

C101820



COURT FILE NUMBER 2201- 11655

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, as amended

COM  
Oct 14 2022

AND IN THE MATTER OF SUGARBUD CRAFT GROWER CORP., TRICHOME HOLDINGS CORP., and 1800905 ALBERTA LTD.

DOCUMENT **PRE-FILING REPORT OF THE PROPOSED MONITOR, ALVAREZ & MARSAL CANADA INC.**

**OCTOBER 11, 2022**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**PROPOSED MONITOR**  
ALVAREZ & MARSAL CANADA INC.  
Bow Valley Square IV  
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Barristers & Solicitors  
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## INTRODUCTION

1. Alvarez & Marsal Canada Inc. ("**A&M**") is aware that 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**") are bringing an application (the "**CCAA Application**") before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (as amended the "**CCAA**").
2. A&M understands that the Companies are seeking an Order (the "**Proposed Initial Order**") and an amended and restated initial order (the "**ARIO**") granting, among other things, a stay of proceedings up to and including December 10, 2022 and appointing A&M as Monitor pursuant to the provisions of the CCAA (in such capacity, the "**Monitor**").
3. On September 26, 2022 (the "**NOI Filing Date**"), each of the Companies filed a Notice of Intention to Make a Proposal (an "**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, (as amended, the "**BIA**"). A&M consented to act as Trustee of each of the Applicants under the NOI (A&M in such capacity, the "**Proposal Trustee**"). Copies of the Certificates of Filing issued by the Office of the Superintendent of Bankruptcy evidencing the NOIs are collectively attached hereto as Appendix "**A**".
4. Subsequently, and pursuant to an Order (the "**NOI Order**") granted by this Honourable Court on September 29, 2022, the initial stay of proceedings (the "**Stay**") under the NOI proceedings ("**NOI Proceedings**") was extended on December 10, 2022 (the "**NOI Stay Period**").
5. The Applicants are now applying to this Honourable Court seeking the Proposed Initial Order, among other things:
  - a) authorizing the continuation of the NOI Proceedings under the CCAA (the "**CCAA Proceedings**");

- b) declaring that the Applicants are companies to which the CCAA applies;
- c) establishing a stay of proceedings of not more than 10 days (the "**Initial CCAA Stay of Proceedings**");
- d) appointing A&M as Monitor pursuant to section 11.7 of the CCAA;
- e) authorizing the Applicants to file a plan of arrangement;
- f) authorizing the Applicants to carry on business in a manner consistent with the preservation of their business and property;
- g) authorizing the Applicants to pay the reasonable expenses incurred by the Applicants in carrying out their business in the ordinary course, including certain expenses incurred prior to the date of the Initial Order;
- h) staying all proceedings, rights and remedies against or in respect of the Applicants, Monitor and its counsel, and the Applicants' professional advisors;
- i) approving and continuing the financing to be provided by the Interim Lender (as defined below), to the Applicants in a principal amount of \$2,000,000.00 pursuant to the terms and conditions of the Interim Financing Term Sheet;
- j) approving and continuing the following charges over the assets and property of the Applicants in the following relative priorities and on the priority provided under the CCAA:
  - i. First – a charge (the "**Administration Charge**") in favor of the Monitor, its legal counsel and the Applicants' counsel (the "**Administrative Professionals**") in respect of their fees and disbursements to a maximum amount of \$500,000.00;

- ii. Second – a charge in favor of the Interim Lender;
  - iii. Third – a charge in favor of the directors and officers of the Applicants to a maximum amount of \$200,000.00 (the "**Directors' Charge**"); and
  - iv. Fourth – a charge in favor of certain key employees of the Applicants for amounts to be provided under a key employee retention plan (the "**KERP**") in the amount of \$140,000.00 (the "**KERP Charge**");
- k) approving and continuing the sales and investment and solicitation process ("**SISP**") commenced under the NOI Proceedings to the CCAA Proceedings;
  - l) approving and continuing the KERP from the NOI Proceedings; and
  - m) such further and other relief as may be sought by the Applicants and this Honourable Court may deem appropriate in order to continue the NOI Proceedings and the relief thereunder in and to the CCAA Proceedings.
6. Should this Honourable Court grant the Proposed Initial Order, the Applicants have also applied to this Honourable Court to amend and restate the Proposed Initial Order in the form of the ARIO, extending the Initial CCAA Stay of Proceeding to December 10, 2022, which would mirror the current NOI Stay Period (the "**CCAA Extended Stay of Proceedings**")
7. Capitalized terms not otherwise defined in this Pre-filing Report (this "**Report**") are as defined in the Proposed Initial Order, the ARIO, the Proposal Trustee's First Report, the DW First Affidavit and the DW Second Affidavit (defined below).

