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CALGARY

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

COM
Sept 29 2022

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.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Orest Konowalchuk / Bryan Krol
Telephone: (403) 538-4736 / (403) 538 -7523
Email: okonowalchuk@alvarezandmarsal.com
bkrol@alvarezandmarsal.com

COUNSEL
Burnet, Duckworth & Palmer LLP
Barristers & Solicitors
David LeGeyt / Ryan Algar
2400, 525 – 8th Ave. SW.
Calgary, AB T2P 1G1
Phone: (403) 260-0210 / 0126
Fax: (403) 260-0332
Email: dlegeyt@bdplaw.com
ralgar@bdplaw.com



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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 exceeded 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 canvased 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

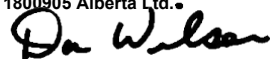
APPENDIX "B"

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

	Notes	Forecast Period													Total
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	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	
Cash Receipts															
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
Total Cash Receipts		3	-	-	52	6	-	107	-	-	102	94	100	100	564
Operating Cash Disbursements															
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
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	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
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)	(499)	(720)	(716)	(1,085)	(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 "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 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 SISF.

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

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"

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 Budget 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]

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

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.

CONFIDENTIAL

APPENDIX “1”

Intentionally Omitted