



C50544

COURT FILE NUMBER 2201-11655

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

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



COM
May 9, 2023
Justice Feasby

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

May 5, 2023

ADDRESS FOR
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PARTY FILING THIS
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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**") and an Amended and Restated Initial Order ("**ARIO**") from 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 (A&M in such capacity, the "**Monitor**").
5. Since the granting of the ARIO, the Companies have sought and obtained four stay of proceedings extensions with the most recent extension expiring May 31, 2023 (the "**Fourth CCAA Stay of Proceedings Extension**").

6. The Companies are now applying to this Honourable Court for an Order:
 - a) approving the May 2, 2023 asset purchase agreement (the “**Sale Agreement**”) between SCGC and Opco (the “**Vendor**”) and Connect First Credit Union (“**CFCU**”), by and through its nominee 1800905 Alberta Ltd. (the “**Purchaser**”); and
 - b) releasing Dan Wilson from personal liabilities incurred in his capacity as director of Sugarbud (the “**D&O Release**”).
7. The Monitor is now applying to this Honourable Court for an Order:
 - a) directing and empowering the Monitor to distribute the \$27,452.62 (the “**Tirtech Funds**”) it holds in trust to (i) first any outstanding priority payables, and (ii) thereafter, to the extent any Tirtech Funds remain, to CFCU;
 - b) approving the actions, activities, and conduct of the Monitor throughout the CCAA Proceedings and previous NOI Proceedings;
 - c) approving the professional fees and disbursements of A&M and its legal counsel, Burnet Duckworth & Palmer LLP (“**Monitor’s Counsel**”) throughout the NOI Proceedings and CCAA Proceedings as reported in this report and previously filed reports, including the Forecast Fees and Costs (defined below); and
 - d) discharging the Monitor in its capacity as Monitor of Sugarbud and terminating these CCAA Proceedings upon filing of the Termination Certificate (defined below).

PURPOSE

8. The purpose of this Report is to provide information to this Honourable Court in respect of the following:

- a) the Monitor's activities since the Fourth Report dated April 24, 2023;
 - b) a summary of the SISP as well as the Sale Agreement between the Vendor and the Purchaser;
 - c) the Companies' request the D&O Release;
 - d) the proposed distribution of the Tirtecha Funds;
 - e) the actual cash flow results since the NOI Proceedings to date and compared to forecast;
 - f) the Cash Flow Forecast (defined and discussed below);
 - g) the request to approve the actions, activities and conduct of the Monitor, along with the professional fees and costs of the Monitor and Monitor's Counsel throughout the entire NOI Proceedings and CCAA Proceedings;
 - h) the request to terminate the CCAA and discharge the Monitor; and
 - i) the Monitor's recommendations and conclusions in respect of the above.
9. Capitalized terms not otherwise defined in this Monitor's Fifth Report (this "**Report**" or the "**Fifth Report**") are as defined in the Initial Order, the ARIO, the Proposal Trustee's First Report, and the previously filed Monitor's reports or the various affidavits filed in the CCAA Proceedings.

TERMS OF REFERENCE AND DISCLAIMER

10. In preparing this Report, 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.
11. Future oriented financial information referred to in this Report was prepared based on the Companies' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
 12. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

BACKGROUND

13. Sugarbud is a vertically-integrated cannabis business with expertise at each stage of the cannabis product life-cycle, from cultivation and extraction to brand development, marketing and sales.
14. Sugarbud operates a federally-licensed cannabis production facility located in Staveland, Alberta where it produces, distributes, and sells cannabis products across Canada. Since the Monitor's Second Report, the Companies have reduced their operations and staffing requirement and is currently in a care and custody mode while it focuses on certain opportunities and transactions in the CCAA Proceedings.
15. Further background on the Companies and their operations are contained in the materials filed in support of the Application. 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").

ACTIVITIES OF THE MONITOR

16. The Monitor's activities since the Monitor's Fourth Report have included, among other things, the following:

- a) conducting ongoing discussions with Management, employees, advisors and the Debtors' legal counsel regarding the Debtors' business and financial affairs;
- b) engaging in discussions with the Debtors, the Debtors' legal counsel as well as the Interim Lender and its legal counsel with respect to opportunities available for the Debtors and the Debtor's liquidity position;
- c) continuing communication and utilization of the Monitor's Counsel;
- d) facilitating discussions between the SCGC and CFCU with respect to the Sale Agreement;
- e) communicating with the Companies regarding the orderly wind-down of their operations, sale of excess inventory and destruction of any cannabis product that they were unable to sell;
- f) acknowledging that the Companies had notified Health Canada that the Companies will be ceasing operations effective May 12, 2023;
- g) communication with the Companies and their counsel regarding their intent to seek a release of liabilities for the sole remaining director and officer of SCGC;
- h) continuing to communicate with, and attending to various inquiries from, trade creditors and other stakeholders;
- i) reviewing the Debtors' cash flow results on a weekly basis and communicating with the Interim Lender with respect to the same;

- j) reviewing the Debtors' updated cash flow forecast each week as required pursuant to the Interim Financing Facility;
- k) 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
- l) conducting various communications held with the Companies, their legal counsel, the Interim Lender and its counsel, and BD&P.

SUMMARY OF THE SISP AND THE SALE AGREEMENT

SISP

- 17. As discussed in prior reports, the Monitor undertook a significant marketing process between September 30, 2022 and December 9, 2022 with both a Phase I (November 4, 2022) and Phase II (December 9, 2022) deadline.
- 18. There were six (6) prospective purchasers who signed NDAs and received the confidential information memorandum and access to the virtual data room. As at the Phase I Bid Deadline, there were two (2) non-binding letters of intent (“**LOI**”) received by the Monitor with respect to the SISP.
- 19. The Monitor worked closely with these two parties and progressed into Phase II of the SISP. The Monitor communicated with CFCU and Sugarbud about these LOIs, and whether either of them would be acceptable to CFCU and Sugarbud. Notwithstanding the efforts made by the parties in negotiating the form and type of a potential transaction, no offer could be agreed upon was acceptable to CFCU. The consideration (purchase price) provided in the LOIs was not sufficient to repay CFCU in full, and therefore, CFCU is considered the fulcrum creditor.

Sale Agreement

- 20. As a result of there being no acceptable offers from the SISP, and as a result of the failed discussions respecting the Lease Transaction, as more thoroughly discussed

in the Monitor's Fourth Report, CFCU and the Vendor agreed to enter into the Sale Agreement, which is attached to this Report as Confidential Appendix "1".

21. The consideration described in the Sale Agreement is a combined credit bid and cash payment, with sufficient cash to satisfy the CCAA Charges. A redacted copy of the Sale Agreement is attached as Appendix "A".
22. Due to the confidential nature of the redacted information provided in the Sale Agreement, the Monitor is concerned that if the redacted information is disclosed to third parties prior to the closing of the transaction, the disclosure could materially jeopardize the sale, or if the sale does not close, could materially jeopardize subsequent efforts to market the property. As such, the Company, with support of the Monitor, is respectfully of the view that it is appropriate for this Honourable Court to seal the Confidential Appendix "1" to the Monitor's Fifth Report in accordance with the proposed form of the Restricted Court Access order accompanying the Monitor's application (the "**Restricted Court Access Order**") as it contains:
 - a) The Monitor's analysis of the Sale Agreement; and
 - b) The unredacted contents of the Sale Agreement, including the purchase price.
23. The Monitor considered the following when assessing the offer from CFCU with respect to the property, and believes that the approval of the Sale Agreement is in the best interest of all stakeholders for the following reasons:
 - a) the Monitor is of the view that a comprehensive marketing of the Companies' property was undertaken, and that the market of potential purchasers was sufficiently canvassed, resulting in no acceptable offers;

- b) the Monitor understands that the Sale Agreement was negotiated between the Vendor and CFCU in good faith and due diligence and appears commercially reasonable under the circumstance;
 - c) the Monitor's counsel has reviewed the security of CFCU and concluded that it constitutes a valid and enforceable first-ranking security interest in the property of the Companies; and
 - d) the Companies and their sole director are supportive of the Sale Agreement, and CFCU, as fulcrum creditor, is also supportive.
24. After consideration of the above, the Company, with the support of the Monitor, is seeking an order approving the Sale Agreement.

D&O RELEASE

25. The Monitor understands that due to the lack of acceptable offers from the SISP, and due to the failed potential Lease Transaction, which may have allowed the Companies to continue as a going-concern, the Companies will be unable to present a plan of arrangement which would allow for the Companies to seek certain releases for directors and officers under the provisions of the CCAA.
26. Notwithstanding the foregoing, the Companies believe that given the amount of work and commitment by the sole remaining director, Mr. Dan Wilson, in the NOI Proceedings and the CCAA Proceedings, and his cooperation with the Monitor and all stakeholders in good faith and with diligence, it is appropriate for this Honourable Court to grant the D&O Release. The Monitor has considered the Companies' request in relation to the actions and conduct of the sole director, other court precedent rulings of this nature, and the Monitor supports the Companies' request.
27. Mr. Wilson continues to have the benefit of a Director's Charge in the amount of \$200,000 against the assets of the Applicants. At the time of this Report, the

Monitor is unaware of any amounts outstanding during the CCAA proceedings that would result in this Director's Charge being utilized.

28. The Monitor understands that there are pre-filing priority payables owed to the Canada Revenue Agency ("CRA") by SCGC for source deductions in the amount of \$394,683.44, and GST in the amount of \$877,011.64, for which directors may be personally liable.
29. Lastly, it is the Monitor's understanding that the Companies' other directors and officers resigned prior to or in conjunction with the filing of the NOI. The Company is not seeking releases for those other previous directors and officers of the Company.

TIRTECHA FUNDS

30. On October 18, 2022, this Honourable Court ordered that the Monitor hold the Tirtecha Funds in trust until further Order of this Honourable Court.
31. The Monitor and its legal counsel have reviewed the nature of these funds and have concluded that the Tirtecha Funds are the property of Sugarbud and are distributable to the creditors of Sugarbud.
32. The Monitor is requesting that this Honourable Court authorize the Monitor to distribute the Tirtecha Funds to (i) first any unpaid priority payables, and (ii) second, to the extent any Tirtecha Funds remain in the possession of the Monitor, to CFCU.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

33. The Companies' actual cash receipts and disbursements as compared to the Cash Flow Forecast presented in the Third Report of the Monitor during the period of April 15, 2023 to April 28, 2023 (the "Reporting Period") is summarized below. The Companies have also summarized in the chart below the actual cash receipts and disbursements since the NOI Filing Date to April 28, 2023.

