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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

COM
 Dec 9 2022

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

DOCUMENT **MONITOR'S FIRST REPORT,
 ALVAREZ & MARSAL CANADA INC.**

December 7, 2022

ADDRESS FOR
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 CONTACT
 INFORMATION OF
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 DOCUMENT

MONITOR
 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



TABLE OF CONTENTS

INTRODUCTION	1
PURPOSE	2
TERMS OF REFERENCE AND DISCLAIMER	2
BACKGROUND	3
INITIAL ACTIVITIES OF THE MONITOR	5
SISP UPDATE	7
ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST	9
UPDATED CASH FLOW FORECAST	11
EXTENSION OF THE STAY OF PROCEEDINGS	13
CONCLUSIONS AND RECOMMENDATIONS.....	14

APPENDICES

APPENDIX A	Cash Flow Forecast and Assumptions
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INTRODUCTION

1. On September 26, 2022 (the "**NOI Filing Date**"), SugarBud Craft Growers Corp. ("**SCGC**"), Trichome Holdings Corp. ("**THC**") and 1800905 Alberta Ltd. ("**OpCo**" together with SCGC and THC, the "**Applicants**", "**Sugarbud**", "**Debtors**" or the "**Companies**") filed a Notice of Intention to Make a Proposal (an "**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, (as amended, the "**BIA**"). A&M consented to act as Trustee of each of the Applicants under the NOI (A&M in such capacity, the "**Proposal Trustee**").
2. Subsequently, and pursuant to an Order (the "**NOI Order**") granted by this Honourable Court on September 29, 2022, the initial stay of proceedings (the "**Stay**") under the NOI proceedings ("**NOI Proceedings**") was extended to December 10, 2022 (the "**NOI Stay Period**").
3. The NOI Order also approved, among other things, the 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.
4. On October 18, 2022, the Companies sought and obtained an Initial Order (the "**Initial Order**") as well as the Amended and Restated Initial Order ("**ARIO**") by this Honourable Court to continue the NOI Proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (as amended the "**CCAA**" or the "**CCAA Proceedings**"), which granted, among other things, a stay of proceedings up to and including December 10, 2022 and appointed A&M as Monitor pursuant to the provisions of the CCAA (in such capacity, the "**Monitor**").
5. The Applicants are now applying to this Honourable Court seeking the Proposed Stay Extension Order, which if granted would *inter alia*, extend the stay of proceedings up to and including January 20, 2023 (the "**CCAA Stay of Proceedings Extension**").

6. Capitalized terms not otherwise defined in this Monitor's First Report (this "**Report**") are as defined in the Initial Order, the ARIO, the Proposal Trustee's First Report, the DW First Affidavit, the DW Second Affidavit and the DW Third Affidavit (defined below).

PURPOSE

7. The purpose of this Report is for A&M, in its capacity as the Monitor of the Applicants, to provide information to this Honourable Court in respect of the following:
 - a) the activities of the Monitor since its Pre-Filing Monitors report dated October 11, 2022 ("**CCAA Pre-Filing Report**");
 - b) an update on the SISP;
 - c) the Cash Flow Forecast (defined and discussed below);
 - d) the extension of the Stay Period; and
 - e) the Monitor's recommendations and conclusions.
8. This Report should be read in conjunction with the Affidavit of Dan Wilson sworn November 28, 2022 (the "**DW Third Affidavit**") and filed in support the Proposed Stay Extension Application and the CCAA Pre-Filing Report.

TERMS OF REFERENCE AND DISCLAIMER

9. In preparing this Report, A&M, in its capacity as the Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Companies, and has held discussions with the Applicants' management and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Companies' cash flow forecast:
 - a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However,

the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("CASs") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

- b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
10. Future oriented financial information referred to in this Report was prepared based on the Companies' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
 11. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

