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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

COM  
Mar 24 2023

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

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

**March 17, 2023**

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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**") by this Honourable Court to continue the NOI Proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (as amended the "**CCAA**" or the "**CCAA Proceedings**"), which granted, among other things, a stay of proceedings up to and including December 10, 2022 and appointed A&M as Monitor pursuant to the provisions of the CCAA (A&M in such capacity, the "**Monitor**").
5. Since the granting of the ARIO, the Companies sought and obtained two stay of proceedings extensions with the most recent extension expiring March 24, 2023 (the "**Second CCAA Stay of Proceedings Extension**").
6. The Applicants are now applying to this Honourable Court seeking another Proposed Stay Extension Order, which if granted would *inter alia*, extend the stay

of proceedings up to and including April 28, 2023 (the "**Third CCAA Stay of Proceedings Extension**").

## PURPOSE

7. The purpose of this Report is to provide information to this Honourable Court in respect of the following:
  - a) the activities of the Monitor since its Monitor's Second Report dated January 13, 2023;
  - b) an overview of the proposed transactions since the conclusion of the SISF;
  - c) the Cash Flow Forecast (defined and discussed below);
  - d) the Companies' request for the Third CCAA Stay of Proceedings Extension; and
  - e) the Monitor's recommendations and conclusions.
8. Capitalized terms not otherwise defined in this Monitor's Third Report (this "**Report**" or the "**Third Report**") are as defined in the Initial Order, the ARIO, the Proposal Trustee's First Report, the Monitor's First Report, the Monitor's Second Report or the various affidavits filed in the CCAA Proceedings.

## TERMS OF REFERENCE AND DISCLAIMER

9. 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.
10. Future oriented financial information referred to in this Report was prepared based on the Companies' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
  11. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

## **BACKGROUND**

12. Sugarbud is a vertically-integrated cannabis business with expertise at each stage of the cannabis product life-cycle, from cultivation and extraction to brand development, marketing and sales.
13. Sugarbud operates a federally-licensed cannabis production facility located in Stavely, Alberta (the "**Stavely Facility**") 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.

14. 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](http://www.alvarezandmarsal.com/sugarbud) (the "**Case Website**").

#### **ACTIVITIES OF THE MONITOR**

15. The Monitor's activities since the Monitor's Second 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 still available for the Debtors and the Debtor's liquidity position;
  - c) continuing communication and utilization of the Monitor's independent legal counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**");
  - d) working with the Companies to complete an updated appraisal of the Stavelly Facility;
  - e) working with the Companies to complete a Phase I Environmental Site Assessment at the Stavelly Facility;
  - f) continuing to communicate with the Interim Lender and Companies regarding strategies that would allow for the Companies to maximize realizations from its property, including discussions with a potential party interested in entering into a leasing opportunity with the Debtor;
  - g) continuing to communicate with, and attending to various inquiries from, trade creditors and other stakeholders;

- h) conducting discussions with the Companies' management regarding an ongoing GST audit being conducted by the Canada Revenue Agency;
- i) reviewing the Debtors' cash flow results on a weekly basis and communicating with the Interim Lender, accordingly;
- j) reviewing the Debtors' updated cash flow forecast each week as required under 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, its legal counsel, the Interim Lender and its counsel, and BD&P.

## **SISP UPDATE**

16. As previously reported in the Monitor's Second Report, the Monitor concluded the SISP process in late December 2022 without a Bid that was acceptable to all parties. In the absence of an acceptable transaction, CFCU requested that the Companies, with the assistance of the Monitor, continue to review strategies that would allow for them to maximize realizations from the Property.
17. Shortly after the conclusion of the SISP, CFCU advised that, as a result of no acceptable offers from the SISP process, CFCU is considering submitting a credit bid offer to acquire the Stavely Facility. However, CFCU requires additional time to consider its position and requires additional time to complete its due diligence.
18. Additionally, another party who previously participated in the SISP has approached the Monitor with a proposed transaction that would be complimentary to the one being considered by CFCU which requires additional time to be in a form capable of being presented to this Court.