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. Consolidated Cash Flow Variance Analysis <i>unaudited, in CAD \$000's</i>				
	Reporting Period			YTD
	Forecast	Actual	Variance	Actual
Cash Receipts				
Alberta (AGLC)	-	-	-	250
BC (BCLBD)	-	-	-	-
Ontario (OCS)	25	25	0	623
Yukon (YLC)	-	-	-	3
Other (Medical Sales)	-	-	-	25
Inventory Sales	-	-	-	201
Total Cash Receipts	25	25	0	1,103
Operating Cash Disbursements				
Payroll and Employee Benefits	60	37	23	1,155
Insurance	-	-	-	150
Excise Taxes	29	-	29	139
Utilities and Taxes	27	-	27	285
Production Components, Supplies and Services	-	-	-	105
Facility Maintenance and Services	-	-	-	86
Health Canada License and Excise Fee	-	-	-	62
Cultivation Components and Supplies	0	-	0	37
IT and Compliance Software fees	8	0	8	56
Facility PPE	-	-	-	25
Freight	9	-	9	52
Compliance Fees	-	-	-	2
PST	-	-	-	-
Appraisal Fees	-	-	-	11
Critical Supplier Pre-Filing Payments	-	-	-	84
Contingency	-	-	-	-
Total Operating Cash Disbursements	133	37	96	2,249
Non-Operating Cash Disbursements				
Monitor's Fees	105	-	(105)	348
Monitor's Disbursements	-	-	-	20
Monitor's Counsel's Fees	21	-	(21)	98
MLT Aikins Fees	13	-	(13)	120
Stikeman Elliot	-	-	-	-
Key Employee Retention Plan	97	-	(97)	35
Working Capital Corporation	-	-	-	11
Total Non-Operating Cash Disbursements	236	-	(236)	631
Net Cash Flow	(344)	(12)	332	(1,778)
Opening Cash	(1,766)	(1,766)	-	-
Net Cash Flow	(344)	(12)	332	(1,778)
Closing Cash	(2,109)	(1,778)	332	(1,778)

34. The Debtors experienced a positive cash flow variance during the Reporting Period of approximately \$332,000, primarily as a result of temporary timing differences which are described below:

- a) a positive variance with respect to payroll and employee benefits, primarily due to temporary timing differences;
- b) a positive timing variance relating to utilities and taxes, excise taxes, freight, IT and compliance software fees;

- c) a positive timing variance relating to non-operating costs that will either be paid in the Forecast Period or remain secured under the Administrative Charge in these CCAA Proceedings.
- 35. At the request of the Interim Lender, and in an effort to conserve cash during the CCAA Proceedings, the Monitor, Monitor's Counsel, and Companies' counsel, MLT Aikins LLP (collectively, the "CCAA Professionals") have not been paid their invoices for several months. As such, the CCAA Professionals have largely relied upon the Administration Charge to date. The Monitor understands that should this Honourable Court approve the Sale Agreement CFCU will be required to settle all amounts outstanding pursuant to the Administration Charge prior to closing the transaction.

UPDATED CASH FLOW FORECAST

- 36. For purposes of paragraph 10(2)(a) of the CCAA, the Companies have prepared an updated weekly cash flow forecast (the "Sixth Cash Flow Forecast") for the 3-week period from April 29, 2023 to May 19, 2023 (the "Forecast Period"), using the probable and hypothetical assumptions set out in the notes to the Sixth Cash Flow Forecast. A copy of the Sixth Cash Flow Forecast, together with a summary of assumptions are attached hereto as Appendix "B".
- 37. The Sixth Cash Flow Forecast is summarized below:

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. Management Prepared 3-Week Cash Flow Forecast For the period from April 29, 2023 to May 19, 2023 <i>unaudited, in CAD \$000's</i>	
Cash Receipts	
Alberta (AGLC)	27
Ontario (OCS)	83
Inventory Sales	-
Total Cash Receipts	110
Operating Cash Disbursements	
Payroll and Employee Benefits	66
Insurance	10
Excise Taxes	56
Utilities and Taxes	27
Production Components, Supplies and Services	-
Facility Maintenance and Services	33
Cultivation Components and Supplies	0
IT and Compliance Software fees	8
Facility PPE	-
Freight	9
PST	-
Contingency	-
Total Operating Cash Disbursements	209
Non-Operating Cash Disbursements	
Professional Fees	139
Proposed Key Employee Retention Plan	97
Potential Bankruptcy Fee Retainer	35
Working Capital Corporation	-
Total Non-Operating Cash Disbursements	271
Net Cash Flow	(370)
Opening Cash	(1,778)
Net Cash Flow	(370)
Closing Cash	(2,148)

38. A summary of the Sixth Cash Flow Forecast and select assumptions include the following:

- d) total projected cash receipts of approximately \$110,000; and
- e) total operating cash disbursements forecast of approximately \$209,000 and non-operating cash disbursements of approximately \$271,000, resulting in a net decrease in cash of approximately \$370,000 during the Forecast Period.

39. The Monitor is advised that Sugarbud intends to pay the Monitor's outstanding November 2022 invoice and the Monitor's and Debtor's counsel's outstanding December 2022 invoices before May 12, 2023.
40. The Monitor understands that either the Companies or CFCU may assign or petition the Companies into bankruptcy, respectively. It is estimated that the potential professional fees for the proposed trustee and its counsel may cost \$35,000.
41. The Sixth 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 Sixth 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.

ADMINISTRATION CHARGE

42. The Administration Charge (\$500,000) is a first ranking charge on the Property and, subject to section 136 of the BIA, is in priority to all other Charges, security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person.
43. The following table is a summary of all outstanding invoices incurred but not yet paid to the CCAA Professionals as at April 30, 2023.

Sugarbud Craft Growers Corp et al Outstanding Professional Fees As at April 30, 2023	
Company	Total
A&M	300,574
BDP	82,818
MLTA	85,276
Total	468,668
Administration Charge Limit	500,000
Remaining Available	31,332

44. Based solely on the outstanding invoices, approximately \$31,000 remains available of the Administration Charge for the CCAA Professionals. The CCAA Professionals estimate that there will be an additional \$50,000 - \$75,000 incurred as fees and costs for the month of May 2023 to discharge. Once the Companies pay the anticipated forecast fees and costs of approximately \$139,000 (as discussed above) and considering the forecast remaining fees and costs of the CCAA Professionals, the Monitor estimates the Administration Charge may be in the range of approximately \$380,000 - \$405,000. The Administration Charge will be paid from the cash proceeds of the CFCU Transaction.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

45. The Monitor seeks approval from this Honourable Court of its respective professional fees and disbursements as Proposal Trustee and as Monitor, as well the fees and disbursements of BD&P, in its capacity as counsel to the Proposal Trustee and the Monitor.
46. The fees and expenses accumulated by the Proposal Trustee as well as the Monitor for the period of August 15, 2022 to April 30, 2023 total \$616,407.00 for professional fees and \$19,968.06 for expenses, exclusive of GST (the “Monitor’s Fees and Costs”).
47. The total fees and expenses of BD&P, in its capacity as counsel to the Proposal Trustee and the Monitor, for the period of September 17, 2022 to April 30, 2023 total \$170,957.00 in professional fees and \$938.15 in expenses, exclusive of GST (the “Monitor’s Counsel’s Fees and Costs”).
48. A summary of the professional fees and costs are attached as Appendix “C”. The accounts of the Proposal Trustee, the Monitor and BD&P outline the date of the work completed, the description of the work completed, the length of time taken to

complete the work and the name of the individual who completed the work. Copies of the invoices will be made available to the Court at its direction, if necessary.

49. The Monitor and the Monitor's Counsel's estimated fees and costs to complete this engagement (May 1 to filing of the Termination Certificate) are estimated at approximately \$40,000 (the "Forecast Fees and Costs"), which include fees and costs incurred but not paid.
50. The Monitor respectfully submits that its professional fees and disbursements and those of the Monitor's Counsel are fair and reasonable in the circumstances and respectfully requests that this Honourable Court approve the Monitor's Fees and Costs, the Monitor's Counsel's Fees and Costs, and the Forecast Fees and Costs.

TERMINATION OF THE CCAA AND DISCHARGE OF THE MONITOR

51. Following the closing of the Sale Agreement, the Monitor will file with this Honourable Court a certificate (the "Termination Certificate") indicating that all administrative matters relating to these CCAA Proceedings are complete.
52. Following the filing of the Termination Certificate, the Monitor will have completed its duties under the CCAA with respect to these proceedings and all claims against the Monitor, its officers, directors, employees and affiliates, in connection with its appointment or the performance of its duties as Monitor to the date of this Order shall be and are hereby stayed, extinguished and forever barred and the Monitor, its officers, directors, employees and affiliates, shall have no obligation or liability in respect thereof except for any liability arising out of gross negligence or wilful misconduct on the part of the Monitor.
53. The Monitor respectfully requests that this Honourable Court approve the Order discharging the Monitor of its duties under the CCAA, subject to completion of the administrative matters, such as closing of the proposed Sale Agreement, and the filing of the Termination Certificate as noted above, and the termination of these CCAA Proceedings.

CONCLUSIONS AND RECOMMENDATIONS

54. The Monitor respectfully recommends that this Honourable Court grant Orders approving the following:

- f) the Proposal Trustee's and Monitor's actions, conduct and activities as reported in this Fifth Report and the previous reports filed by the A&M;
- g) the Sale Agreement;
- h) the Restricted Court Access Order;
- i) the D&O Release;
- j) the Monitor distributing the Tirtecha Funds it holds in trust to the estate to first the priority payables and thereafter CFCU;
- k) the Monitor's and the Monitor's Counsel's Fees and Disbursements throughout the NOI Proceedings and the CCAA Proceedings, as described in this Report and the previous reports of the Monitor, including the Forecast Fees and Costs; and
- l) the termination of these CCAA Proceedings and the discharge of the Monitor upon the filing of the Termination Certificate.

All of which is respectfully submitted this 5th day of May, 2023

ALVAREZ & MARSAL CANADA INC.,
in its capacity as 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"
REDACTED SALE AGREEMENT

ASSET PURCHASE AGREEMENT

May 2, 2023

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT dated May 2, 2023.