BACKGROUND

12. 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.
13. Sugarbud operates a federally-licensed cannabis production facility located in Staveland, Alberta where it produces, distributes, and sells cannabis products across Canada. The Companies supply 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).
14. 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.
15. On September 22, 2022, Connect First Credit Union Ltd. ("CFCU"), the Companies' primary secured lender, demanded on its loan. Sugarbud had exceeded the amount currently available under its existing credit facility with CFCU and no longer had any available cash flow to fund its operations. CFCU (in its capacity as the interim lender, the "**Interim Lender**") was only prepared to fund the Companies on a super-priority basis, through a debtor-driven proceeding ("**Interim Financing Facility**"). In addition, CFCU made it a condition that continued funding through the Interim Financing Facility required the Companies to seek and

- obtain the Proposed Initial Order containing all the respective ‘charges’ and relief previously obtained in the NOI Proceedings (discussed further below).
16. As a result, on September 26, 2022, Sugarbud sought and obtained creditor protection by commencing the NOI Proceedings 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.
 17. The affidavit of Dan Wilson, the Chief Executive Officer of each of the Companies, sworn September 26, 2022 (the "**DW NOI Affidavit**") was filed in support of the NOI Proceedings 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. Further information is contained in the Affidavit of Dan Wilson sworn in support of the Initial Order (the "**DW CCAA Affidavit**").
 18. Further background on the Companies and their operations is contained in the materials filed in support of the Application, the DW NOI Affidavit, and the DW CCAA Affidavit. These documents, together with other information regarding the NOI Proceedings and the CCAA Proceedings, have been posted on the Monitor's website at www.alvarezandmarsal.com/sugarbud (the "**Case Website**").

INITIAL ACTIVITIES OF THE MONITOR

19. The Monitor's activities to date have included the following:
 - a) preparing and issuing notices required under the CCAA and the Initial Order, which involved:
 - i. setting-up of the Case Website and posting of the Initial Order and other Filed Materials;

- ii. coordinating the publishing of notices as prescribed under the CCAA in The Globe and Mail (National Edition) which were published on October 25 and October 31, 2022;
 - iii. preparing a list of creditors with claims over \$1,000 and posting same to the Case Website;
 - iv. coordinating and distributing the notice to creditors to known creditors on October 19, 2022;
 - v. filing the required statutory notices with the Office of the Superintendent of Bankruptcy of the prescribed forms as required under section 23(1)(f) of the CCAA; and
 - vi. reporting protocols between the Companies and the Interim Lender as per the Interim Financing Facility agreement, which includes (a) weekly variance reporting; (b) updating the 13-Week Cash Flow Forecast on a weekly basis; and (c) review of weekly disbursements;
- b) assisting Management with the roll-out of the Debtors' post-filing communication plans;
- c) conducting ongoing discussions with Management, employees, advisors and the Debtors' legal counsel regarding the Debtors' business and financial affairs;
- d) engaging in discussions with the Debtors, the Debtors' legal counsel as well as the Interim Lender with respect to the SISP;
- e) continuing communication and utilization of the Monitor's independent legal counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**");
- f) multiple conversations with interested parties within the SISP about the Companies business, the sales process and coordinating site tours as part of the interested parties' due diligence process;

- g) evaluating the non-binding letters of intent submitted by third parties interested in participating within the SISP by the Phase I Bid Deadline, as discussed further below;
- h) hosting discussions with the interested parties that submitted non-binding letters of intent and the Companies with respect to their potential offer;
- i) communication with, and attending to various inquiries from, trade creditors and other stakeholders, and assisting with arrangements with various suppliers regarding the ongoing supply of goods and services;
- j) reviewing and supporting the Debtors' Notice of Disclaimer issued to Velvet Management Inc. ("**Velvet**"), with respect to a service contract where Velvet provided marketing services for the Companies and the Companies paid 5% of its revenue for these services;
- k) reviewing the Debtors' cash flow results on a weekly basis and communicating with the Interim Lender, accordingly;
- l) reviewing the Debtors' updated cash flow forecast each week as required under the Interim Financing Facility;
- m) reviewing the Companies weekly payables for reasonability and preparing the weekly disbursements request to the Interim Lender as stipulated in the Interim Financing Facility; and
- n) various communications held with the Companies, its legal counsel, the Interim Lender and its counsel, and BD&P.