19. As the details of both proposed opportunities continue to be considered, the Companies, with the support of CFCU and the Monitor, believe an additional extension to the stay of proceedings required to April 28, 2023.

## ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

20. The Debtors' actual cash receipts and disbursements as compared to the Cash Flow Forecast presented in the Second Report of the Monitor during the period of January 11, 2023 to March 10, 2023 (the "**Reporting Period**") is summarized below:

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. Consolidated Cash Flow Variance Analysis - Prepared by Management For the period from January 11, 2023 to March 10, 2023 <i>unaudited, in CAD \$000's</i>			
	Forecast	Actual	Variance
<b>Cash Receipts</b>			
Alberta (AGLC)	45	78	33
BC (BCLBD)	-	-	-
Ontario (OCS)	239	255	16
Yukon (YLC)	-	-	-
Other (Medical Sales)	6	0	(6)
Inventory Sales	352	117	(235)
<b>Total Cash Receipts</b>	<b>642</b>	<b>450</b>	<b>(192)</b>
<b>Operating Cash Disbursements</b>			
Payroll and Employee Benefits	301	302	(1)
Insurance	40	40	-
Excise Taxes	85	79	6
Utilities and Taxes	144	142	2
Production Components, Supplies and Services	40	22	18
Facility Maintenance and Services	43	27	16
Health Canada License and Excise Fee	-	-	-
Cultivation Components and Supplies	11	1	10
IT and Compliance Software fees	37	25	12
Facility PPE	6	8	(2)
Freight	38	16	21
Compliance Fees	2	2	(0)
PST	-	-	-
Appraisal Fees	10	9	1
Critical Supplier Pre-Filing Payments	-	-	-
Contingency	20	-	20
<b>Total Operating Cash Disbursements</b>	<b>777</b>	<b>673</b>	<b>103</b>
<b>Non-Operating Cash Disbursements</b>			
Monitor's Fees	-	-	-
Monitor's Disbursements	-	-	-
Monitor's Counsel's Fees	-	-	-
MLT Aikins Fees	-	-	-
Stikeman Elliot	-	-	-
Key Employee Retention Plan	-	-	-
Working Capital Corporation	11	-	11
<b>Total Non-Operating Cash Disbursements</b>	<b>11</b>	<b>-</b>	<b>11</b>
<b>Net Cash Flow</b>	<b>(145)</b>	<b>(223)</b>	<b>(78)</b>
<b>Opening Cash</b>	<b>(1,481)</b>	<b>(1,481)</b>	<b>-</b>
Net Cash Flow	(145)	(223)	(78)
<b>Closing Cash</b>	<b>(1,626)</b>	<b>(1,704)</b>	<b>(78)</b>



21. Over the Reporting Period, the Debtors experienced a negative cash flow variance of approximately \$78,000, as a result of temporary timing differences and permanent variances which are described below:
- a) a negative variance with respect to the realization of the Companies' inventory on the Canadian Cannabis Exchange, due to lower than forecasted transaction prices for numerous cannabis products;
  - b) positive variances with respect to the collection of certain receipts from the Alberta Gaming and Liquor Corporation and the Ontario Cannabis Store, due to additional purchase orders being fulfilled by the Companies and the earlier than forecasted collection of one invoice;
  - c) a negative timing variance in the 'other receipts' category, due to a delay in the collection of an outstanding receivable from Mendo Cannabis Inc.;
  - d) a positive variance relating to freight and cultivation components, supplies and services;
  - e) a positive timing variance with respect to production components, supplies and services, IT and compliance software fees, which are expected to be paid in the coming weeks; and
  - f) 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.