BETWEEN:

1800905 ALBERTA LTD., a company incorporated under the laws of the Province of Alberta ("180")

-and-

SUGARBUD CRAFT GROWER CORP. a company incorporated under the laws of the Province of Alberta ("**Sugarbud**" and together with 180, the "**Vendor**")

- and -

CONNECT FIRST CREDIT UNION LTD. ("**CFCU**" or the "**Purchaser**")

WHEREAS:

- A. The Vendor obtained an initial order of the Alberta Court of King's Bench (the "**Court**") on October 18, 2022 (the "**Initial Order**") under the *Companies Creditor's Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**" or the "**CCAA Proceedings**") and an Amended and Restated Initial Order ("**ARIO**") which among other things, commenced the CCAA Proceedings, granted a stay of proceedings and appointed Alvarez & Marsal Canada Inc., ("**A&M**") to act as the Monitor of the Vendor.
- B. The Vendor has agreed to sell, transfer and assign to the Purchaser all of the right, title and interest of the Vendor in and to the Purchased Assets, and the Purchaser has agreed to purchase the Purchased Assets on the terms and conditions set forth herein;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by each Party to the other, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) "**Administration Charge**" has the meaning ascribed to it in the ARIO;
- (b) "**Administration Charge Parties**" means the Vendor's Solicitor, the Monitor and the Monitor's Solicitor.
- (c) "**Administration Costs**" means the costs of the Vendor's Solicitor, the Monitor and the Monitor's Solicitor up to Closing identified in accordance with Section 3.4.

- (d) **"Affiliate"** means, with respect to any person, any other person or group of persons acting in concert, directly or indirectly, that controls, is controlled by or is under common control with such person. The term "control" as used in the preceding sentence 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 ownership of more than 50% of the voting securities of such person, through being the general partner or trustee of the other person, or through contract or otherwise;
- (e) **"Agreement"** means this asset purchase agreement and any Schedule attached hereto;
- (f) **"Applicable Law"** means, in respect of any person, assets, transaction, event or circumstance: (i) statutes (including regulations enacted thereunder); (ii) judgments, decrees and orders of courts of competent jurisdiction; (iii) regulations, orders, ordinances and directives issued by government authorities; and (iv) the terms and conditions of all permits, licences, approvals and authorizations; which are applicable to such person, asset, transaction, event or circumstance;
- (g) **"Approval and Vesting Order"** means a Final Order of the Court in in the CCAA Proceedings in substantially the same form as the Alberta Model Sale Approval and Vesting Order, inclusive of the amendments contemplated in Section 5.2 and any other amendments that are acceptable to each of Monitor, Vendor and Purchaser, each acting reasonably, which authorizes, approves and confirms the Transaction contemplated by this Agreement in accordance with the terms and conditions contained herein and vests title to the Purchased Assets in Purchaser free and clear of all Encumbrances, other than the Permitted Encumbrances;
- (h) **"ARIO"** has the meaning ascribed to that term in the recitals;
- (i) **"Business Day"** means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Calgary, Alberta are not open for the transaction of domestic business during normal banking hours;
- (j) **"Cash Payment"** has the meaning ascribed to that term in Section 3.1;
- (k) **"CCAA Proceedings"** means the proceedings where the ARIO was granted and the Monitor was appointed, namely Alberta Court of King's Bench Action No. 2201-11655;
- (l) **"Closing"** means the completion of the purchase by the Purchaser and sale by the Vendor of the Purchased Assets and the completion of all other transactions contemplated by this Agreement that are to occur contemporaneously with such sale, all subject to and in accordance with the terms and conditions of this Agreement;
- (m) **"Closing Date"** means the date that is agreed by the Parties and is not more than ten (10) calendar days following the satisfaction or waiver of all of the conditions set forth in ARTICLE 6 hereof (or such other Business Day as the Parties may agree in writing);
- (n) **"Contracts"** means all contracts and agreements related to the Purchased Assets and which bind the Vendor, including without limitation all contracts and agreements in respect of the ownership, development, management, maintenance, repair, operation, cleaning, security, fire protection or servicing of the Purchased Assets;

- (o) **"Court"** has the meaning ascribed to that term in the recitals;
- (p) **"Credit Bid"** has the meaning ascribed to that term in Section 3.1;
- (q) **"Encumbrances"** means all lease obligations, mortgages, charges, pledges, security interests, liens, encumbrances, actions, claim, demands and equities of any nature or kind whatsoever and howsoever arising and any rights or privileges capable of becoming any of the foregoing;
- (r) **"Equipment"** means all equipment, including the HVAC system, machines, hardware (including technology and communications hardware and infrastructure) and other miscellaneous items, of any kind or nature owned by the Vendor and located on or affixed to the Lands;
- (s) **"Excluded Assets"** means (i) all cannabis inventory; (ii) the items specifically listed in Schedule "A" as Excluded Assets; (iii) and other property of the Vendor that is not the Purchased Assets.
- (t) **"Final Order"** means an order of the Court that has not been vacated, stayed, set aside, amended, reversed, annulled or modified, as to which no appeal or application for leave to appeal therefrom has been filed and the applicable appeal period with respect thereto shall have expired without the filing of any appeal or application for leave to appeal, or if any appeal(s) or application(s) for leave to appeal therefrom have been filed, any (and all) such appeal(s) or application(s) have been dismissed, quashed, determined, withdrawn or disposed of with no further right of appeal and all opportunities for rehearing, reargument, petition for certiorari and appeal being exhausted or having expired without any appeal, motion or petition having been filed and remaining pending, any requests for rehearing have been denied, and no order having been entered and remaining pending staying, enjoining, setting aside, annulling, reversing, remanding, or superseding the same, and all conditions to effectiveness prescribed therein or otherwise by Applicable Law or order having been satisfied;
- (u) **"Governmental Authority"** means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, tribunal, commission, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government, having jurisdiction over a Party, the Purchased Assets or the Transaction;
- (v) **"GST"** means the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder;
- (w) **"Indebtedness"** means all principal, interest, fees (if applicable), costs, including legal (on a solicitor and own client full indemnity basis) and other allowable charges (if applicable) owing to CFCU under: (i) Interim Financing; and (ii) mortgage, loan and security documentation in respect of the Vendor on the day prior to the Closing Date;
- (x) **"Interim Financing"** means the interim financing credit facility dated September 23, 2022 provided by the Purchaser to the Vendor, as amended and restated from time to time.

- (y) **"KERP Charge"** has the meaning ascribed to it in the ARIO;
- (z) **"KERP Charge Parties"** means those employees of the Vendor specified on Schedule B;
- (aa) **"Lands"** means the real property owned by 180 and legally described as PLAN 0812160, BLOCK 4, LOT 3, EXCEPTING THEREOUT ALL MINES AND MINERALS, AREA: 1.636 HECTARES (4.04 ACRES) MORE OR LESS;
- (bb) **"Monitor"** means Alvarez & Marsal Canada Inc., in its capacity as the monitor of the Vendor and not in its personal or corporate capacity;
- (cc) **"Monitor's Solicitor"** means Burnet, Duckworth & Palmer LLP;
- (dd) **"Parties"** means, collectively, the Purchaser and the Vendor, and **"Party"** means any one of them;
- (ee) **"Permitted Encumbrances"** means those Encumbrances, including any Encumbrances which rank in priority to the Encumbrances of CFCU, if any, provided for in the Approval and Vesting Order and those specified on Schedule C;
- (ff) **"Person"** means any individual, corporation, limited or unlimited liability company, joint venture, partnership (limited or general), trust, trustee, executor, Governmental Authority or other entity;
- (gg) **"Priority Payables"** means the amounts owing under the: (i) Administration Charge and the KERP Charge, which amounts shall not exceed Five Hundred Thousand Dollars (\$500,000 (CAD) and One Hundred and Forty Thousand Dollars (\$140,000 CAD), respectively; and (ii) the amount owing to the municipality in which the Lands are located with respect to municipal property taxes, assessments, penalties and interest and any other overdue charges owing to the said municipality with respect to Lands, ranking prior to the CFCU's mortgage, if any;
- (hh) **"Purchased Assets"** means the assets set forth on Schedule A;
- (ii) **"Purchase Price"** has the meaning ascribed to that term in Section 3.1;
- (jj) **"Purchaser's Conditions"** means the conditions set forth in Section 6.2;
- (kk) **"Purchaser's Solicitor"** means Dentons Canada LLP;
- (ll) **"Regulatory Notices"** means all notices, consents or approvals required from any Governmental Authority in connection with the disposition of the Purchased Assets and the cessation of activities by the Vendor, including, without limitation, from Health Canada, Canada Revenue Agency and any stock exchange.
- (mm) **"Representative"** means, in respect of a person, each director, officer, employee, agent, legal counsel, accountant, professional advisor and other representative of such person and its Affiliates, and with respect to the Vendor, includes the Monitor and its respective Affiliates, directors, officers, employees, agents, legal counsel, accountants, professional advisors and other representatives;

- (nn) **"Time of Closing"** means 4:00 pm (Calgary, Alberta time) on the Closing Date or such other date and time as the Parties may agree in writing that the Closing shall take place;
- (oo) **"Transaction"** means the transaction for the purchase and sale of the Purchased Assets and all of the auxiliary or related transactions contemplated in this Agreement;
- (pp) **"Vendor"** means 1800905 Alberta Ltd. and Sugarbud Craft Grower Corp., as applicable;
- (qq) **"Vendor's Solicitor"** means MLT Aikins LLP; and
- (rr) **"Warranties"** means all warranties, guarantees or contractual obligations, if any, which entitle the Vendor to any rights against a contractor or supplier, engaged in the construction or maintenance of the Purchased Assets or any part thereof.

1.2 Interpretation

The following rules of construction shall apply to this Agreement unless the context otherwise requires:

- (a) All references to monetary amounts, unless indicated to the contrary, are to the lawful currency of Canada.
- (b) Words importing the singular include the plural and vice versa, and words importing gender include the masculine, feminine and neuter genders.
- (c) The word "include" and derivatives thereof shall be read as if followed by the phrase "without limitation".
- (d) The words "hereto", "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and not to any particular provision of this Agreement.
- (e) The headings contained in this Agreement are for convenience of reference only, and shall not affect the meaning or interpretation hereof.
- (f) Reference to any Article, Section or Schedule means an Article, Section or Schedule of this Agreement unless otherwise specified.
- (g) If any provision of a Schedule hereto conflicts with or is at variance with any provision in the body of this Agreement, the provisions in the body of this Agreement shall prevail to the extent of the conflict.
- (h) All documents executed and delivered pursuant to the provisions of this Agreement are subordinate to the provisions hereof and the provisions hereof shall govern and prevail in the event of a conflict.
- (i) This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party does not apply to the construction or interpretation of this Agreement.