SISP UPDATE

Overview

20. Pursuant to the NOI Order, the Monitor, in consultation with the Debtors, initiated a number of marketing activities. The Monitor prepared and disseminated notices of the SISP Process ("**SISP Notices**") in the Insolvency Insider, Newswire, Stratcann online magazine and New Cannabis Ventures' online magazine, email

newsletter and website. In addition to the SISP Notices, the Monitor, in consultation with the Debtors, prepared a teaser package (the “**Teaser**”) and Non-disclosure agreement (the “**NDA**”).

21. The Monitor, in consultation with the Debtors, prepared an initial list of potential bidders, including strategic parties, capital providers and alternative lenders (collectively, the “**Prospective Bidders**”). The Monitor then, commencing on September 30, 2022, and pursuant to the NOI Order, communicated the Teaser and NDA to the Prospective Bidders.
22. A summary of the extensive and broad-based SISP is discussed in the First Report of the Proposal Trustee.

The SISP Marketing Efforts

23. The Monitor undertook a significant marketing process to ensure it effectively and thoroughly canvassed the market. The Companies and their assets were marketed to a number of companies identified by the Monitor and the Debtors, with input from the Companies' counsel as to potentially interested parties who capable of, or a good strategic fit for, purchasing and/or investing in the Companies, or portions of them.
24. A comprehensive package of marketing materials (including the development of all relevant financial, accounting, asset and facility listings, inventory schedules, liabilities, contractual agreements, valuation materials, and other materials (the “**SISP VDR Materials**”) was assembled and made available in a virtual data room (“**VDR**”).
25. Notable events within the SISP include the following:
 - a) the SISP commenced on September 29, 2022, shortly after the NOI Order was granted, with the placement of advertisements announcing the commencement of the SISP in media outlets discussed above. In addition, the Monitor disseminated the Teaser, advertising sale and/or

investment opportunities in the Companies, to a broad but focused list of (i) 48 strategic investors, and (ii) 24 capital providers / alternative lenders, and invited them to execute an NDA with the Debtors if interested in the opportunity;

- b) a VDR containing the SISP VDR Materials with respect to the Companies was made available to all parties who executed an NDA;
- c) all key staff of the Companies and the Monitor were made available to answer any questions for prospective bidders as part of their review and due diligence process;
- d) the SISP advised prospective bidders and interested parties that all non-binding letters of intent were due by November 4, 2022, which was the Phase I Bid Deadline; and
- e) the SISP advises prospective bidders and interested parties that, if applicable, any irrevocable offers on the Companies are due on or before 5:00 PM (Mountain Standard Time) on December 9, 2022, which is the Phase II Bid Deadline.

26. The Monitor is currently working with two parties who have submitted valid non-binding letters of intent as per the SISP and will update this Honourable Court with the outcome of the Phase II Bid Deadline at the next court application.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

27. The Debtors' actual cash receipts and disbursements as compared to the Cash Flow Forecast presented in the Pre-Filing Report of the Proposed Monitor during the period of September 26, 2022 to November 25, 2022 (the "**Reporting Period**") is summarized below:

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. Consolidated Cash Flow Variance Analysis - Prepared by Management For the Period September 26, 2022 to November 25, 2022 <i>unaudited, in CAD \$000's</i>			
	Forecast	Actual	Variance
Cash Receipts			
Alberta (AGLC)	107	125	17
BC (BCLBD)	-	-	-
Ontario (OCS)	52	145	93
Yukon (YLC)	3	3	-
Other (Medical Sales)	6	25	18
Total Cash Receipts	168	297	129
Operating Cash Disbursements			
Payroll and Employee Benefits	472	418	(53)
Insurance	26	33	7
Excise Taxes	63	-	(63)
Utilities and Taxes	44	63	20
Production Components, Supplies and Services	32	48	16
Facility Maintenance and Services	40	18	(21)
Health Canada License and Excise Fee	62	62	-
Cultivation Components and Supplies	44	25	(19)
IT and Compliance Software fees	22	10	(11)
Facility PPE	15	10	(5)
Freight	22	20	(2)
Compliance Fees	2	-	(2)
Critical Supplier Pre-Filing Payments	84	84	-
Contingency	40	-	(40)
Total Operating Cash Disbursements	966	793	(172)
Non-Operating Cash Disbursements			
Proposal Trustee/Monitor's Fees	396	348	(48)
Proposal Trustee/ Monitor's Disbursements	-	20	20
Proposal Trustee/Monitor's Counsel's Fees	110	89	(21)
MLT Aikins Fees	110	109	(1)
Stikeman Elliot	10	-	(10)
Proposed Key Employee Retention Plan	35	35	0
Working Capital Corporation	32	-	(32)
Total Non-Operating Cash Disbursements	693	601	(43)
Net Cash Flow	(1,490)	(1,097)	345