## PURPOSE

8. The purpose of this Report is for A&M, in its capacity as the proposed Monitor of the Applicants (in such capacity, the "**Proposed Monitor**"), to provide information to this Honourable Court in respect of the following:
  - a) a brief background of the Companies;
  - b) the rationale behind the continuation of the NOI Proceeding under the CCAA and the Proposal Monitor's position with respect thereto;
  - c) qualifications of A&M to act as Monitor;
  - d) an overview of the consolidation cash flow projection of the Applicants and the Proposed Monitor's comments regarding the reasonableness thereof pursuant to section 23(1)(b) of the CCAA; and
  - e) the Proposed Monitor's recommendations in respect of the Company's request for the CCAA Initial Order;
9. This Report should be read in conjunction with the Affidavit of Dan Wilson sworn October 7, 2022 (the "**DW CCAA Affidavit**") and filed in support the CCAA Application and the Proposal Trustee's First Report dated September 27, 2022 (the "**First Report**"), a copy of which is attached as **Exhibit "B"** to the DW CCAA Affidavit. The Proposed Monitor adopts and restates the comments of the Proposal Trustee contained in the First Report.

## TERMS OF REFERENCE AND DISCLAIMER

10. In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Companies and has held discussions with the Applicants' management and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Companies' cash flow forecast:

- a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CASs") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
  - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
11. Future oriented financial information referred to in this Report was prepared based on the Companies' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
12. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

## **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 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, Connect First Credit Union Ltd. ("**CFCU**"), the Companies' primary secured lender, demanded on its loan. Sugarbud has exceeded the amount currently available under its existing credit facility with CFCU and no longer had any available cash flow to fund its operations. CFCU (the "**Interim Lender**") was only prepared to fund the Companies on a super-priority basis,

through a debtor driven NOI Proceeding ("**Interim Financing Facility**"). In addition, CFCU made it a condition that continued funding through the Interim Financing Facility required the Companies to seek and obtain the Proposed Initial Order and all the respective 'charges' and relief previously obtained in the NOI Proceedings (discussed further below) would continue and be granted in the CCAA Proceedings.

18. As a result, on September 26, 2022, Sugarbud sought and obtained 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.
19. The affidavit of Dan Wilson, the Chief Executive Officer of each of the Companies, sworn September 26, 2022 (the "**DW NOI Affidavit**") was filed in support of the NOI Proceedings, including the DW CCAA Affidavit, 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.
20. Further background on the Companies and their operations is contained in the materials filed in support of the Application, including the DW NOI Affidavit, the DW CCAA Affidavit. These documents, together with other information regarding the NOI Proceedings and the Proposed CCAA Proceedings, have been posted on the Proposed Monitor's website at [www.alvarezandmarsal.com/sugarbud](http://www.alvarezandmarsal.com/sugarbud) (the "**Case Website**").

## CONTINUATION OF THE NOI PROCEEDINGS UNDER THE CCAA

### Overview

21. On September 29, 2022, this Honourable Court granted the NOI Order, providing the Companies, among other things, with the following relief:

- a) a procedural consolidation of the SCGC, THC and Opco under one bankruptcy estate number;
- b) an extension for time to file a proposal with the Official Receiver under subsection 62(1) of the BIA until December 10, 2022;
- c) approval of the SISP and the procedures thereunder;
- d) approval of the Interim Financing Facility and a corresponding charge in favour of the Interim Lender;
- e) approval of the Administration Charge and the Directors' Charge against the Property;
- f) approval of the KERP and the corresponding charge over the Property;  
and
- g) a restricted court access or "sealing" order;

(collectively, the "**NOI Charges, Financing and Relief**")

22. The Companies are now seeking an order to continue the NOI Proceedings under the CCAA in order to continue restructuring its affairs, which includes having the NOI Charges, Financing and Relief recognized in the CCAA Proceedings.

