



## Sweetlife Flora Biotech Division

### RISK REGISTER & MITIGATION STRATEGY

#### Construction-to-Term Commercial Mortgage Request

**Subject Property:** 651 Mountain Road, Moncton, New Brunswick

#### Purpose of This Document

This document identifies the primary risks relevant to commercial mortgage underwriting and outlines the mitigation measures in place to manage those risks throughout construction, stabilization, and long-term operation.

The focus is on downside protection and risk containment, not upside potential.

#### Construction Risk

##### Risk

Delays, cost overruns, or incomplete construction could impact project completion or conversion to long-term financing.

##### Mitigation

- Defined and comprehensive renovation scope addressing structural, mechanical, electrical, plumbing, accessibility, and code requirements
- Use of a single, experienced general contractor
- Phased construction timeline with lender-controlled draw releases
- Inspection-based funding aligned with verified progress
- Required permits and approvals integrated into the construction process

#### Cost Overrun Risk

##### Risk

Unanticipated costs could increase total project expenditures.

##### Mitigation

- Full base-building reset reduces risk of deferred or hidden system failures
- Engineering review of existing conditions, including roof condition
- Fixed scope renovation addressing known deficiencies upfront
- Lender-controlled draw structure limiting advance beyond completed work

## Completion & Occupancy Risk

### Risk

Inability to achieve occupancy readiness could delay revenue generation.

### Mitigation

- Renovation scope explicitly includes code compliance and accessibility
- Permitted storefront and operational build-out included in base scope
- Final inspections and occupancy readiness integrated into the construction timeline

## Operating Risk

### Risk

Post-renovation operations may not generate sufficient income to support debt service.

### Mitigation

- Owner-occupied operating model ensures direct control over operations
- Indoor, controlled-environment production reduces exposure to weather and seasonality
- Multiple monetization channels reduce reliance on any single revenue source
- Conservative financial projections focused on stabilization rather than growth

## Market Risk

### Risk

Changes in consumer demand or market conditions could impact revenue.

### Mitigation

- Demand driven by established indoor plant usage rather than discretionary trends
- Domestic supply gap reduces competitive pressure from imports
- Diversified customer base across retail, commercial, and wholesale segments

## Concentration Risk

### Risk

Over-reliance on a single customer, channel, or contract.

### Mitigation

- Parallel revenue channels operating independently
- No reliance on anchor tenants, master supply contracts, or single buyers
- Ability to redirect production between channels based on demand

## Management & Key Person Risk

### Risk

Reliance on founder-led management could create execution risk.

## **Mitigation**

- Founder operates as owner-occupier with direct alignment to asset performance
- Established operating systems and workflows
- Defined contractor and supplier relationships
- Management capability documented separately in the Management & Technical Capability document

## **Liquidity & Debt Service Risk**

### **Risk**

Insufficient liquidity to service mortgage obligations during stabilization.

### **Mitigation**

- Gradual ramp-up assumptions in financial projections
- Multiple short-cycle revenue streams supporting regular cash inflow
- Long amortization period (25–30 years) reducing required debt service burden
- The principal shareholder has stable, verifiable personal income and is prepared to provide temporary cash flow support during the stabilization period to ensure uninterrupted mortgage servicing. This support is supplemental and time-limited, with long-term debt service intended to be fully supported by business operations.

## **Collateral Risk**

### **Risk**

Collateral value may be insufficient to support long-term financing.

### **Mitigation**

- Permanent, recoverable building improvements
- Modernized systems reducing functional obsolescence
- Owner occupancy supporting consistent maintenance and care
- Long-term commercial use aligned with zoning

## **Regulatory & Compliance Risk**

### **Risk**

Non-compliance with building, safety, or accessibility requirements.

### **Mitigation**

- Renovation scope explicitly includes compliance and accessibility upgrades
- Required municipal and provincial approvals integrated into construction
- Inspections conducted as part of lender draw process

## Credit Risk Summary

From a commercial lending perspective, the primary risks associated with this transaction are construction and stabilization-related, rather than speculative or market-driven.

These risks are mitigated through:

- Defined construction scope
- Lender-controlled funding
- Owner-occupied operations
- Diversified revenue sources
- Conservative financial assumptions

The overall risk profile is consistent with construction-to-term commercial mortgage lending for an owner-occupied operating asset.

***Prepared for evaluation by regulated financial institutions in connection with a construction-to-term commercial mortgage facility.***