28. Over the Reporting Period, the Debtors experienced a positive cash flow variance of approximately \$345,000, primarily as a result of temporary timing differences, as well as some permanent variances which are described below:

- a) positive timing variances with respect to collection of certain receipts from the Alberta Gaming and Liquor Corporation and the Ontario Cannabis Store, which are a temporary timing difference;
- b) the other receipts variance is primarily due to a receipt from Grand HVAC Leasing of approximately \$23,000 to reimburse the Debtors for maintenance charges incurred, which was not previously forecast;
- c) payroll and employee benefits variance primarily due to a positive timing variance due to the Debtors not receiving Alberta Workers' Compensation

Board and employee benefits invoices as expected. These timing variances are expected to correct in the coming weeks;

- d) the variance relating to excise taxes is a positive timing variance as the Company pays for excise taxes 45 days after the end of each month and has not yet paid excise tax for the month of October 2022;
- e) the positive variances relating to facility maintenance and services, cultivation components and supplies, and IT and compliance software fees are a result of lower than forecast fees in each respective category, and are expected to be permanent;
- f) the negative permanent variance relating to utilities and taxes is partially the result of a security deposit that was required by the electricity provider and was not included in the initial forecast;
- g) the negative variance relating to production components and supplies is the result of higher than forecast costs for product labels, lab results and packaging during the forecast period and is expected to be a permanent variance;
- h) the contingency amounts have yet to be required as Management has incurred costs less than forecasted and has not yet required the use of these reserves; and
- i) non-operating costs to date include the fees and disbursements of Companies' legal counsel, the Proposal Trustee and Monitor and the Proposal Trustee and Monitor's counsel through the end of October 2022. The overall positive variance is a result of temporary timing differences attributed to invoicing.

UPDATED CASH FLOW FORECAST

29. For purposes of paragraph 10(2)(a) of the CCAA, the Companies have prepared an updated weekly cash flow forecast (the "**Second Cash Flow Forecast**") for the 8-week period from November 26, 2022 to January 20, 2023 (the "**Forecast Period**"),

using the probable and hypothetical assumptions set out in the notes to the Second Cash Flow Forecast. A copy of the Second Cash Flow Forecast, together with a summary of assumptions are attached hereto as Appendix "A".

30. The Second Cash Flow Forecast assumes that all ongoing costs of the business continue throughout the Forecast Period.
31. The Second Cash Flow Forecast is summarized below:

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. Management Prepared 8 Week Cash Flow Forecast For the period November 26, 2022 to January 20, 2023 unaudited, in CAD \$000's	
Cash Receipts	
Alberta (AGLC)	29
BC (BCLBD)	-
Ontario (OCS)	246
Yukon (YLC)	-
Other (Medical Sales)	6
Total Cash Receipts	282
Operating Cash Disbursements	
Payroll and Employee Benefits	462
Insurance	83
Excise Taxes	80
Utilities and Taxes	99
Production Components, Supplies and Services	58
Facility Maintenance and Services	40
Health Canada License and Excise Fee	-
Cultivation Components and Supplies	30
IT and Compliance Software fees	27
Facility PPE	12
Freight	8
Compliance Fees	2
Critical Supplier Pre-Filing Payments	-
Contingency	20
Total Operating Cash Disbursements	921
Non-Operating Cash Disbursements	
Monitor's Fees	100
Monitor's Disbursements	-
Monitor's Counsel Fees	10
MLT Atkins Fees	20
Stikeman Elliot	-
Proposed Key Employee Retention Plan	-
Working Capital Corporation	32
Total Non-Operating Cash Disbursements	162
Net Cash Flow	(800)
Opening Cash	(1,097)
Net Cash Flow	(800)
Closing Cash	(1,897)