1.3 Schedules

The following Schedules are attached hereto and form an integral part of this Agreement:

Schedule A Purchased Assets and Excluded Assets

Schedule B KERP Allocation

Schedule C Permitted Encumbrances

ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Agreement of Purchase and Sale

Subject to the terms and conditions of this Agreement, the Vendor hereby agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from the Vendor the Purchased Assets, free and clear of all Encumbrances, except Permitted Encumbrances.

2.2 Transfer of Purchased Assets

Provided that Closing occurs and subject to the terms and conditions of this Agreement, possession, risk and beneficial ownership of the Purchased Assets shall transfer from the Vendor to the Purchaser on the Closing Date.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The aggregate purchase payable by the Purchaser on the Closing Date for the Purchased Assets shall be the aggregate sum of the following:

- (a) the sum of [REDACTED] (the "Credit Bid");
 - (b) payment in cash of any amounts owing under the Priority Payables (the "Cash Payment");
- (collectively the "Purchase Price").

3.2 Satisfaction of the Purchase Price

The Purchase Price shall be paid and satisfied on Closing as follows:

- (a) the Credit Bid, to be set-off against the Indebtedness;
- (b) the Cash Payment, by certified cheque, bank draft, or wire transfer, to the Monitor to be held in trust by the Monitor until Closing.

3.3 Allocation of the Purchase Price

The Vendor and the Purchaser agree to allocate the Purchase Price to the Purchased Assets held by the Vendor for tax purposes in a manner to be agreed to by the Parties, each acting reasonably, at least three (3) days before Closing, and to report the sale and purchase of the Purchased Assets for all federal, provincial and local tax purposes in a manner consistent with such allocation.

3.4 Priority Payable Accounting

Within ten (10) Business Days of Closing, the Administration Charge Parties shall provide the Monitor with all of their outstanding invoices up to and including Closing, which may include accruals for any work to be completed by the Administration Charge Parties following Closing.

3.5 Distribution of Cash Payment by Monitor

Following completion of the process set out in Section 3.4, the Monitor shall promptly release the Cash Payment from trust and distribute same to the Administration Charge Parties. The Monitor shall distribute the Cash Payment attributable to the KERP Charge Parties within five (5) Business Days of Closing.

3.6 GST

The Parties agree and acknowledge that the Purchased Assets constitute a taxable supply of real property for purposes of the *Excise Tax Act* (Canada) (the “**ETA**”). The Purchaser shall be solely responsible for any all payment of the GST payable in connection with the purchase of the Purchased Assets. The Purchaser shall self-assess and shall remit to the appropriate governmental authority the GST payable under the ETA in connection with the transfer of the Purchased Assets pursuant to subsections 221(2) and 228(4) of the ETA, in the manner and within the time limits prescribed. The Purchaser shall indemnify and save harmless the Vendor from and against any and all GST, penalties, costs and/or interest which may become payable by or assessed against the Vendor as a result of any failure by the Purchaser to comply with the provisions of this section.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Purchaser's Representations and Warranties

The Purchaser hereby represents and warrants to and in favour of the Vendor that:

- (a) the Purchaser is a corporation duly constituted and validly subsisting under the laws of the Province of Alberta and the jurisdiction of its incorporation and has the requisite power and authority to enter into this Agreement and to complete the Transaction;
- (b) the Purchaser has taken all necessary action to authorize the entering into and performance by it of this Agreement;
- (c) it is acquiring the Purchased Assets in its capacity as a principal and is not purchasing the Purchased Assets as agent or representative of any third party;
- (d) the Purchaser is not a non-Canadian person within the meaning of the *Investment Canada Act*; and

- (e) the Purchaser is registered under Subdivision D of Division V of Part IX of the ETA for the collection and remittance of the GST and its registration number is 101804680 RT0001 and that such registration is in good standing, has not been varied, cancelled or revoked and will remain effective as of the Closing Date.

4.2 Representations and Warranties by the Vendor

The Vendor hereby represents, warrants and covenants to the Purchaser as of each of the date hereof and the Closing Date, and acknowledges and confirms that the Purchaser is relying upon such representations, warranties and covenants in connection with the sale by the Vendor of the Assets:

- (a) the Vendor is a corporation duly incorporated and validly subsisting under the laws of the Province of Alberta and is registered, licensed or otherwise qualified to carry on business in the Province of Alberta;
- (b) subject to receipt of the Approval and Vesting Order, the Vendor has all necessary corporate power, authority and capacity to enter into this Agreement and all other documents executed and delivered by it pursuant hereto and to perform its respective obligations hereunder and thereunder;
- (c) the Vendor is the legal and beneficial owner of the Purchased Assets with good marketable title or rights thereto and, subject to the receipt of the Approval and Vesting Order, has the right to sell, transfer and assign the same to the Purchaser free and clear of any and all Encumbrances, except Permitted Encumbrances;
- (d) the Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);
- (e) Other than as may have been incurred by the Monitor, for and on behalf of the Vendor, in accordance with the sales and investment solicitation process in the CCAA Proceedings, the Vendor has incurred no obligation or liability, contingent or otherwise, for broker's or finder's fees related to the sale of the Purchased Assets for which the Purchaser shall have any obligation or liability; and
- (f) other than the Approval and Vesting Order and the Regulatory Notices, there is no requirement on the part of the Vendor to obtain any consent or regulatory approval or make any filing or give notice to any Governmental Authority in connection with the lawful completion of the transactions contemplated by this Agreement.

4.3 Enforcement of Representations and Warranties

- (a) The representations and warranties of the Vendor contained in this Agreement shall merge on Closing and shall thereafter be of no further force and effect. Effective upon the occurrence of Closing, the Purchaser hereby releases and forever discharges the Vendor from any breach of any representations and warranties set forth in this Agreement.
- (b) The representations and warranties of the Purchaser contained in this Agreement shall merge on Closing and shall thereafter be of no further force and effect. Effective upon the occurrence of Closing, the Vendor hereby releases and forever discharges the Purchaser from any breach of any representations and warranties set forth in this Agreement.

- (c) The representations and warranties of the Vendor made herein or pursuant hereto are made for the exclusive benefit of the Purchaser, and the representations and warranties of the Purchaser made herein or pursuant hereto are made for the exclusive benefit of the Vendor and are not transferable and may not be made the subject of any right of subrogation in favour of any other Person.
- (d) The Parties expressly acknowledge and agree that the provisions of this Section 4.3 and the limit on each Party's liability set out in this Section 4.3 are intended by the Parties as a limitation of liability that represents a fair and equitable allocation of the risks and liabilities that each Party has agreed to assume in connection with the subject matter hereof and is not an agreement within the provision of subsection 7(1)) of the *Limitations Act* (Alberta).

4.4 **“As is, Where Is”, No additional Representations and Warranties**

- (a) The Purchaser acknowledges and agrees that it is acquiring the Purchased Assets on an “as is, where is” and “without recourse” basis, and that neither the Vendor nor any of their Representatives make any representations or warranties of any kind whatsoever, express or implied, except as expressly set forth in Section 4.2, and in particular, and without limiting the generality of the foregoing, the Vendor expressly negate and disclaim, and neither Vendor, nor any of their Representatives shall be liable for, any representation or warranty which may have been made or alleged to be made in any instrument or document related hereto, or in any statement or information made or communicated (in writing or orally) to the Purchaser or its Representatives in any manner including any opinion, information, or advice which may have been provided to the Purchaser by the Vendor, or any of their Representatives in connection with the Purchased Assets or the Transaction. For greater certainty, except as expressly set forth in Section 4.2, neither the Vendor nor any of its Representatives make any condition, representation or warranty whatsoever, express or implied, with respect to:
 - (i) the merchantability, physical or financial condition, value, description, fitness for a particular purpose, title, description, existence of latent defects, quality, quantity or any other thing affecting any of the Purchased Assets.
- (b) The Purchaser acknowledges and confirms that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets and that it is relying solely on its own investigations concerning the Purchased Assets and it has not relied on any advice from the Vendor or any of its Representatives with respect thereto, including with respect to the matters specifically enumerated in Section 4.4(a) in connection with the purchase of the Purchased Assets.
- (c) Except for its express rights under this Agreement, the Purchaser hereby waives all rights and remedies (whether now existing or hereinafter arising and including all common law, tort, contractual and statutory rights and remedies) against the Vendor and its Representatives in respect of the Purchased Assets and the Transaction and any representations or statements made or information or data furnished to the Purchaser or its Representatives in connection herewith (whether made or furnished orally or by electronic, faxed, written or other means). Such waiver is absolute, unlimited, and includes,

but is not limited to, waiver of express warranties, implied warranties, any warranties contained in the *Sale of Goods Act* (Alberta) (or similar applicable statutes), warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and claims of every kind and type, including claims regarding defects, whether or not discoverable or latent, product liability claims, or similar claims, and all other claims that may be later created or conceived in strict liability or as strict liability type claims and rights.

- (d) The Purchaser acknowledges that the release and disclaimer described in this Article 4 is intended to be very broad and the Purchaser expressly waives and relinquishes any rights or benefits it may have under any Applicable Law designed to invalidate releases of unknown or unsuspected claims.
- (e) None of representations and warranties contained in this Article 4 shall survive Closing and, the Purchaser's sole recourse for any material breach of representation or warranty shall be for the Purchaser to not complete the Transaction in accordance with Section 8.1 in this Agreement.

ARTICLE 5 COVENANTS

5.1 Vendor Covenants

The Vendor covenants to the Purchaser that it will do or cause to be done, as applicable, the following during the interim period, provided that, if applicable, sufficient financing is available to the Vendor under the interim credit facility provided by the Purchaser:

- (a) except as contemplated by this Agreement or with the prior written consent of the Purchaser, from the date hereof until the Closing Date, the Vendor shall operate the Purchased Assets only in the ordinary course thereof, consistent with past practices, which the Purchaser acknowledges is in a state of wind-down and cessation of all operating activities;
- (b) promptly advise the Purchaser of any facts that come to their attention that would cause any of the Vendor's representations and warranties herein contained to be materially untrue in any respect;
- (c) provide reasonable access to the Purchased Assets from time to time during normal business hours and upon not less than 24 hours prior notice to the Vendor, at the Purchaser's sole risk and expense, for the purpose of making inspections of the Purchased Assets;
- (d) take all reasonable action to preserve the Purchased Assets and maintain the Purchased Assets in materially the same condition as they now exist, ordinary wear and tear excepted;
- (e) use commercially reasonable efforts to sell or destroy any cannabis inventory from the land constituting the Purchased Assets;

- (f) not create, incur or assume any Encumbrance upon any of the Purchased Assets that would not be vested off by the Approval or Vesting Order or which would constitute a Permitted Encumbrance;
- (g) notify each of the relevant Governmental Authorities requiring a Regulatory Notice of the transaction contemplated herein;
- (h) keep in full force and effect all of the current insurance policies on the Purchased Assets; and
- (i) perform all of its obligations during the period from the date hereof to the Closing Date under all material agreements relating to the Purchased Assets to which the Vendor is a party or which is binding upon the Vendor.

