

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.

APPLICANTS: SUGARBUD CRAFT GROWER CORP., TRICHOME HOLDINGS CORP. and 1800905 ALBERTA LTD.

DOCUMENT: **AFFIDAVIT OF DANIEL T. WILSON**

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**SIXTH AFFIDAVIT OF DANIEL T. WILSON
Sworn on May 2, 2023**

I, Daniel T. Wilson, of the City of Calgary, in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the President and Chief Executive Officer, interim Vice President of Finance and Chief Financial Officer, and a Director and Chairman of the Board of Sugarbud Craft Grower Corp. ("**SCGC**"), President and Chief Executive Officer, Vice President and Chief Financial Officer and Director of Trichome Holdings Corp. ("**THC**") and 1800905 Alberta Ltd. ("**OpCo**" together with SCGC and THC, the "**Applicants**" or "**Sugarbud**") and I am authorized to swear this affidavit (the "**Affidavit**") on behalf of the Applicants.
2. I have personal knowledge of the matters and facts herein deposed, except where based on information and belief, in which case I believe the same to be true.

3. All capitalized terms not otherwise defined herein shall have the same meaning as within my Affidavit sworn on October 7, 2022 (the "**October 7 Affidavit**"), Second Affidavit sworn on November 28, 2022 (the "**Second Wilson Affidavit**"), my Third Affidavit sworn on January 12, 2023 (the "**Third Wilson Affidavit**"), my Fourth Affidavit sworn on March 15, 2023 (the "**Fourth Wilson Affidavit**"), and my Fifth Affidavit (the "**Fifth Wilson Affidavit**") sworn on April 20, 2023.

Background

4. Sugarbud operates a federally licensed cannabis production facility located in Stavely, Alberta (the "**Facility**") where it produces, distributes and sells cannabis products across Canada.
5. Since receiving its cultivation licence and commencing its cannabis operation in August of 2019, Sugarbud has been cash flow negative for the entire history of its operations. Despite attempts to access additional financing or complete a transaction, Sugarbud is facing a significant working capital deficit which makes it unable to pay its ongoing obligations as they become due.
6. On September 26, 2022, the Applicants each filed a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the BIA and A&M was appointed as Proposal Trustee.
7. As a result of the filing of the NOI, all proceedings against the Applicants and the Property were automatically stayed for an initial period of thirty (30) days (i.e. until October 26, 2022) (the "**NOI Stay Period**"). The NOI Stay Period was subsequently extended to December 10, 2022 by an order (the "**NOI Order**") granted by Justice D.B. Nixon of this Honourable Court on September 29, 2022.
8. The Applicants continued the NOI Proceedings under the CCAA pursuant to section 11.6 of the CCAA on October 18, 2022 and obtained an initial order (the "**Initial Order**") and an amended and restated initial order (the "**ARIO**") on that date.

Current Status of the Applicants Business and Restructuring Efforts

9. During the CCAA proceedings, the Applicants and its management team have been working diligently and in good faith with the Monitor and Connect First Credit Union Ltd. (“**CFCU**” or the “**Interim Lender**”) towards a restructuring.
10. The Applicants have been working with the Monitor and CFCU to finalize a credit bid to purchase the Facility in which the Applicants operations are currently conducted. The Applicants have come to terms with CFCU for a purchase of the Facility by way of an asset purchase agreement (the “**Sale Agreement**”). A copy of the Sale Agreement will be attached to the Monitor's Fifth Report, which is to be filed.
11. The Monitor supports the sale of the Facility to CFCU as the primary stakeholder in these proceedings.
12. The Applicants have now ceased all cannabis cultivation activities and completed the sales of all excess inventory to generate additional receivables during this period. Any remaining inventory has been destroyed.
13. The Applicants are requesting approval of the transaction to sell the Facility to CFCU as its primary stakeholder.

D&O Release

14. The Applicants are also seeking a release (the “**D&O Release**”) for Daniel Wilson in his capacity as the sole remaining director and officer (the “**D&O**”) of the Applicants.
15. The SAVO provides for a D&O Release in favor of the D&O for any claims, except those that are covered by an applicable insurance policy of the Applicants'. Any person with an insured claim (an “**Insured Claim**”) will be limited to recovery in respect of the Insured Claim solely from the proceeds of the applicable insurance policies. The D&O Release does not release the D&O from any claims under Section 5.1(2) of the CCAA.
16. The D&O Release will facilitate the distribution of the Applicants' remaining estate, will decrease any amount that needs to be reserved by the Monitor, if any, and will facilitate the completion of the CCAA proceedings without spending estate resources

in connection with the development and implementation of a plan of compromise or arrangement and the associated procedure steps, such as a claims procedure order.

17. The Applicants, in consultation with the Monitor and CFCU, who stands to suffer a substantial shortfall, have determined that there are insufficient resources to undertake the process required to develop and implement a plan of arrangement, and the time and expense associated with a plan of arrangement would not be in the best interests of the Applicants or their stakeholders.
18. The D&O had the following critical roles for the Applicants during the restructuring process:
 - (a) Chairman of the Board of Directors;
 - (b) Chief Executive Officer since August of 2022;
 - (c) President;
 - (d) Chief Financial Officer;
 - (e) Health Canada License Responsible Person (without which the Facility could not have operated in a compliant fashion under Health Canada regulations)
19. The D&O was the sole management person for the entire eight months of the restructuring. It was always intended that D&O Release would be sought as part of any going concern transaction for sale of the Applicants business.
20. The D&O provided critical direction leading up to the filing of the NOI and in bringing forward the CFCU Transaction. The D&O played an integral role in helping to administer the SISF for the benefit of the Applicants' stakeholders.
21. CFCU as the primary stakeholder and secured lender will suffer a substantial shortfall on the amounts owing to it, and as a result, a claims bar process and plan of arrangement would be cost-prohibitive.
22. The D&O played a critical role in identifying and facilitating potential going concern transactions during the SISF and for the benefit of the Applicants' stakeholders.
23. The D&O continues to have a Director's Charge in the amount of \$200,000 against the assets of the Applicants.