#### **UPDATED CASH FLOW FORECAST**

22. For purposes of paragraph 10(2)(a) of the CCAA, the Companies have prepared an updated weekly cash flow forecast (the "**Fourth Cash Flow Forecast**") for the 7-week period from March 11, 2023 to April 28, 2023 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Fourth Cash Flow Forecast. A copy of the Fourth Cash Flow Forecast, together with a summary of assumptions and Management's representation letter are attached hereto as Appendix "A".

23. The Fourth Cash Flow Forecast is summarized below:

SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd. Management Prepared 7-Week Cash Flow Forecast For the period from March 11, 2023 to April 28, 2023 <i>unaudited, in CAD \$000's</i>	
<b>Cash Receipts</b>	
Alberta (AGLC)	39
Ontario (OCS)	57
Inventory Sales	53
<b>Total Cash Receipts</b>	<b>149</b>
<b>Operating Cash Disbursements</b>	
Payroll and Employee Benefits	154
Insurance	71
Excise Taxes	16
Utilities and Taxes	119
Production Components, Supplies and Services	16
Facility Maintenance and Services	11
Cultivation Components and Supplies	1
IT and Compliance Software fees	31
Facility PPE	1
Freight	5
PST	30
Contingency	20
<b>Total Operating Cash Disbursements</b>	<b>476</b>
<b>Non-Operating Cash Disbursements</b>	
Professional Fees	-
Proposed Key Employee Retention Plan	97
Working Capital Corporation	11
<b>Total Non-Operating Cash Disbursements</b>	<b>107</b>
<b>Net Cash Flow</b>	<b>(435)</b>
<b>Opening Cash</b>	<b>(1,704)</b>
Net Cash Flow	(435)
<b>Closing Cash</b>	<b>(2,138)</b>

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

- a) total projected cash receipts of approximately \$149,000; and
- b) total operating cash disbursements forecast of approximately \$476,000 and non-operating cash disbursements of approximately \$107,000, resulting in a net decrease in cash of approximately \$435,000 during the Forecast Period.

25. Over the Forecast Period, the Companies did not provide for the payment of professional fees and costs. Over the Forecast Period, the Monitor, its counsel, and Companies' counsel are prepared to rely on the Administration Charge and not be paid their current outstanding invoices and ongoing professional fees over the

Forecast Period, should this Honourable Court grant the proposed stay extension, to assist the Companies with their liquidity constraints. Total unpaid professional fees up to February 28, 2023, are approximately \$340,000. The Companies' preliminary estimate of the total professional fees forecast to be incurred between March 1, 2023 to April 28, 2023 is approximately \$135,000. As a result, the total incurred and forecast professional fees and costs are anticipated to reach approximately \$475,000 by the end of the proposed stay extension period (April 28, 2023), which would leave approximately \$25,000 available under the Administration Charge of \$500,000.

26. The Administration Charge 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.
27. The Fourth 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 Fourth Cash Flow Forecast will be accurate. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Monitor in the course of the preparation of this Report.

## **EXTENSION OF THE STAY OF PROCEEDINGS**

28. Pursuant to the Second Stay Extension Order granted on January 17, 2023, the Stay Period (as defined therein) will expire on March 24, 2023. The Debtors are seeking an extension of the Stay Period to April 28, 2023 (the "**Stay Extension**").
29. The Monitor supports the Stay Extension for the following reasons:

- a) during the proposed extension of the Stay Period, the Companies and the prospective purchasers will have an opportunity to conclude their negotiations with respect to a potential deal;
- b) the proposed extension of the Stay Period will allow sufficient time for CFCU to complete a credit bid on the Stavely Facility;
- c) it will afford the Debtors and the Monitor sufficient time to advance and possibly complete the administration of the CCAA Proceedings;
- d) the Debtors are forecasted to have sufficient liquidity to continue operating the business during the requested extension of the Stay Period;
- e) no creditor of the Debtors will be materially prejudiced by the extension of the Stay Period; and
- f) in the Monitor's opinion, the Debtors have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