23. The Proposed Monitor notes the following factors when considering the proposed conversion to the CCAA Proceedings:

- a) The Companies have not filed a proposal in the NOI Proceedings;

- b) CCAA Proceedings are internationally recognized and allow for easier cross-border collaboration of various insolvency proceedings, including recognition in a foreign proceeding (if required), should there be a transaction that requires cross-border recognition in the United States;
- c) conversion to CCAA Proceedings would allow for more flexibility and time for the Company to restructure its affairs, including carrying out the SISP and the SISP Procedures;
- d) it is a condition of the Interim Financing Facility that the Applicants seek and obtain the Proposed Initial Order and carry on their restructuring efforts under the CCAA, absent which the Interim Lender will be permitted to stop any further funding to the Applicants;
- e) in contrast to the BIA, there are no deemed assignments in bankruptcy under the CCAA in the event a plan is not accepted by the Companies' creditors. As currently contemplated by the NOI Proceedings, the Companies must make a proposal to their creditors no later than six months after the filing the NOI. At present, it is not certain that the Applicants will be able to close a transaction with an interested party in that time period and as such the flexibility under a CCAA Proceeding is optimal and in the best interests of the Companies' stakeholders;
- f) the flexibility provided for under the CCAA may allow the Companies to better respond to restrictions under the Cannabis Act and Regulations in the course of their restructuring; and
- g) a Licensed Insolvency Trustee, such as A&M, is not a licenced producer or cultivator under the Cannabis Act or the Regulations. Accordingly, if the CCAA Initial Order, or in the alternative, a further Order is not granted extending the NOI Stay Period, the Companies will be deemed bankrupt and A&M will automatically be appointed as

the trustee in bankruptcy. In this scenario, A&M is not authorized to, and will not take possession or take any steps to secure the cannabis or cannabis-related assets of the Company. In addition, all employees would automatically be terminated in a bankruptcy, leaving no employees to manage the Company's operations, including feeding and taking care of the cannabis plants. This could adversely impact the value of the business and stakeholders' interests in the Company's Property.

24. As such, the Proposed Monitor is of the respectful view that the conversion of the NOI Proceedings to the CCAA Proceedings is reasonable and appropriate in the circumstances and supports the continuation of the NOI Charges, Financing and Relief under the CCAA.

#### **A&M'S QUALIFICATIONS TO ACT AS MONITOR**

25. A&M is a licensed trustee within the meaning of subsection 2(1) of the BIA, is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA and as such is not precluded from acting as Monitor of the Applicants. A&M is not, and has never been:
- a) a director, officer or employee of the Applicants;
  - b) related to the Debtors or to any director or officer of the Applicants;
  - c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the Applicants;
  - d) the trustee under a trust indenture issued by the Applicants or, to the best of its knowledge, any person related to the Applicants, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by the Applicants or, to the best of its knowledge, any person related to the Applicants; or

- e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 12(d), above.
26. On August 15, 2022, Alvarez & Marsal Canada ULC ("**A&M ULC**"), an affiliate of A&M, was engaged as a financial advisor to the Companies. In its role as financial advisor, A&M ULC reviewed and analyzed alternative restructuring scenarios available to the Company, the Companies' cash flow forecasts and assisted the Companies in the preparation materials for either the filing of an NOI or an initial application under the CCAA. A&M ULC's role as financial advisor ended prior to the filing of the Companies in the NOI Proceedings.
27. A&M is currently the Proposal Trustee of the Companies in the NOI Proceedings and as such is familiar with the business and operations of the Companies, their personnel, and the key issues and stakeholders in the proposed CCAA Proceedings.
28. A&M has consented to act as the Monitor in these proceedings should this Honourable Court grant the Proposed Initial Order. A copy of A&M's Consent to Act attached hereto as Appendix "**B**" to this Report.
29. The Proposed Monitor has retained Burnett Duckworth & Palmer LLP ("**BDP**") to act as its proposed independent legal counsel in the CCAA proceedings. BDP currently acts as the independent legal counsel of the Proposal Trustee in the NOI Proceedings.

