



Sweetlife Flora Biotech Division

CONSTRUCTION-TO-TERM MORTGAGE CONVERSION STRATEGY

Construction-to-Term Commercial Mortgage Request

Subject Property: 651 Mountain Road, Moncton, New Brunswick

Purpose of This Document

This document outlines the structure by which the proposed construction mortgage converts to a conventional commercial mortgage following completion of renovations and stabilization of operations at the subject property.

The intent is to align short-term construction risk with long-term, stabilized commercial lending.

Construction Phase

During the renovation period, the facility is financed under a construction mortgage, with advances released through lender-controlled draws tied to verified completion milestones.

The construction phase includes:

- Completion of all planned structural, mechanical, electrical, plumbing, accessibility, and interior improvements
- Final inspections and approvals required for lawful occupancy
- Readiness for owner-occupied commercial operation

Construction risk is managed through defined scope, inspection-based draws, and contractor oversight.

Stabilization Phase

Following substantial completion and occupancy readiness, Sweetlife Flora Inc. will commence stabilized operations within the facility.

The stabilization phase includes:

- Ramp-up to normalized operating activity
- Activation of multiple monetization channels
- Establishment of recurring operating cash flow

Financial projections provided separately are based on conservative stabilization assumptions.

Mortgage Conversion Trigger

Conversion from construction financing to a conventional commercial mortgage is intended to occur upon:

- Completion of renovations
- Occupancy of the subject property by the borrower
- Demonstration of operating activity consistent with stabilized use

The conversion is structured as an internal transition within the lending institution, not as an external refinance event.

Post-Conversion Mortgage Structure

Upon conversion, the facility is intended to be structured as:

- **Term:** 5-year fixed
- **Amortization:** 25 or 30 years
- **Security:** First mortgage on the owner-occupied commercial property

Long-term debt service is intended to be supported primarily by operating income generated within the facility.

Liquidity Support During Stabilization

During the initial post-completion stabilization period, liquidity risk is further mitigated by the principal shareholder's stable, verifiable personal income, which may be used as a temporary buffer to ensure timely mortgage payments if operating cash flow is temporarily below stabilized levels.

This support is supplemental and time-limited and does not replace the long-term reliance on operating income from the subject property.

Supporting documentation is provided directly to lenders as part of supplemental due diligence.

Credit Relevance

This construction-to-term structure:

- Limits lender exposure to construction risk
- Transitions the loan to long-term, amortizing debt
- Aligns repayment with stabilized operating performance
- Preserves conventional commercial mortgage characteristics post-completion

The result is a financeable, owner-occupied commercial asset suitable for long-term lending.

Relationship to Other Credit Documents

- Construction sequencing is detailed in **Construction Timeline & Draw Schedule**
- Operating and revenue assumptions are addressed in **Operational Overview and Revenue Channels & Cash Flow Sources**

- Financial capacity is addressed in **Financial Projections – Post-Renovation Stabilization**
- Risk mitigations are summarized in **Risk Register & Mitigation Strategy**

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