## CONCLUSIONS AND RECOMMENDATIONS

30. Based on the current information that has been made available to the Monitor by the Companies, the Monitor respectfully recommends that this Honourable Court to approve an extension to the Stay Period to April 28, 2023

All of which is respectfully submitted this 17<sup>th</sup> day of March, 2023

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




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Orest Konowalchuk, LIT  
Senior Vice-President




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Bryan Krol  
Director

## **APPENDIX "A"**

**SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.**  
**Management Prepared 7-Week Cash Flow Forecast**  
**For the period from March 11, 2023 to April 28, 2023**  
*unaudited, in CAD \$000's*

	Notes	Forecast							Total
		Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Total
		17-Mar-23	24-Mar-23	31-Mar-23	7-Apr-23	14-Apr-23	21-Apr-23	28-Apr-23	Week 25 to Week 31
<b>Cash Receipts</b>									
Alberta (AGLC)	1	-	-	39	-	-	-	-	39
BC (BCLBD)	2	-	-	-	-	-	-	-	-
Ontario (OCS)	3	-	-	32	-	-	25	-	57
Yukon (YLC)	4	-	-	-	-	-	-	-	-
Other (Medical Sales)	5	-	-	-	-	-	-	-	-
Inventory Sales	6	-	-	53	-	-	-	-	53
Tritecha Inc. Distribution	7	-	-	-	-	-	-	-	-
<b>Total Cash Receipts</b>		-	-	124	-	-	25	-	149
<b>Operating Cash Disbursements</b>									
Payroll and Employee Benefits	8	22	16	38	6	37	-	37	154
Insurance	9	-	48	-	7	10	-	7	71
Excise Taxes	10	-	-	-	-	16	-	-	16
Utilities and Taxes	11	3	41	5	38	4	-	28	119
Production Components, Supplies and Services	12	-	2	6	5	3	-	-	16
Facility Maintenance and Services	13	4	-	-	3	5	-	-	11
Health Canada License and Excise Fee		-	-	-	-	-	-	-	-
Cultivation Components and Supplies	14	1	-	-	-	-	-	-	1
IT and Compliance Software fees	15	2	2	7	10	-	-	10	31
Facility PPE	16	-	1	-	-	-	-	-	1
Freight	17	1	2	-	2	-	-	-	5
Compliance Fees		-	-	-	-	-	-	-	-
PST	18	-	-	-	-	-	-	30	30
Appraisal Fees		-	-	-	-	-	-	-	-
Critical Supplier Pre-Filing Payments		-	-	-	-	-	-	-	-
Contingency	19	-	10	-	-	-	10	-	20
<b>Total Operating Cash Disbursements</b>		34	122	56	70	74	10	112	476
<b>Non-Operating Cash Disbursements</b>									
Proposal Trustee/Monitor Fees	20	-	-	-	-	-	-	-	-
Proposal Trustee/Monitor Disbursements	20	-	-	-	-	-	-	-	-
Proposal Trustee/Monitor Counsel Fees	20	-	-	-	-	-	-	-	-
MLT Aikins Fees	20	-	-	-	-	-	-	-	-
Stikeman Elliot	20	-	-	-	-	-	-	-	-
Proposed Key Employee Retention Plan	21	-	-	-	-	-	-	97	97
Working Capital Corporation	22	-	-	-	11	-	-	-	11
<b>Total Non-Operating Cash Disbursements</b>		-	-	-	11	-	-	97	107
<b>Net Cash Flow</b>		(34)	(122)	68	(81)	(74)	15	(208)	(435)
<b>Opening Cash</b>		(1,704)	(1,738)	(1,859)	(1,791)	(1,871)	(1,945)	(1,930)	(1,704)
Net Cash Flow		(34)	(122)	68	(81)	(74)	15	(208)	(435)
<b>Closing Cash</b>		(1,738)	(1,859)	(1,791)	(1,871)	(1,945)	(1,930)	(2,138)	(2,138)