### **CCAA CASH FLOW FORECAST**

30. For purposes of paragraph 10(2)(a) of the CCAA, the Companies have prepared a weekly cash flow forecast (the "**Cash Flow Forecast**") for the 13-week period from September 26, 2022 to December 23, 2022 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. A copy of the Cash Flow Forecast, together with a summary of assumptions and Management's representation letter are attached hereto as Appendix "**C**".

31. The Proposal Trustee has previously reviewed and provided comment on the Cash Flow Forecast as outlined in the Proposal Trustee's First Report. The Cash Flow Forecast in this Report are the same Cash Flow Forecasts as reported in the Proposal Trustee's First Report. A&M, as proposed Monitor, has determined there are no material changes noted in the Cash Flow Forecast previously included in the Proposal Trustee's First Report to the Cash Flow Forecast included in this Report.

<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</b>	
<b>Total Cash Receipts</b>	<b>564</b>
<b>Operating Cash Disbursements</b>	
Payroll and Employee Benefits	701
Insurance	93
Excise Taxes	113
Utilities and Taxes	87
Production Components, Supplies and Services	47
Facility Maintenance and Services	60
Health Canada License and Excise Fee	62
Cultivation Components and Supplies	58
IT and Compliance Software fees	31
Facility PPE	28
Freight	30
Compliance Fees	2
Critical Supplier Pre-Filing Payments	84
Contingency	60
<b>Total Operating Cash Disbursements</b>	<b>1,455</b>
<b>Non-Operating Cash Disbursements</b>	
Proposal Trustee Fees	496
Proposal Trustee Counsel Fees	140
MLT Aikins Fees	140
Stikeman Elliot	10
Proposed Key Employee Retention Plan	35
Working Capital Corporation	32
<b>Total Non-Operating Cash Disbursements</b>	<b>853</b>
<b>Net Cash Flow</b>	<b>(1,743)</b>
<b>Opening Cash</b>	-
Net Cash Flow	(1,743)
<b>Closing Cash</b>	<b>(1,743)</b>

32. A summary of the Cash Flow Forecast and select assumptions there include the following:

- 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 interim financing that was previously granted by this Honourable Court will require approximately \$1.7 million of the total \$2.0 million over the Forecast Period.
33. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Proposed Monitor hereby reports as follows:
- a) the Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
  - b) the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast;
  - c) based on the Proposed Monitor's preliminary review of the Cash Flow Forecast, nothing has come to its attention that causes the Proposed Monitor to believe that, in all material respects:
    - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

- ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
    - iii. the Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and
  - d) since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor does not express any assurance as to whether the Cash Flow Forecast will be accurate. The Proposed Monitor does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by us in preparing this Report.
34. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

## **CONCLUSIONS AND RECOMMENDATIONS**

35. Based on the current information that has been made available to the Proposed Monitor by the Companies, the Proposed Monitor respectfully recommends that this Honourable Court:
- a) to approve the continuing of the NOI Proceeding under the CCAA and the appointment of A&M as Monitor in the CCAA Proceeding;
  - b) approve and recognize the NOI Charges, Financing and Relief in the CCAA Proceedings; and
  - c) approve the Initial CCAA Stay of Proceedings and the CCAA Extended Stay of Proceedings to December 10, 2022.