5.2 Court Approval

The Vendor shall, at its sole cost and expense, prepare all materials, and shall apply to the Court for, and use its commercially reasonable efforts to obtain, the Approval and Vesting Order as soon as reasonably practicable following the dates set forth herein. The Purchaser shall promptly provide to the Vendor all such information and assistance within the Purchaser's power as the Vendor may reasonably request to obtain the Approval and Vesting Order. Any request or application for adjournment or rescheduling of the Approval and Vesting Order by the Vendor or its Representatives shall be made upon prior written notice to the Purchaser. The Vendor acknowledges that time is of the essence of this Agreement and that it shall use commercially reasonable efforts to obtain Approval and Vesting Order as expeditiously as possible following the dates set forth herein. The Purchaser acknowledges and agrees that the Vendor shall seek to obtain a release for Dan Wilson from personal liabilities incurred in his capacity as a director and officer of the Vendor (and other applicants in the CCAA Proceedings) in the form of Approval and Vesting Order.

ARTICLE 6 CONDITIONS

6.1 Mutual Conditions

The respective obligations of the Parties to complete the Transaction are subject to the following conditions being fulfilled or performed as at or prior to the dates stated below:

- (a) Approval and Vesting Order shall have been granted on or before May 9, 2023, or as soon as possible thereafter as the Court schedule permits or the Parties otherwise agree;
- (b) no injunction or other order has been issued to enjoin, restrict or prohibit the Transaction as at or prior to the Time of Closing and the order approving the Transaction shall be a Final Order;
- (c) no Party comprising the Vendor has lost its ability to convey the Purchased Assets or any of them due to an order of the Court or otherwise pursuant to the CCAA Proceedings; and
- (d) on the Closing Date, the Closing is not otherwise prohibited by Applicable Law.

The foregoing conditions are for the mutual benefit of the Vendor and the Purchaser and may be asserted by the Vendor or the Purchaser regardless of the circumstances and may be waived only with the Agreement of both the Vendor and the Purchaser.

6.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions having been fulfilled, performed, waived or satisfied by the Purchaser in writing, or satisfied in its sole discretion on or before the dates stated below:

- (a) the Vendor has complied with and performed, in all material respects, all of its covenants and obligations contained in this Agreement as at or prior to the Time of Closing, including providing all closing deliverables.

The foregoing conditions are for the exclusive benefit of the Purchaser and may be waived by it in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Purchaser may have. If any of the said conditions have not been complied with or waived by the Purchaser at or before the date herein set forth, as applicable, the Purchaser may terminate this Agreement by written notice to the Vendor.

6.3 Conditions for the Benefit of the Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed as at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects as at the Time of Closing with the same force and effect as if made at and as of such time and the Purchaser shall have delivered to the Vendor a certificate to that effect; and
- (b) the Purchaser has complied with and performed in all material respects all of its covenants and obligations contained in this Agreement, including providing all closing deliverables.

The foregoing conditions are for the exclusive benefit of the Vendor and may be waived by it in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which the Vendor may have. If any of the said conditions have not been complied with or waived by the Vendor at or before the Time of Closing, the Vendor may terminate this Agreement by written notice to the Purchaser.

6.4 Satisfaction of Conditions

Each of the Parties shall proceed diligently and in good faith and use all commercially reasonable efforts to fulfill and assist in the fulfillment of the conditions set forth in Sections 6.1, 6.2 and 6.3. In addition, each of the Parties agrees not take any action that could reasonably be expected to preclude, delay or have an adverse effect on the Transaction.

ARTICLE 7 CLOSING

7.1 Closing Date and Place of Closing

Subject to the conditions set out in this Agreement, the Transaction shall close and be completed on the Closing Date. The completion of the Transaction shall take place at the Time of Closing by electronic exchange of funds and documents, or at such other time or such other location as the Parties may agree in writing.

7.2 Deliveries on Closing by the Vendor

The Vendor shall deliver to the Purchaser's Solicitors the following documents (the "**Closing Documents**") fully executed by the Vendor, where applicable, or such other parties as may be specified (other than the Purchaser), in each case, on such reasonable trust conditions and undertakings that are consistent with the provisions of this Agreement and as would customarily be imposed in a similar receivership transaction in the City of Calgary, Alberta, subject to Section 7.3:

- (a) a certified copy of the Approval and Vesting Order;
- (b) bills of sale, transfers, assignments, conveyances and such other documents with respect to the Purchased Assets, as may reasonably be required by the Purchaser to effect the transfer to the Purchaser of good title to the Purchased Assets, free and clear of all Encumbrances, except Permitted Encumbrances, including, without limitation, all third party consents required to effect the same;
- (c) a certificate signed by a senior officer of the Vendor certifying that the representations and warranties made by the Vendor in this Agreement are true as of the Closing Date;
- (g) an executed receipt in favor of the Purchaser for the Purchase Price;
- (h) an assignment of all Warranties, if any;
- (d) all keys, codes, combinations and other access devices to the Purchased Assets in the Vendor's possession and control; and
- (e) such other documents as are required by this Agreement.

7.3 Deliveries on Closing by the Purchaser

The Purchaser shall deliver to the Vendor's Solicitor or the Monitor by the Time of Closing on the Closing Date the following instruments and documents, fully executed by the Purchaser, where applicable, or such other Parties as may be specified:

- (a) the Cash Payment by wire transfer to the Monitor in trust for the Vendor to be paid to the Administration Charge Parties and the KERP Charge Parties in accordance with Section 3.5 ;
- (b) a certificate signed by a senior officer of the Purchaser certifying that the representations and warranties made by the Purchaser in this agreement are true as of the Closing Date; and
- (c) such other documents as are required by this Agreement.

7.4 Risk and Insurance

The risk of loss of the Purchased Assets shall remain with the Vendor until Closing. Any property, liability and other insurance maintained by the Vendor shall not be transferred as of the Time of Closing, but shall remain the responsibility of the Vendor until the Time of Closing. The Purchaser shall be responsible for placing its own property, liability and other insurance coverage with respect to the Purchased Assets in respect of the period from and after the Time of Closing.

ARTICLE 8 TERMINATION

8.1 Grounds for Termination

This Agreement may be terminated at any time prior to Closing by either the Vendor or the Purchaser (as applicable) if the conditions for the benefit of the Vendor or Purchaser (as applicable), or both, pursuant to the provisions of ARTICLE 6 are not satisfied or waived by or on the date specified for satisfaction or waiver.

8.2 Effect of Termination

Notwithstanding any termination of this Agreement by the Vendor or the Purchaser as permitted under Section 8.1, the provisions of Sections 9.1, 9.3, 9.9 and 9.12 shall remain in full force and effect following any such permitted termination.

ARTICLE 9 MISCELLANEOUS

9.1 Survival

Upon Closing, the obligations, covenants, representations and warranties of the Parties set out in this Agreement shall expire, be terminated and extinguished and of no further force or effect, provided that notwithstanding the Closing contemplated hereunder or the delivery of documents pursuant to this Agreement, the obligations and covenants of the Parties set out in Section 4.3 (Enforcement of Representations and Warranties), Section 4.4 ("As Is, Where Is"; No Additional Representations and Warranties), and Article 9 (Miscellaneous) shall survive Closing, shall remain in full force and effect, shall not merge as a result of Closing and shall be binding on the Parties indefinitely thereafter except as expressly stated to the contrary therein.

9.2 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta, and the federal laws of Canada applicable therein (excluding any conflict of law rule or principle of such laws that might refer such interpretation or enforcement to the laws of another jurisdiction). Each Party irrevocably submits to the exclusive jurisdiction of the Court with respect to any matter arising hereunder or relating hereto.

9.3 Damages

Under no circumstance shall any of the Parties, their Representatives or their respective directors, officers, employees or agents be liable for any punitive, exemplary, consequential or indirect damages (including for

greater certainty, any loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the Transaction.

9.4 Further Assurances

Each of the Parties hereto from and after the date hereof shall, from time to time, and at the request and expense of the Party requesting the same, do all such further acts and things and execute and deliver such further instruments, documents, matters, papers and assurances as may be reasonably requested to complete the Transaction and for more effectually carrying out the true intent and meaning of this Agreement.

9.5 Assignment by Purchaser

The Purchaser shall not, without the Vendor's prior written consent, assign any right or interest in this Agreement, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, on Closing the Purchaser shall be entitled on written notice to the Vendor to direct that title to the Lands be registered in the name of a nominee.

9.6 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise conferred. No waiver by any Party of any breach (whether actual or anticipated) of any of the terms, conditions, representations or warranties contained herein shall take effect or be binding upon that Party unless the waiver is expressed in writing under the authority of that Party. Any waiver so given shall extend only to the particular breach so waived and shall not limit or affect any rights with respect to any other or future breach.

9.7 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

9.8 Time of the Essence

Time is of the essence in this Agreement.

9.9 Costs and Expenses

Other than as contemplated herein: (a) each Party shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants, brokers and other advisors) incurred by it in connection with this Agreement and the Transaction; and (b) no Party shall be responsible for the costs and expenses of the other Party.

9.10 Notices

Any notice, demand or other communication required or permitted to be given to any Party shall be given in writing and addressed as follows:

- (a) in the case of the Vendor:

Sugarbud Craft Growers Inc.
1800905 Alberta Ltd
2100 Livingston Place
222 3rd Ave SW
Calgary, AB T2P 0B4
Attention: Dan Wilson
Email: danw@sugarbud.ca

and with a copy to the Vendor's solicitors:

MLT Aikins LLP
2100 Livingston Place
222 3rd Ave SW
Calgary, AB T2P 0B4
Attention: Chris Nyberg
Email: cnyberg@mltaikins.com

- (b) In the case of the Purchaser:

Connect First Credit Union Ltd.
200, 2850 Sunridge Blvd NE
Calgary, AB T1Y 6G2
Email: aomoloto@connectfirstcu.com

and with a copy to the Purchaser's solicitors:

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

Attention: Afshan Naveed
Email: afshan.naveed@dentons.com

Any such notice, if personally delivered, shall be deemed to have been validly and effectively given and received on the Business Day of such delivery and if sent by facsimile or other electronic communication with confirmation of transmission, shall be deemed to have been validly and effectively given and received on the Business Day next following the day it was received.