32. A summary of the Second Cash Flow Forecast and select assumptions include the following:
- a) total projected cash receipts of approximately \$282,000;
 - b) total forecast operating cash disbursements forecast of approximately \$921,000 relating primarily to payroll and employee benefits, insurance, excise taxes, utilities and taxes, and other operating costs; and
 - c) forecast non-operating cash disbursements of approximately \$162,000, primarily relating to the forecast payment of the fees incurred by Monitor, the Monitor's counsel, and the Debtor's counsel.
33. Accordingly, it appears that the Debtors will experience a cash shortfall over the Forecast Period of \$800,000 bringing the total borrowings under the Interim Financing Facility to \$1,897,000.
34. The Second Cash Flow Forecast is based on assumptions by Management regarding future events. Management advises that actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Second Cash Flow Forecast will be accurate. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in the course of the preparation of this Report.

EXTENSION OF THE STAY OF PROCEEDINGS

35. Pursuant to the ARIIO, the Stay Period (as defined therein) will expire on December 10, 2022. The Debtors are seeking an extension of the Stay Period to January 20, 2023 (the "**Stay Extension**").
36. The Monitor supports the Stay Extension for the following reasons:

- a) during the proposed extension of the Stay Period, the Debtors will have an opportunity to conclude the SISP and potentially close a transaction, subject to Court approval;
- b) it will afford the Debtors and the Monitor sufficient time to advance and possibly complete the administration of the CCAA Proceedings;
- c) the Debtors are forecasted to have sufficient liquidity to continue operating in the ordinary course of business during the requested extension of the Stay Period;
- d) no creditor of the Debtors will be materially prejudiced by the extension of the Stay Period; and
- e) in the Monitor's opinion, the Debtors have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

CONCLUSIONS AND RECOMMENDATIONS

37. Based on the current information that has been made available to the Monitor by the Companies, the Monitor respectfully recommends that this Honourable Court to approve an extension to the Stay Period to January 20, 2023;

All of which is respectfully submitted this 7th day of December, 2022

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



Orest Konowalchuk, LIT
Senior Vice-President



Bryan Krol
Director

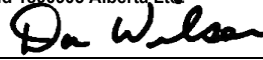
APPENDIX "A"

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.
Management Prepared 8 Week Cash Flow Forecast
For the period November 26, 2022 to January 20, 2023
unaudited, in CAD \$000's


		Forecast								Total Week 10 to Week 17
		Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	
	Notes	2-Dec-22	9-Dec-22	16-Dec-22	23-Dec-22	30-Dec-22	6-Jan-23	13-Jan-23	20-Jan-23	
Cash Receipts										
Alberta (AGLC)	1	-	-	-	16	-	-	-	13	29
BC (BCLBD)	2	-	-	-	-	-	-	-	-	-
Ontario (OCS)	3	-	78	-	-	96	-	-	72	246
Yukon (YLC)	4	-	-	-	-	-	-	-	-	-
Other (Medical Sales)	5	-	-	6	-	-	-	-	-	6
Total Cash Receipts		-	78	6	16	96	-	-	85	282
Operating Cash Disbursements										
Payroll and Employee Benefits	6	70	35	98	24	101	7	127	-	462
Insurance	7	7	-	10	50	-	7	-	10	83
Excise Taxes	8	-	60	-	-	-	20	-	-	80
Utilities and Taxes	9	0	44	5	-	-	47	3	-	99
Production Components, Supplies and Services	10	16	5	15	3	1	8	10	-	58
Facility Maintenance and Services	11	11	0	10	-	10	-	9	-	40
Health Canada License and Excise Fee		-	-	-	-	-	-	-	-	-
Cultivation Components and Supplies	12	-	6	12	-	-	-	12	-	30
IT and Compliance Software fees	13	5	6	5	0	2	8	-	2	27
Facility PPE	14	1	1	3	1	1	3	1	1	12
Freight	15	-	0	8	-	-	-	-	-	8
Compliance Fees	16	-	-	2	-	-	-	-	-	2
Critical Supplier Pre-Filing Payments		-	-	-	-	-	-	-	-	-
Contingency	17	-	-	-	10	-	-	-	10	20
Total Operating Cash Disbursements		110	156	167	88	115	99	162	22	921
Non-Operating Cash Disbursements										
Monitor's Fees	18	-	-	100	-	-	-	-	-	100
Monitor's Disbursements		-	-	-	-	-	-	-	-	-
Monitor's Counsel Fees	18	-	-	10	-	-	-	-	-	10
MLT Aikins Fees	19	-	-	20	-	-	-	-	-	20
Stikeman Elliot	19	-	-	-	-	-	-	-	-	-
Proposed Key Employee Retention Plan	20	-	-	-	-	-	-	-	-	-
Working Capital Corporation	21	-	11	-	11	11	-	-	-	32
Total Non-Operating Cash Disbursements		-	11	130	11	11	-	-	-	162
Net Cash Flow		(110)	(89)	(291)	(82)	(30)	(99)	(162)	63	(800)
Opening Cash		(1,097)	(1,207)	(1,296)	(1,587)	(1,669)	(1,699)	(1,798)	(1,960)	(1,097)
Net Cash Flow		(110)	(89)	(291)	(82)	(30)	(99)	(162)	63	(800)
Closing Cash		(1,207)	(1,296)	(1,587)	(1,669)	(1,699)	(1,798)	(1,960)	(1,897)	(1,897)