All of which is respectfully submitted this 11<sup>th</sup> day of October, 2022

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



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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

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Date of the Notice of Intention:

September 26, 2022

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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"

COURT FILE NUMBER 2201-  
COURT COURT OF KING'S BENCH  
OF ALBERTA  
JUDICIAL CENTRE OF CALGARY  
PROCEEDING IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, R.S.C.  
1985, c. C-36, as amended  
AND IN THE MATTER OF THE COMPROMISE  
OR ARRANGEMENT OF SUGARBUD CRAFT  
GROWER CORP., TRICHOME HOLDINGS  
CORP. and 1800905 ALBERTA LTD.  
DOCUMENT **CONSENT TO ACT AS MONITOR**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

**MLT AIKINS LLP**  
Barristers and Solicitors  
2100, 222 – 3rd Avenue S.W.  
Calgary, Alberta T2P 0B4  
Telephone: 403.693.5420/4347  
Fax No.: 403.508.4349  
Attention: Ryan Zahara/Chris Nyberg  
File No.: 0158011.00003

**TAKE NOTICE THAT** Alvarez & Marsal Canada Inc., if so appointed, hereby consents to act as Court-appointed Monitor of Sugarbud Craft Grower Corp., Trichome Holdings Corp., and 1800905 Alberta Ltd. pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

**DATED** at Calgary, Alberta and effective this 6<sup>th</sup> day of October, 2022.

**ALVAREZ & MARSAL CANADA INC.**



Per: \_\_\_\_\_  
Name: OREST KONOWALCHUK, LIT  
Senior Vice President

## APPENDIX "C"



October 11, 2022

Alvarez & Marsal Canada Inc.  
Bow Valley Square 4  
Suite 1110, 250 6th Ave SW  
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk

Dear Sirs:

**Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for SUGARBUD CRAFT GROWER CORP., TRICHOME HOLDINGS CORP., and 1800905 ALBERTA LTD. (collectively, the "Companies")**

**Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application of the Companies for the commencement of proceedings under the CCAA in respect of the Companies, the management of the Companies ("**Management**") prepared the attached cash flow statement and the assumptions on which the cash flow statement is based.

The Companies confirms that:

1. the cash flow statement and the underlying assumptions are the responsibility of Companies;
2. all material information relevant to the cash flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
  - a. that the individual assumptions underlying the cash flow statement are appropriate in the circumstances;
  - b. that the assumptions underlying the cash flow statement, taken as a whole, are appropriate in the circumstances; and
  - c. that all relevant assumptions have been properly presented in the cash flow statement or in the notes accompanying the cash flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of your monitoring the on-going activities of the Companies, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make the Companies' Management liable to fines and imprisonment in certain circumstances.
6. The cash flow statement and assumptions have been reviewed and approved by the Companies' board of directors or Management has been duly authorized by the Companies' board of directors to prepare and approve the cash flow assumptions.
7. The cash flow statement and assumptions are in the same form and remain unchanged, as previously supplied in the NOI Proceedings initiated by the Companies on September 26, 2022 and as provided to the Proposal Trustee.

Yours Truly,

A handwritten signature in black ink that reads "Dan Wilson".

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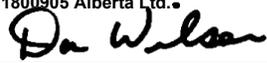
Name: Dan Wilson  
Title: Interim CFO, President, CEO and Chairman

