performance of the Definitive Documents; and
- (iii) the payments made by the Applicants pursuant to this Order, [including the IF Term Sheet or the Definitive Documents,] and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.


ALLOCATION

29. Any interested Person may apply to this Court on notice to any other party likely to be affected for an order to allocate the Administration Charge, the Interim Lender's Charge, the Directors' Charge and the KERP Charge amongst the various assets comprising the Property.

GENERAL

30. Any interested party (including the Applicants and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

J.C.K.B.A



Schedule "A" – SISP and SISP Procedure

Sale and Investment Solicitation Process

Introduction

1. On September 23, 2022, each of SugarBud Craft Growers Corp. ("**SugarBud**"), Trichome Holdings Corp. ("**Trichome**") and 1800905 Alberta Ltd. d/b/a 'Sugarbud' ("**180 Alberta**", each a "**Company**" and collectively, the "**Companies**") filed a Notice of Intention to Make a Proposal (each, an "**NOI**") pursuant s.50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**") in Estate Nos 25-286852, 25-286857 and 25-286849 (the "**NOI Proceedings**").
2. Alvarez & Marsal Canada Inc. is the proposal trustee of each of the Companies in the NOI Proceedings (in such capacity, the "**Proposal Trustee**").
3. On September 29, 2022, the Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**") granted Orders in the NOI Proceedings, among other things:
 - (a) extending the stay of proceedings in respect of the Companies pursuant to the NOI until December 12, 2022;
 - (b) authorizing the Companies to enter into an interim financing agreement (the "**Interim Financing**") with Connect First Credit Union Ltd. ("**Connect First**" or the "**Interim Lender**") whereby Connect First agreed to provide a maximum principal amount of \$2,000,000 in financing to the Companies, as well as granting a charge over all of the Companies' present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof; and
 - (c) authorizing the Companies, with the assistance of the Proposal Trustee, to pursue all avenues of sale of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
4. In this regard, the Proposal Trustee will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Companies and with the approval of the Court pursuant to a Court order dated September 29, 2022 (the "**SISP Order**"). The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the Business (as defined herein) of the Companies by way of sale, merger, reorganization, recapitalization, equity issuance or other similar transaction. The Companies intend to provide all qualified interested parties with an opportunity to participate in the SISP.
5. This document (the "**SISP Procedure**") outlines the SISP, which is comprised of two phases ("**Phase 1**" and "**Phase 2**", respectively).
6. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Alberta (each, a "**Business Day**") shall be deemed to occur on the next Business Day.

Opportunity

7. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one

or more components of the Companies' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.

8. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Timeline

9. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	October 5, 2022
Proposal Trustee to prepare and have available for Potential Bidders the CIM and Data Room	October 7, 2022
Phase 1 Bid Deadline	November 4, 2022
Phase 2 Bid Deadline	December 9, 2022
Transaction Approval Application Hearing	December 28, 2022
Closing Date Deadline	January 19, 2023

The dates set out in the SISP may be extended by the Proposal Trustee with the consent and approval of the Interim Lender.

SOLICITATION OF INTEREST: NOTICE OF THE SISP

10. As soon as reasonably practicable, but in any event by no later than October 5, 2022:
- (a) the Companies, in consultation with the Proposal Trustee, will prepare a list of Potential Bidders (as defined herein), including:
 - (i) parties that have approached the Companies or the Proposal Trustee indicating an interest in the Opportunity; and
 - (ii) local and international strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP,
 (collectively, "**Known Potential Bidders**");
 - (b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant

information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the "**Notice**") to be published in The Globe and Mail (National Edition), and any other industry publication, website, newspaper or journal as the Companies, in consultation with the Proposal Trustee, consider appropriate, if any;

- (c) the Companies will issue a press release with Canada Newswire setting out the information contained in the Notice and such other relevant information which the Companies, in consultation with the Proposal Trustee, consider appropriate designating dissemination in Canada; and
- (d) the Companies, in consultation with the Proposal Trustee, will prepare:
 - (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
 - (ii) a non-disclosure agreement in form and substance satisfactory to the Companies and the Proposal Trustee, and their respective counsel (an "**NDA**").

11. The Proposal Trustee shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than October 7, 2022 and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Companies or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

PHASE 1: NON-BINDING LOIS

Qualified Bidders and Delivery of Confidential Information Memorandum

12. Any party who wishes to participate in the SISP (each, a "**Potential Bidder**") must deliver to the Companies and the Proposal Trustee, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Companies and the Proposal Trustee:
 - (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Companies or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
 - (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
 - (c) a form of financial disclosure and credit quality support or enhancement that allows the Companies and the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a Sale Proposal or Investment Proposal (as each is defined herein), as applicable.
13. If the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, determine that a Potential Bidder has:
 - (a) delivered the documents contemplated in paragraph 12 above; and

- (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,

then such Potential Bidder will be deemed to be a **"Phase 1 Qualified Bidder"**. For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies.