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. - Court appointed Monitor


Orest Konowalchuk, LIT
Senior Vice President

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.
Management Prepared 8 Week Cash Flow Forecast
For the Period November 26, 2022 to January 20, 2023

Notice to Reader

In preparing this cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or protections will be realized. The Forecast is presented in thousands of Canadian dollars.

Notes:

- 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.
- 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.
- 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 \$330,000) or outstanding employee expenses (approximately \$154,000). Amounts also include forecast costs of one contractor who completes bookkeeping and accounting services for SugarBud. Payroll amounts assume furlough program initiated by Sugarbud management. This involves the furlough of certain non-essential employees for 90 days which began in October 2022. The furlough has an associated severance liability of approximately \$45,000 which is assumed to be payable between December 14, 2022 and January 13, 2023.
- 7) Insurance includes regular monthly payments product recall insurance, property, equipment breakdown, general liability insurance and D&O insurance. A \$50,000 renewal is assumed to be completed for the D&O insurance policy during Week 4.
- 8) Excise Tax Payment: It is assumed excise tax payments incurred prior to September 26, 2022 are stayed. Management estimates that Sugarbud has approximately \$1.1 million in outstanding excise taxes owing as at July 31, 2022. Excise taxes owing for the month of October and November 2022 are assumed to be paid by the company 45 days after month end. Excise tax estimates are based on historical amounts paid and input from company 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 is 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) 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 company management.
- 13) IT and Compliance Software Fees: Includes seed to sale IT software, NAV 365 ERP software costs, and facility security monitoring fees.
- 14) Facility PPE: Includes payments to Cintas Corporation for production and cultivation personal protective equipment.
- 15) Payments to freight companies which transport product to provincial distribution centres.
- 16) Compliance fees include forecast TSX administrative fees.
- 17) A contingency of \$10,000 per month has been assumed to account for unexpected costs that the company may incur during the CCAA proceedings.

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.
Management Prepared 8 Week Cash Flow Forecast
For the Preiod November 26, 2022 to January 20, 2023

Notice to Reader

In preparing this cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or protections will be realized. The Forecast is presented in thousands of Canadian dollars.

Notes:

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- 18) Forecast professional fees of the Monitor, its legal counsel (Burnet, Duckworth & Palmer LLP). The estimated fees associated with the administration of the Court-approved SISF are reflected in the fees of the Monitor as the Monitor is administering the SISF in these proceedings.
- 19) Fees of the Companies' counsel (MLT Aikins LLP) includes securities work which was originally forecast to be completed by Stikeman Elliot.
- 20) Key Employee Retention Plan (KERP): Second retention payment of approximately \$105,000, which is payable upon transaction close, is assumed to not be paid in the forecast period.
- 21) Forecast payments to Working Capital Corporation for the completion of Q2 2022 and Q3 2022 financial statements.