**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*

	Notes	Forecast Period													Total Week 1 to Week 13
		30-Sep-22	7-Oct-22	14-Oct-22	21-Oct-22	28-Oct-22	4-Nov-22	11-Nov-22	18-Nov-22	25-Nov-22	2-Dec-22	9-Dec-22	16-Dec-22	23-Dec-22	
<b>Cash Receipts</b>															
Alberta (AGLC)	1	-	-	-	-	-	-	107	-	-	-	-	50	50	207
BC (BCLBD)	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ontario (OCS)	3	-	-	-	52	-	-	-	-	-	102	94	50	50	348
Yukon (YLC)	4	3	-	-	-	-	-	-	-	-	-	-	-	-	3
Other (Medical Sales)	5	-	-	-	-	6	-	-	-	-	-	-	-	-	6
<b>Total Cash Receipts</b>		<b>3</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>6</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>94</b>	<b>100</b>	<b>100</b>	<b>564</b>
<b>Operating Cash Disbursements</b>															
Payroll and Employee Benefits	6	109	-	97	36	97	-	-	133	-	97	-	133	-	701
Insurance	7	-	-	10	-	-	7	-	10	-	7	-	10	50	93
Excise Taxes	8	-	-	-	-	-	-	-	63	-	-	-	50	-	113
Utilities and Taxes	9	-	-	-	-	44	-	-	-	-	9	35	-	-	87
Production Components, Supplies and Services	10	-	4	10	-	4	-	-	14	-	4	2	10	-	47
Facility Maintenance and Services	11	2	9	10	-	1	9	4	5	-	10	4	5	1	60
Health Canada License and Excise Fee	12	-	62	-	-	-	-	-	-	-	-	-	-	-	62
Cultivation Components and Supplies	13	16	-	14	-	-	-	-	14	-	-	-	14	-	58
IT and Compliance Software fees	14	6	4	0	-	9	1	-	0	2	7	1	0	2	31
Facility PPE	15	5	3	-	-	5	-	3	-	-	5	3	-	5	28
Freight	16	6	6	-	2	-	-	-	8	-	-	-	8	-	30
Compliance Fees	17	-	-	-	-	2	-	-	-	-	-	-	-	-	2
Critical Supplier Pre-Filing Payments	18	84	-	-	-	-	-	-	-	-	-	-	-	-	84
Contingency	19	-	-	-	-	20	-	-	-	20	-	-	-	20	60
<b>Total Operating Cash Disbursements</b>		<b>228</b>	<b>87</b>	<b>140</b>	<b>38</b>	<b>181</b>	<b>17</b>	<b>6</b>	<b>246</b>	<b>22</b>	<b>138</b>	<b>44</b>	<b>230</b>	<b>78</b>	<b>1,455</b>
<b>Non-Operating Cash Disbursements</b>															
Proposal Trustee Fees	20	-	86	75	-	125	-	-	-	110	-	-	-	100	496
Proposal Trustee Counsel Fees	20	-	40	-	-	40	-	-	-	30	-	-	-	30	140
MLT Aikins Fees	20	-	50	-	-	30	-	-	-	30	-	-	-	30	140
Stikeman Elliot	20	-	-	5	-	-	-	-	5	-	-	-	-	-	10
Proposed Key Employee Retention Plan	21	-	-	-	-	-	35	-	-	-	-	-	-	-	35
Working Capital Corporation	22	-	11	-	11	-	11	-	-	-	-	-	-	-	32
<b>Total Non-Operating Cash Disbursements</b>		<b>-</b>	<b>187</b>	<b>80</b>	<b>11</b>	<b>195</b>	<b>46</b>	<b>-</b>	<b>5</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>853</b>
<b>Net Cash Flow</b>		<b>(226)</b>	<b>(274)</b>	<b>(220)</b>	<b>4</b>	<b>(369)</b>	<b>(63)</b>	<b>101</b>	<b>(251)</b>	<b>(192)</b>	<b>(36)</b>	<b>50</b>	<b>(130)</b>	<b>(138)</b>	<b>(1,743)</b>
<b>Opening Cash</b>		<b>-</b>	<b>(226)</b>	<b>(499)</b>	<b>(720)</b>	<b>(716)</b>	<b>(1,085)</b>	<b>(1,148)</b>	<b>(1,047)</b>	<b>(1,298)</b>	<b>(1,490)</b>	<b>(1,526)</b>	<b>(1,476)</b>	<b>(1,605)</b>	<b>-</b>
Net Cash Flow		(226)	(274)	(220)	4	(369)	(63)	101	(251)	(192)	(36)	50	(130)	(138)	(1,743)
<b>Closing Cash</b>		<b>(226)</b>	<b>(499)</b>	<b>(720)</b>	<b>(716)</b>	<b>(1,085)</b>	<b>(1,148)</b>	<b>(1,047)</b>	<b>(1,298)</b>	<b>(1,490)</b>	<b>(1,526)</b>	<b>(1,476)</b>	<b>(1,605)</b>	<b>(1,743)</b>	<b>(1,743)</b>

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.



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Dan Wilson  
Interim CFO, President, CEO & Chairman

Date: September 26, 2022



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Orest Konowalchuk, LIT  
Senior Vice-President

Date: September 26, 2022