14. At any time during Phase 1 of the SISP, the Companies may, in their reasonable business judgment and after consultation with the Interim Lender and the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Phase 1 Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a Phase 1 Qualified Bidder for the purposes of the SISP.
15. The Proposal Trustee, with the assistance of the Companies, shall prepare and send to each Phase 1 Qualified Bidder a confidential information memorandum providing additional information considered relevant to the Opportunity (the **"CIM"**). The Companies and the Proposal Trustee and their respective advisors make no representation or warranty as to the information contained in the CIM or otherwise made available pursuant to the SISP, except to the extent expressly contemplated in any definitive sale or investment agreement with a successful bidder ultimately executed and delivered by the Companies.
16. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Companies.

Due Diligence

17. The Proposal Trustee, in consultation with the Companies, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to due diligence material and information relating to the Property and Business as they or the Proposal Trustee deem appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Companies, in their reasonable business judgment and after consulting with the Proposal Trustee, may agree.
18. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Companies nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Companies, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

Non-Binding Letters of Intent from Phase 1 Qualified Bidders

19. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an **"LOI"**) to the Proposal Trustee at the address specified in Schedule "I" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on November 4, 2022 (the **"Phase 1 Bid Deadline"**).

20. Subject to paragraph 44, an LOI will only be considered a qualified LOI (a "**Qualified LOI**") if:
- (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
 - (b) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
 - (i) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); or
 - (ii) make an investment in, restructure, reorganize or refinance the Business or the Companies (an "**Investment Proposal**");
 - (c) in the case of a Sale Proposal, it identifies or contains the following:
 - (i) the Purchase Price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
 - (iv) a description of the conditions and approvals required for a final and binding offer;
 - (v) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
 - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
 - (d) in the case of an Investment Proposal, it identifies or contains the following:
 - (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Companies in Canadian dollars;
 - (iii) the underlying assumptions regarding the *pro forma* capital structure;
 - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
 - (v) a description of the conditions and approvals required for a final and binding offer;
 - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
 - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and

- (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Proposal Trustee or the Companies.

Preliminary Assessment of Phase 1 Bids and Subsequent Process

21. Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee and the Interim Lender, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:
 - (a) has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as the case may be); and
 - (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a "**Phase 2 Qualified Bidder**", provided that the Companies may, in their reasonable business judgment and, with the approval of the Proposal Trustee, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders from the process) taking into account the factors identified in paragraph 22 hereof and any material adverse impact on the operations and performance of the Companies. Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SISF. No Phase 1 Qualified Bidder that has submitted a Qualified LOI shall be deemed not to be a Phase 2 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies and the Interim Lender.
22. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Companies, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to:
 - (a) the number of Qualified LOIs received;
 - (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve Investment Proposals predicated on certain Property or Business;
 - (c) the scope of the Property or Business to which any Qualified LOIs may relate; and
 - (d) whether to proceed by way of sealed bid or auction with respect to some or all of the Property.
23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline (as defined herein), and any other deadlines or timeframes hereunder, shall be extended by the same time period, as necessary.

24. Following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 21 and 22 hereof, the Companies, in consultation with the Proposal Trustee, may prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") to be sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline.

PHASE 2: FORMAL OFFERS AND SELECTION OF SUCCESSFUL BIDDER

25. Paragraphs 27 to 34 below and the conduct of Phase 2 are subject to paragraphs 21 to 24, above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

Formal Binding Offers

26. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the following requirements to the Proposal Trustee at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on December 9, 2022 or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**"):
- (a) the bid shall comply with all of the requirements set forth in paragraph 20 above in respect of Phase 1 Qualified LOIs;
 - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property or Business and is consistent with any necessary terms and conditions established by the Companies and the Proposal Trustee and communicated to Phase 2 Qualified Bidders;
 - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
 - (d) the bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
 - (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Companies and the Proposal Trustee to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
 - (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;

- (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
 - (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Proposal Trustee (a "**Deposit**") in the amount of not less than 10% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 10% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
 - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
 - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Companies or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Companies;
 - (k) the bid is received by the Phase 2 Bid Deadline; and
 - (l) the bid contemplates closing the transaction set out therein on or before January 19, 2023.
27. Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee and the Interim Lender, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Phase 2 Qualified Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).
28. The Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate.
29. If the Proposal Trustee, in consultation with the Company and the Interim Lender, is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee may, with the approval of the Interim Lender, elect to (i) extend the Phase 2 Bid Deadline or (ii) seek Court approval to formally amend to the SISP.

30. The Companies may, in consultation with the Interim Lender and the Proposal Trustee and with the approval of the Proposal Trustee, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

Evaluation of Competing Bids

31. The Companies, in consultation with the Proposal Trustee, and the Interim Lender, will evaluate Qualified Bids based upon several factors including, without limitation:
- (a) the Purchase Price and the net value provided by such bid;
 - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
 - (c) the proposed transaction documents;
 - (d) factors affecting the speed, certainty and value of the transaction;
 - (e) the assets included or excluded from the bid;
 - (f) any related restructuring costs; and
 - (g) the likelihood and timing of consummating such transaction.