9.11 **Enurement**

This Agreement shall be binding upon, and enure to the benefit of, the Parties and their respective successors and permitted assigns.

9.12 **Third Party Beneficiaries**

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the Parties and their successors and permitted assigns, and no person, other than

the Parties and their successors and permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

9.13 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision validity or enforceability in any other jurisdiction.

9.14 Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancels and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof. There are no conditions, covenants, agreements, representations, warranties or other provisions, whether oral or written, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof other than those contained in this Agreement.

9.15 Counterparts

This Agreement may be executed electronically (including by DocuSign or similar application) and in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by electronic means of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

(Signature Page Follows)

IN WITNESS WHEREOF this Agreement has been properly executed by the Parties as of the date first above written.

VENDOR:

SUGARBUD CRAFT GROWERS INC.

Per: 
Name: Dan Wilson.
Authorized Signatory

1800905 ALBERTA LTD.

Per: 
Name: Dan Wilson
Authorized Signatory

PURCHASER:

CONNECT FIRST CREDIT UNION LTD.

Per: _____
Name: _____
Authorized Signatory

Per: _____
Name: _____
Authorized Signatory

IN WITNESS WHEREOF this Agreement has been properly executed by the Parties as of the date first above written.

VENDOR:

SUGARBUD CRAFT GROWERS INC.

Per: _____
Name:
Authorized Signatory

1800905 ALBERTA LTD.

Per: _____
Name:
Authorized Signatory

PURCHASER:

CONNECT FIRST CREDIT UNION LTD.

Per: _____
Name: AJ Omo-Loto
Authorized Signatory
May 2, 2023

DocuSigned by:
AJ Omo-Loto
6B0BEE702FBC437...

Per: _____
Name:
Authorized Signatory








**SCHEDULE A
PURCHASED ASSETS**

1. The Lands together with all buildings, chattels and personal property found upon and appurtenant to the Lands.
2. The Equipment, which includes without limitation, the following and that listed in the spreadsheet attached hereto:

Equipment Description	Location	Model #	Qty	Serial #
Lennox 5 ton package HVAC rooftop unit	lower roof	KGB048S4BH1Y	1	5618L03588
Lennox 5 ton package HVAC rooftop unit	lower roof	KGB060S4BH2Y	1	5618L03646
Stultz condensing unit - 15 ton	lower roof	SCS252DAA	1	10307561
Stultz evaporator units - 15 tons	storage rm	CFR-053-D2A-0-IT	1	10307557
Engineer Air Make up Air Unit	lower roof	FWE113/DJS100/0	1	B58250-MUA-1
Mitsubishi Condensing Unit	Clone room	PUY-A36NKA7	1	84U07869C
Carbon Exhaust Fan	2 Shipping/ 1 Sanitation/ 1 dry room /2 production hallway		6	
Stultz evaporator units - 25 tons	mech corrid	CFD-088-D2A-0-IT	1	10307560
Stultz evaporator units - 25 tons	mech corrid	CFD-088-D2A-0-IT	1	10307556
Stultz condensing unit - 25 ton	upper roof	SCS312DAA	1	10307559
Stultz condensing unit- 25 ton	upper roof	SCS312DAA	1	10307558

[SEE ATTACHED SPREADSHEET]





P CODE	MS Item #	ASST TAG #	ITEM ORDER PRON	UNUSOR	UNUSOR LOCUS	MANUFACTURER	MODEL	SERIAL #	QUANTITY	PHYSICAL LOCATION	DATE RECEIVED	START OF USE DATE	FREQUENCY TO USE	COST	USE F. CATION DATE	WARRANTY BY	NOTES
FAC00005			MACHEON HARRISON CART 8 LEVEL 55000 (341457)	Stalut Indus. at	R dround H. L. ON	Wachman	180457		14	D y ng Room	3/74/2020	3/15/2020	Weekly	\$ 15,887.00	3/14/2020	Ca Use Position	
FAC00006			MACHEON HARRISON CART 8 LEVEL 55000 (341457)	Stalut Indus. at	R dround H. L. ON	Wachman	180457		7	D y ng Room	10/26/2020	10/26/2020	Weekly	\$ 7,888.00	10/26/2020	Ca Use Position	
FAC00072		FAC000012	18 AD-RAC - Transcut Sander (3045020)	MPAC Co. joo at on	Los Angeles, CA, USA	MPAC Co. joo at on	0045020H		1	Peeling ng Room	4/8/2020	4/74/2020	Weekly	\$ 8,189.00	4/8/2020	Ca Use Position	
FAC00008		FAC000013	ELP-60 Tackling W ap A round Labeler	Widex Mls & ng System (Canada) Company	M w enaga, ON	Widex	ELP 60		1	AS	4/24/2020	4/21/2020	Weekly	\$ 25,385.00	4/24/2020	Ca Use Position	
FAC00009		FAC000024	ELP-60PP Type w Pto To Package	Widex Mls & ng System (Canada) Company	M w enaga, ON	Widex	ELP 60PP		1	AS	4/24/2020	4/21/2020	Weekly	\$ 4,282.00	4/24/2020	Ca Use Position	
FAC00001		FAC000015	MACULUS MACHINER	Stu. uk	Stu. uk, BC	Stu. uk	MAC		1	AS	4/21/2020	4/21/2020	Weekly	\$ 19,328.00	4/21/2020	Ca Use Position	
FAC00003		FAC000016	20794620 KIT CONVEYOR PACKAGER 09-01-000113	Stu. uk	Stu. uk, BC	Stu. uk	09-01-000113		1	AS	4/24/2020	4/24/2020	Weekly	\$ 7,884.00	4/24/2020	Ca Use Position	
FAC00004		FAC000017	AP1601 KIT CONVEYOR PACKAGER 09-00-000110	Stu. uk	Stu. uk, BC	Stu. uk	09-00-000110		1	AS	4/24/2020	4/24/2020	Weekly	\$ 5,400.00	4/24/2020	Ca Use Position	
FAC00006		FAC000018	0300 Induct on Sander, 0.0m x 0.0m Super Steel 1.0	Carma Supply Inc. / Phe. mchsystems Inc.	Mls & enaga, ON	Stu. uk	0300		1	AS	3/15/2020	3/15/2020	Weekly	\$ 8,710.00	3/15/2020	Ca Use Position	
FAC00006		FAC000018	ELP Collet on Table - MPP ELP-CT	Peak Sander USA	St. ando m, ME, USA	ELP	MPP ELP-CT		1	AS	4/8/2020	4/8/2020	Weekly	\$ 962.00	4/8/2020	Ca Use Position	
FAC00006		FAC000018	MACULUS MACHINER	STANDS	Stu. uk, BC	Stu. uk	M1000		1	AS	4/8/2020	4/7/2020	Weekly	\$ 88,000.00	4/8/2020	Ca Use Position	
FAC00009		FAC000015	80M-6000 Heavy Duty Sander - Half New rule	T ana Canada Labels	Delta, BC	T ana Canada	80M-6000		1	AS	4/21/2020	4/24/2020	Weekly	\$ 945.00	4/21/2020	Ca Use Position	
FAC00010		FAC000015	70L-4500 Heavy Duty Sander - Half New rule	T ana Canada Labels	Delta, BC	T ana Canada	70L-4500		1	AS	4/21/2020	4/24/2020	Weekly	\$ 768.00	4/21/2020	Ca Use Position	
FAC00001		FAC000016	212003 MACULUS MACHINER MACHEON 55000	Stalut Indus. at	R dround H. L. ON	Wachman	212003		1	AS	4/24/2020	4/24/2020	Weekly	\$ 8,125.48	4/24/2020	Ca Use Position	
		FAC000016	AP1602 Label Appl. Unit	P. m w a Technology Inc.	Highway, ME, USA	AP1602			1	AS	10/8/2020	10/8/2020	Weekly	\$ 3,482.00	10/8/2020	Ca Use Position	
FAC00010		FAC000016	Backup p Round Sander Label ng Mach ne L1-005	Amason Co	Canada	Backup p	L1-005		1	AS	1/14/2021	1/14/2021	Weekly	\$ 177.00	1/14/2021	Ca Use Position	
FAC00014, FAC00015, FAC00016		FAC000016	ELP-60 Tackling W ap A round Labeler - Type w Pto To E. L. OPS	Dale Comm n cat on	Calga p, AB	ELP 60			1	AS	1/24/2020	1/27/2020	Weekly	\$ 31,188.00	1/26/2020	Multi Layer - w w	
FAC00014, FAC00015, FAC00016, FAC00017, FAC00018, FAC00019, FAC00020, FAC00021, FAC00022, FAC00023, FAC00024, FAC00025, FAC00026, FAC00027, FAC00028, FAC00029, FAC00030, FAC00031, FAC00032, FAC00033, FAC00034, FAC00035, FAC00036, FAC00037, FAC00038, FAC00039, FAC00040, FAC00041, FAC00042, FAC00043, FAC00044, FAC00045, FAC00046, FAC00047, FAC00048, FAC00049, FAC00050, FAC00051, FAC00052, FAC00053, FAC00054, FAC00055, FAC00056, FAC00057, FAC00058, FAC00059, FAC00060, FAC00061, FAC00062, FAC00063, FAC00064, FAC00065, FAC00066, FAC00067, FAC00068, FAC00069, FAC00070, FAC00071, FAC00072, FAC00073, FAC00074, FAC00075, FAC00076, FAC00077, FAC00078, FAC00079, FAC00080, FAC00081, FAC00082, FAC00083, FAC00084, FAC00085, FAC00086, FAC00087, FAC00088, FAC00089, FAC00090, FAC00091, FAC00092, FAC00093, FAC00094, FAC00095, FAC00096, FAC00097, FAC00098, FAC00099, FAC00100, FAC00101, FAC00102, FAC00103, FAC00104, FAC00105, FAC00106, FAC00107, FAC00108, FAC00109, FAC00110, FAC00111, FAC00112, FAC00113, 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PICTURE	365 Item #	ASSET TAG #	ITEM DESCRIPTION	VENDOR	VENDOR LOCATION	MANUFACTURER	MODEL	SERIAL #	QUANTITY	PHYSICAL LOCATION	DATE RECEIVED	START OF USE DATE	FREQUENCY IN USE	COST	VERIFICATION DATE	VERIFIED BY	NOTES
		SAN00001	Fire Protection Cabinet	ULINE	Calgary, Alberta, Canada		H 2219	RMDE00091	1	Sanitation Room	6/12/2019	6/12/2019	Every day	\$ 2,655.00	6/12/2019	Cassie Ponton	\$1,726.00 CAD
		SAN00002	Ventilated Storage Cabinet - 48 x 24 x 78	ULINE	Edmonton	ULINE		H 7815	1	Sanitation Room	7/9/2019	7/9/2019	Daily	\$ 1,021.00	7/9/2019	Cassie Ponton	
		SAN00003	Hand Sanitizer Cabinet	Apple Cleaning Supplies Ltd.	Calgary	Durabene	DB-19963-C-ASM	190510282	1	Sanitation Room	6/14/2019	6/14/2019	Every day		6/14/2019	Veronica Smith	\$ 4,358.00 CAD
		SAN00004	Module Res Seals Chemical Disinfection System	Apple Cleaning Supplies Ltd.	Calgary	Durabene	DB-HSP3184		1	Sanitation Room	6/14/2019	6/14/2019	Every day		6/14/2019	Veronica Smith	\$328.00 CAD
		SAN00005	18 GAL TARIKA TIP & POUR VACUUM	Apple Cleaning Supplies Ltd.	Calgary	Durabene	DB-38547		1	Sanitation Room	7/9/2019	7/9/2019	Every day		7/9/2019	Veronica Smith	\$654.40 CAD
		SAN00006	Shower Floor Dispenser	ULINE	Calgary	Booster Bottle	H 2619		1	Sanitation Room	6/7/2019	7/9/2019	Every day		7/9/2019	Veronica Smith	\$503.00 CAD
	FA000541	SAN00007	Hulk by 2hp 20 Gal. 5 Vent. A. Portable Compressor	Home Depot	Okotoks, AB	Hulk	HP02PG0305		1	Sanitation Room	5/14/2021	5/25/2021	Daily	\$ 761.00	5/24/2021	Cassie Ponton	