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

**SugarBud Craft Growers Corp., Trichome Holdings Corp. and 1800905 Alberta Ltd.**  
**Management Prepared 7-Week Cash Flow Forecast**  
**For the period from March 11, 2023 to April 28, 2023**

**Notice to Reader**

In preparing this cash flow forecast (the "**Forecast**"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("**CCAA**"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections 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) British Columbia (BCLBD) Receipts: Represents forecast collections from the BC Liquor Distribution Branch (BCLDB), a crown corporation who is the sole authorized distributor for the province.
- 3) Ontario (OCS) Receipts: Represents forecast collections from the Ontario Cannabis Store (OCS), a crown corporation who is the sole authorized distributor for the province. A 0.3% data subscription fee has been included as per the supply agreement.
- 4) Yukon (YLC) Receipts: Represents forecast collections from the Yukon Liquor Corporation (YLC), a crown corporation who is the sole authorized distributor for the territory.
- 5) Receivable from Mendo Cannabis has not been forecast during the period, due to Management experiencing issues with collections. Payments have not been received for shipments since February 2022, and as a result no further sales will be made until collections are received.
- 6) Collection of receivable is based on the inventory sale to Weed Me which was made through the Canadian Cannabis Exchange (CCX). The balance owing from the Weed Me sale is forecast to be collected in Week 27. Sugarbud is also looking to market its remaining inventory on the CCX, which is not contemplated in the Forecast.
- 7) The Monitor received approximately \$27,000 from Tritocha 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.
- 8) Payroll and Employee Benefits: Payroll includes estimated employee and CEO payroll, Alberta Workers' Compensation Board (WCB) payments, and employee group benefits. Amounts do not include payment of outstanding source deductions (approximately \$330,000) or outstanding employee expenses (approximately \$154,000). Amounts also include forecast costs of one contractor who completes bookkeeping and accounting services for SugarBud.
- 9) Insurance includes product recall insurance, property, equipment breakdown, general liability insurance.
- 10) Excise Tax Payment: Management estimates that Sugarbud has approximately \$1.1 million in outstanding excise taxes owing as at July 31, 2022. Excise taxes owing are assumed to be paid by the company 45 days after month end.
- 11) Utilities and Taxes include forecast monthly electricity, natural gas, water, property taxes, and backup power charges. Post-filing utility payments are to be made in normal course and are based on historical costs and input from the Companies management.
- 12) 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. Forecast based on historical averages and input from Sugarbud management.
- 13) Facility Maintenance and Services: Includes forecast sanitation, repairs and maintenance expenses during the forecast period.
- 14) Cultivation Components and Supplies: Payments for cultivation supplies such as nutrients, pest management supplies and Grodan blocks. Forecast based on historical averages and input from company management.
- 15) IT and Compliance Software Fees: Includes seed to sale IT software, NAV 365 ERP software costs, and facility security monitoring fees.
- 16) Facility PPE: Includes payments for production and cultivation personal protective equipment.
- 17) Payments to freight companies for shipments to provincial distributors and for shipment of inventory sales.
- 18) Estimated Ontario provincial sales tax owing for shipments made to the OCS from the period of October 1, 2022 to December 31, 2022.
- 19) A contingency of \$10,000 per month has been assumed to account for unexpected costs that the company may incur during the CCAA proceedings.
- 20) Forecast professional fees of the Monitor, its legal counsel (Burnet, Duckworth & Palmer LLP) and those fees and costs of the Companies' legal advisors. The outstanding fees for the period from November 1, 2022 to February 28, 2023 for all parties are approximately \$339,000, and fees over the forecast period are estimated to be \$135,000. The professionals will, in consultation with the interim financing lender, be relying on the administrative charge for the interim period.
- 21) 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 completion of a transaction for the sale of the Companies' assets, which is unknown at this time.
- 22) Forecast payments to Working Capital Corporation for the completion of Q3 2022 financial statements.