Selection of Successful Bid

32. The Companies, in consultation with the Interim Lender and with the approval of the Proposal Trustee, will:
- (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Companies, in consultation with the Proposal Trustee and the Interim Lender, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
 - (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**") for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee and in consultation with the Interim Lender, shall be subject to approval by the Court.
33. The Companies shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee and the Interim Lender, to reject any or all Phase 2 Qualified Bids.

Transaction Approval Application Hearing

34. At the hearing of the application to approve any transaction with a Successful Bidder (the "**Transaction Approval Application**"), the Companies shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Companies on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

35. All discussions regarding a Sale Proposal, Investment Proposal, LOI or Phase 2 Bid should be directed through the Proposal Trustee. Under no circumstances should the management of the Companies be contacted directly without the prior consent of the Proposal Trustee. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP process.
36. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Companies, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Companies, with the approval of the Proposal Trustee and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
37. In addition to the consultation rights granted to the Interim Lender, the Proposal Trustee may consult with any other parties with a material interest in the BIA proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Proposal Trustee (subject to paragraph 36 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Companies and the Proposal Trustee.

Deposits

38. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at financial institution in Canada.
39. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid.
40. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Companies select a Successful Bid pursuant to section • hereof or the Court declares a Successful Bid pursuant to section • hereof.
41. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Company has in respect of such breach or default.
42. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) than the Deposit shall be returned to the Successful Bidder.

Supervision of the SISP

43. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP by the Companies and, without limitation to that supervisory role, the Proposal Trustee will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other orders of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
44. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty,
 - (a) deem a non-compliant LOI to be a Qualified LOI; and
 - (b) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
45. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Companies or the Proposal Trustee and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Companies.
46. Without limiting the preceding paragraph, the Proposal Trustee shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, the Interim Lender or any other creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Proposal Trustee. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Proposal Trustee.
47. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
48. Without limiting in any way the intent and effect of the applicable provisions of the Interim Financing in respect of the SISP, and subject to the terms of the SISP Order, the Companies shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) with the prior written approval of the Proposal Trustee and the Interim Lender if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the NOI Proceedings shall be advised of any substantive modification to the procedures set forth herein.
49. In order to discharge its duties in connection with the SISP the Proposal Trustee may engage professional or business advisors or agents as the Proposal Trustee deems fit in its sole discretion.

Disclosure of Information to the Interim Lender

50. The Interim Lender shall have full and complete access to all Qualified LOIs, Phase 2 Qualified Bids and related materials and the Proposal Trustee, in consultation with the Companies, shall periodically update the Interim Lender on the SISP and the prospect of a Successful Bid being completed thereunder.

Further Orders

51. At any time during the SISP, the Proposal Trustee, the Companies, or the Interim Lender may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.

Schedule "1"

To the Proposal Trustee:

Alvarez & Marsal Canada Inc.
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk
Bryan Krol
Stephen Oosterbaan

Email: okonowalchuk@alvarezandmarsal.com
bkrol@alvarezandmarsal.com
soosterbaan@alvarezandmarsal.com

THIS IS **EXHIBIT "D"** TO THE
AFFIDAVIT OF DANIEL T. WILSON
SWORN BEFORE ME AT Calgary, Alberta,
this 7th day of October 2022.



A Commissioner for Oaths in and for the Province of Alberta

Kyle R. Smith
Barrister & Solicitor



Confidential - For Discussion Purposes Only

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

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.

September 29, 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 |

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Lender to the Borrower on a weekly basis or as deemed necessary in 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.

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The date on which all outstanding principal and interest under the Credit Facility shall become due and payable will be termed the **"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, 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 Order) and only up to the amounts set out in the Initial Order.

13. Mandatory

Subject to the priority of the Administration Charge, if the Borrower

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Repayment

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 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;

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- (c) the Interim Financing Order must not be vacated, stayed, amended (without the Lender's consent), appealed or otherwise caused to become ineffective
- (d) 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
- (e) 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 SISP, 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;

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- (l) Will not, without the prior written consent of the 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's BIA Proposal Proceedings or a Guarantor, unless otherwise authorized under the BIA Proposal Proceedings;
- (r) Will fully cooperate with each party conducting any

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field exam or due diligence on behalf of the Lender and will permit and reimburse the Lender for all costs 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 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 Notwithstanding anything herein to the contrary, and except as

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Proceedings

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 before October 15, 2022, or such other date as may be agreed to by the Lender in its sole and absolute discretion. 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 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 Testing Date, the following cash flow test (the "**Cash Flow Test**") for

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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 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, 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 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;
- (c) the execution and delivery by the Borrower and each

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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 constituting 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, and the BIA Proposal Proceedings and litigation proceedings stayed by the NOI, 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

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Lender may assign, sell or participate its rights or obligations with 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

September 30, 2022

Signed

Signature Page

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Accepted this 30 day of September, 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.

- “Interim 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
- “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, following the filing of the NOIs, 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

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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;

- (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.

“Lien”

means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property or other priority or preferential arrangement of any kind or nature whatsoever, in each

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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.

“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 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

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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

"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 *Income Tax Act*, subsection 23(4) of the *Canada Pension Plan*, and subsection 86(2.1) of the *Employment Insurance Act* 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 SISP
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 15, 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 SISP.