7 Items

PICTURE	ISS Item #	ASSET TAG #	ITEM DESCRIPTION	VENDOR	VENDOR LOCATION	MANUFACTURER	MODEL	SERIAL #	QUANTITY	PHYSICAL LOCATION	DATE RECEIVED	START OF USE DATE	FREQUENCY IN USE	COST	VERIF CAT ON DATE	VERIFIED BY	NOTES
	FA000115	SEIC00001	8 other DCP-L2550DW A5-n-One Monochrome Mobile ready Laser Printer (BWTDCPL2550DW)	Staples	Calgary, AB	8 other	DCP-L2550DW		1	Secure Storage Room	4/28/2021	4/29/2021	Daily	\$ 209.99	4/28/2021	Cassie Ponton	
	FA000136	SEIC00002	Zebra ZD420 4 Printer 300 dpi - Ethernet (ZD42043-C01E0002)	Ample Generation Inc.	Vaughan, ON	Zebra	ZD420		1	Secure Storage Room	5/4/2021	5/5/2021	Daily	\$ 1,049.95	5/18/2021	Cassie Ponton	
	FA000135	SEIC00003	Zebra MC3200 Scanner Gun (MC3200-G05HCE0A)	Ample Generation Inc.	Vaughan, ON	Zebra	MC3200		1	Secure Storage Room	5/18/2021	5/19/2021	Daily	\$ 2,689.95	5/18/2021	Cassie Ponton	

3 Items

PICTURE	365 Item #	ASSET TAG #	ITEM DESCRIPTION	VENDOR	VENDOR LOCATION	MANUFACTURER	MODEL	SERIAL #	QUANTITY	PHYSICAL LOCATION	DATE RECEIVED	START OF USE DATE	FREQUENCY IN USE	COST	VERIFICATION DATE	VERIFIED BY	NOTES
			Racking	PIPP	Walker MI USA	PIPP	N/A	N/A	Please refer to PO	Troughout the facility	Sept 19 2018	Sept 28 2018	Daily		May 16 2019	RS TJO	Racking was deployed in several areas of the facility; racking was cut down as needed to make it fit in the rooms where it is located; original count not verifiable at the time of the inventory.
		WARE00001	RCA-22" 7.2 cu.ft Platinum Silver Refrigerator	COSTCO	Airdrie AB	RCA	RCA-22" 7.2 cu.ft		1	G5	9/13/2019	9/13/2019	Daily	\$ 399.99	9/13/2019	Carlos Ponton	
		WARE00002	Security Cart - 72 x 24 x 69"	ULINE	Edmonton AB	ULINE	H-6752		1	Storage Area G2	8/27/2019	8/27/2019	Daily	\$ 1 071.00	8/27/2019	Carlos Ponton	
		WARE00003	Security Cart - 72 x 24 x 69"	ULINE	Edmonton AB	ULINE	H-6752		1	Storage Area G2	7/3/2019	7/3/2019	Daily	\$ 1 071.00	7/3/2019	Carlos Ponton	
		WARE00004-A WARE00004-B	Pallet Racking Room 3	CAM INDUSTRIAL	Calgary AB	Used racking			2 rows 60 pallet positions	Room R3	8/21/2019	8/22/2019	Daily	\$ 5 477.64	August 21 2019	Carlos Ponton	
		WARE00005	Pesticide Storage Cabinet- 30 Gal-43"Wx18"Dx44"H	Global Industrial	Richmond Hill ON				1	G5	1/31/2020	2/1/2020	Daily	\$ 697.35	1/31/2020	Carlos Ponton	
		WARE00006	Plt.Jack Truck 5500 1lb Capacity-27x48 Fork 334475	Global Industrial	Richmond Hill ON	Global Industrial	334475		1	Shipping/Receiving Area	2/11/2020	2/12/2020	Daily	\$ 407.95	2/11/2020	Carlos Ponton	
		WARE00007	Blackcomb 16241J Tall Storage Cabinet Steel	amazon.ca		Salmon Boy Ltd.	16241J		1	A4	2/27/2020	2/28/2020	Daily	\$ 489.99	2/27/2020	Carlos Ponton	
		WARE00008	Mariotti MEB Electric Forklift	Bugle Forklift Sales & Rentals Ltd.	Calgary AB	Mariotti	MEB		1	G10	7/23/2020	7/24/2020	Weekly	\$ 18 217.50	7/23/2020	Bob Lawrence	
	FA000160	WARE00009 WARE00010	U line Utility Tlk Truck-1 CubicYard Red (H-4184R)	ULINE	Edmonton AB	Uline	H-4184R		2	End of Production Hall Way 2	4/18/2022	4/19/2022	Daily	\$ 1 516.00	4/18/2022	Carlos Ponton	

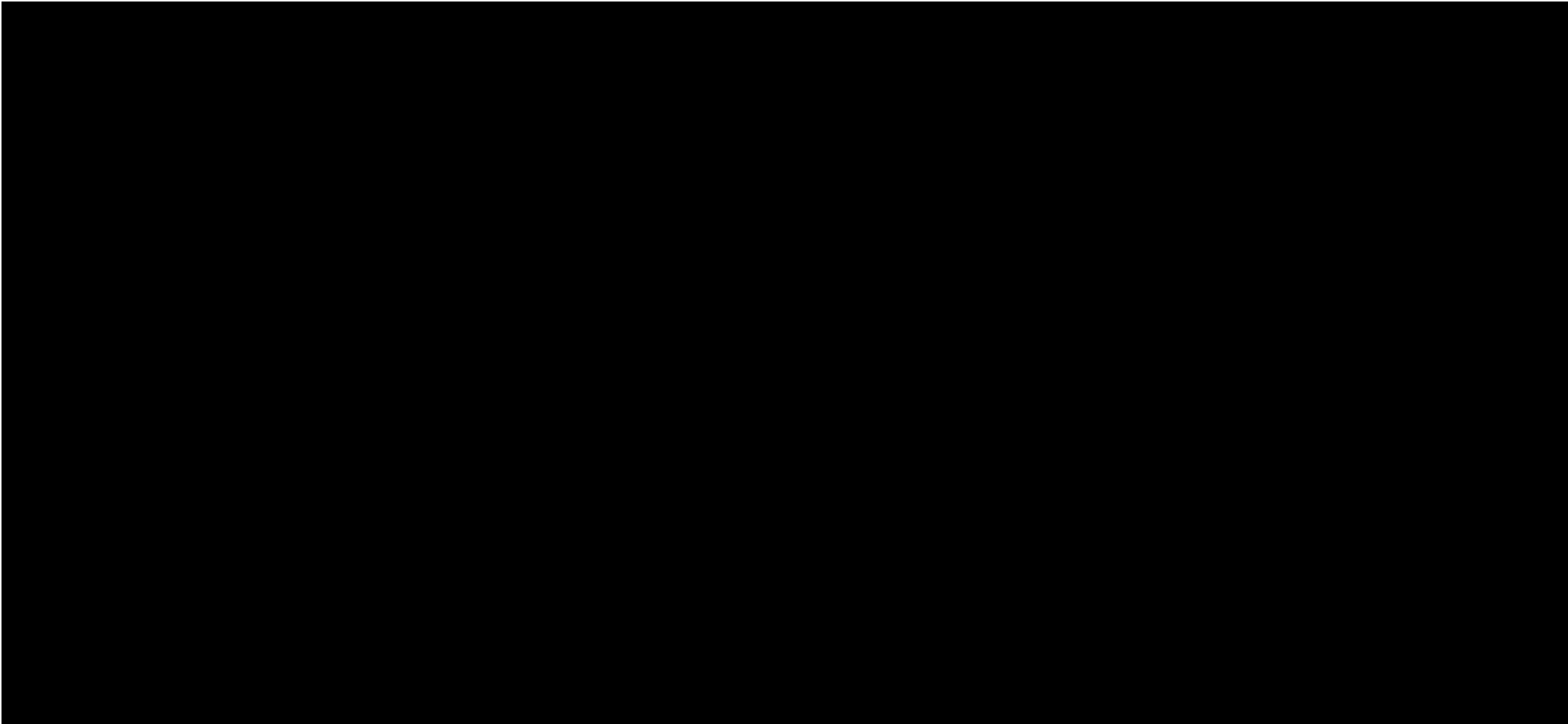
EXCLUDED ASSETS:

1. all cannabis inventory;
2. 2019 Genie GS2632 Scissor Lift – SN GS32P164923;
3. 2019 Genie GS2632 Scissor Lift – SN GS32P164924;
4. Sharp Max3071 Printer;
5. The following lighting and equipment only, which is subject to a lease arrangement:

Equipment Description	Location	Model #	Qty	Serial #
Fluence LED lights				
	C1 grow room	SPYDR 2p	9	SR-2P-1-06-N5P-00-M-S
	C1 grow room	SPYDER 2i	85	SR-2I-1-3-06-PTP-00-M-S
	C1 grow room	VYPR 2p w/flex	59	VR-2P-I-1-03-S-S
		WHISPER 2.0	5	C-W-2
		WHISPER 2.0	13	C-W-U
	C1 grow room	SPYDR 2p	12	SR-2P-1-06-N5P-00-M-S
		Equipment and Misc		
		Equipment and Misc		
PIPP Racking				
	C1 grow room	8 mobile Bases @384x48		

SCHEDULE B
KERP ALLOCATION

See attached.



SCHEDULE C
PERMITTED ENCUMBRANCES

1. The reservations, limitations, exceptions, provisos and conditions, if any, expressed in any original grants from the Crown, including, without limitation, the reservation of any mines and minerals in the Crown or in any other person and any implied conditions set out in s.61 of the Land Titles Act (Alberta) as amended, replaced or restated from time to time;
2. Encumbrances given as security to a public utility or any Governmental Authority when required in the ordinary course of business but only insofar as they relate to any obligations or amounts not due as at the Closing Date;
3. All rights reserved to or vested in any Governmental Authority pursuant to Applicable Law to control or regulate the Lands in any manner, including any unregistered, undetermined or inchoate liens, levies or claims in favour of the Crown, any province or municipality or any Governmental Authority;
4. Rights of expropriation, access or use or any similar right conferred or reserved by or in any statute of Alberta or Canada;
5. Applicable municipal by-laws, development agreements, subdivision agreements, site plan agreements, servicing agreements, cost sharing reciprocal agreements and building and zoning restrictions and other similar agreements;
6. Any easements, servitudes, rights-of-way, licences, agreements, restrictions that run with the land (including easements, rights-of-way and agreements for railways, sewers, drains, gas and water mains or electric light and power or telephone, telecommunications or cable conduits, poles, wires and cables);
7. The following specific instruments registered against the title(s) to the Lands:

<u>Instrument Number</u>	<u>Particulars</u>
751 035 480	Utility Right of Way
191 169 775	Caveat re: Agreement Charging Land

APPENDIX "B"
CASH FLOW FORECAST AND ASSUMPTIONS

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.
Management Prepared 3-Week Cash Flow Forecast
For the period from April 29, 2023 to May 19, 2023
unaudited, in CAD \$000's

		Forecast			Total
		Week 32	Week 33	Week 34	Total
	Notes	5-May-23	12-May-23	19-May-23	Week 32 to Week 34
Cash Receipts					
Alberta (AGLC)	1	-	-	27	27
BC (BCLBD)		-	-	-	-
Ontario (OCS)	2	55	-	28	83
Yukon (YLC)		-	-	-	-
Other (Medical Sales)		-	-	-	-
Inventory Sales		-	-	-	-
Tritecha Inc. Distribution	3	-	-	-	-
Total Cash Receipts		55	-	55	110
Operating Cash Disbursements					
Payroll and Employee Benefits	4	23	43	-	66
Insurance	5	10	-	-	10
Excise Taxes	6	-	-	56	56
Utilities and Taxes	7	-	-	27	27
Production Components, Supplies and Services	8	-	-	-	-
Facility Maintenance and Services	9	-	33	-	33
Health Canada License and Excise Fee		-	-	-	-
Cultivation Components and Supplies		-	0	-	0
IT and Compliance Software fees	10	0	8	-	8
Facility PPE		-	-	-	-
Freight	11	-	9	-	9
Compliance Fees		-	-	-	-
PST		-	-	-	-
Appraisal Fees		-	-	-	-
Critical Supplier Pre-Filing Payments		-	-	-	-
Contingency		-	-	-	-
Total Operating Cash Disbursements		33	94	83	209
Non-Operating Cash Disbursements					
Monitor Fees	12	105	-	-	105
Monitor Disbursements	12	-	-	-	-
Monitor Counsel Fees	12	21	-	-	21
MLT Aikins Fees	12	13	-	-	13
Stikeman Elliot		-	-	-	-
Proposed Key Employee Retention Plan	13	-	97	-	97
Potential Bankruptcy Fee Retainer	14	-	-	35	35
Working Capital Corporation		-	-	-	-
Total Non-Operating Cash Disbursements		139	97	35	271
Net Cash Flow		(117)	(190)	(62)	(370)
Opening Cash		(1,778)	(1,895)	(2,085)	(1,778)
Net Cash Flow		(117)	(190)	(62)	(370)
Closing Cash		(1,895)	(2,085)	(2,148)	(2,148)

UNAUDITED CASH FLOW FORECAST TO BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS

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

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. A 2% discount has been included as per the payment terms stipulated in the supply agreement.
- 2) Ontario (OCS) Receipts: Represents forecast collections from the Ontario Cannabis Store (OCS), a crown corporation who is the sole authorized distributor for the province. A 0.3% data subscription fee has been included as per the supply agreement.
- 3) The Monitor received approximately \$27,000 from Tritecha Inc., pursuant to a Court ordered distribution. The Monitor is currently holding these funds in trust pursuant to the Court Order, and such funds may not be utilized by the Company or Monitor until further Order of the Court.
- 4) Payroll and Employee Benefits: Payroll includes estimated employee and CEO payroll, Alberta Workers' Compensation Board (WCB) payments and employee group benefits, until a termination date of April 28, 2023. Amounts do not include payment of outstanding source deductions or outstanding employee expenses (approximately \$154,000).
- 5) Includes payment of property and general liability insurance policies.
- 6) Excise Tax Payment: Management estimates that Sugarbud has approximately \$1.1 million in pre-filing outstanding excise taxes owing as at July 31, 2022. It is assumed that the excise tax payments for the months of February 2023, March 2023 and April 2023 are made by the Company in Week 33.
- 7) Utilities and Taxes include forecast monthly electricity, natural gas, water, property taxes, and backup power charges.
- 8) 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 marketing services.
- 9) Facility Maintenance and Services: Includes waste and recycling services, mechanical maintenance and lease payments, sanitation and maintenance supplies and inventory destruction costs.
- 10) IT and Compliance Software Fees: Includes seed to sale IT software, NAV 365 ERP software costs, and facility security monitoring fees.
- 11) Freight charges for purchase order and inventory shipment.
- 12) Forecast professional fees of the Monitor, its legal counsel (Burnet, Duckworth & Palmer LLP) and those fees and costs of the Companies' legal advisors. It is assumed that the Monitor's November 2022 invoice, and the December 2022 invoices for the Monitor's counsel and the Companies' counsel will be paid on April 28, 2023. The professionals will, in consultation with the interim financing lender, be relying on the administrative charge for the balance of the professional fees outstanding.
- 13) Court-approved Key employee retention program ("KERP") for five employees to maintain the Companies' Health Canada License. The payment of the second KERP installation of approximately \$97,000 is tied to the closing of a sale transaction, which is expected to occur if the secured lender closes on a transaction.
- 14) The Monitor understands that either the Companies or CFCU may assign or petition the Companies into bankruptcy, respectively. It is estimated that the potential professional fees for the proposed trustee and its counsel may cost approximately \$35,000.

APPENDIX "C"
CCAA PROFESSIONAL FEES AND COSTS

Sugarbud Craft Growers Corp.**Summary of Alvarez & Marsal Canada Inc. Fees and Disbursements**

August 15, 2022 to April 30, 2023

Invoice No.	Time Period	Fees	Disbursements	Subtotal	GST	Total
Advisory #1	August 15, 2022 to August 27, 2022	32,694.50	-	32,694.50	1,634.73	34,329.23
Advisory #2	August 28, 2022 to September 14, 2022	48,565.00	-	48,565.00	2,428.25	50,993.25
Div 1 #1	September 15, 2022 to September 30, 2022	75,565.50	-	75,565.50	3,778.28	79,343.78
SISP #1	September 24, 2022 to October 31, 2022	108,821.50	7,902.76	116,724.26	5,836.21	122,560.47
Div 1 #2	October 1, 2022 to October 31, 2022	65,522.50	11,040.79	76,563.29	3,828.17	80,391.46
CCAA #3	November 1, 2022 to November 30, 2022	58,104.50	-	58,104.50	2,905.23	61,009.73
SISP #2	November 1, 2022 to November 30, 2022	41,624.50	-	41,624.50	2,081.23	43,705.73
CCAA #4	December 1 2022 to December 31, 2022	48,739.00	500.00	49,239.00	2,461.95	51,700.95
SISP #3	December 1 2022 to December 31, 2022	5,478.50	-	5,478.50	273.93	5,752.43
CCAA #5	January 1, 2023 to January 31, 2023	50,206.50	449.51	50,656.01	2,532.80	53,188.81
CCAA #6	February 1, 2023 to March 31, 2023	53,289.50	75.00	53,364.50	2,668.23	56,032.73
CCAA #7	April 1, 2023 to April 30, 2023	27,795.50	-	27,795.50	1,389.78	29,185.28
Total		616,407.00	19,968.06	636,375.06	31,818.79	668,193.85

Sugarbud Craft Growers Corp.**Summary of Burnett, Duckworth & Palmer LLP Fees and Disbursements**

September 17, 2022 to April 30, 2023

Invoice No.	Time Period	Fees	Disbursements	Subtotal	GST	Total
203471920	September 17, 2022 to September 30, 2022	60,380.00	128.50	60,508.50	3,025.43	63,533.93
203472885	October 1, 2022 to October 31, 2022	23,787.50	243.65	24,031.15	1,197.37	25,228.52
203473636	November 1, 2022 to November 30, 2022	8,477.50	-	8,477.50	423.88	8,901.38
203474984	December 1, 2022 to December 31, 2022	20,228.00	36.00	20,264.00	1,012.20	21,276.20
203476129	January 1, 2023 to January 31, 2023	19,665.50	20.00	19,685.50	983.28	20,668.78
203476588	February 1, 2023 to February 28, 2023	5,331.50	-	5,331.50	266.58	5,598.08
203477287	March 1, 2023 to March 31, 2023	10,047.50	20.00	10,067.50	502.58	10,570.08
203477921	April 1, 2023 to April 30, 2023	23,039.50	490.00	23,529.50	1,175.58	24,705.08
Total		170,957.00	938.15	171,895.15	8,586.90	180,482.05

CONFIDENTIAL APPENDIX "1"

**MONITOR'S ANALYSIS OF SALE AGREEMENT AND UNREDACTED SALE
AGREEMENT**

[INTENTIONALLY OMITTED]