



Sunniva Inc.

Third Quarter 2019 Earnings

Conference Call Transcript

Date: November 27, 2019

Time: 8:00 AM PT

Speakers: **Dr. Anthony Holler**

Chief Executive Officer

Duncan Gordon

Chief Operating Officer

David Weinmann

Interim Chief Financial Officer

Rob Knowles

Vice President, Corporate Development

**Operator:**

Welcome to the Sunniva Inc. Third Quarter 2019 Earnings Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity for analysts to ask questions. To join the question queue, you may press star, one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, zero.

I would now like to turn the conference over to Mr. Rob Knowles, Vice President of Corporate Development. Please go ahead, sir

Rob Knowles:

Thank you, Safis, and good morning to everyone joining us to discuss our results for the third quarter of 2019. With me on the line today are Dr. Anthony Holler, our Co-founder, Chairman, and Chief Executive Officer, Duncan Gordon, our Chief Operating Officer, and David Weinmann, our Interim Chief Financial Officer. As normal, we'll begin today's call with comments from Dr. Holler, who will provide a strategic update, followed by Duncan Gordon, who will provide a glasshouse update, and then David Weinmann, who will provide a financial recap of the quarter. Following their prepared remarks, we will then open the lines for analysts to take your questions.

Some of the matters we'll discuss on this call, including our business outlook, are forward-looking in nature. These matters are subject to both known and unknown risks and uncertainties, including, but not limited to, those factors set forth in yesterday's news release, our MD&A, and other public disclosure documents, which are available on the SEDAR website. These risks and uncertainties could cause actual future results to differ materially from those expressed in this call, which are based on our current expectations. We assume no obligation to update the information presented on this conference call, except as specifically required by the applicable securities laws.

With that, I will now turn the call over to Dr. Holler. Dr. Holler, please go ahead.

Dr. Anthony Holler:

Thank you, Rob. Good morning, and thank you for joining us this morning. The third quarter was very active for Sunniva with respect to capital raising and progressing on our strategy for transitioning the



business to our California operations. Financially, our current businesses generated \$5.8 million in revenue, which put year-to-date revenues of over \$21 million. I will provide an update on the operational status and forward outlook for the Company in a moment, and will let David discuss the financial results, but first I will address the recent management changes that have occurred and the news regarding the claims related to the glasshouse.

Kevin Wilkerson and David Lyle have both resigned recently from their respective roles of President and CFO. Both of these positions will eventually be replaced, but in the interim we are very comfortable moving forward with the Senior Management Team members currently in place. We held a strategic meeting in Palm Springs last Wednesday with the entire Management Team to ensure that there are no gaps with respect to the responsibilities and ownership of deliverables committed to and to ensure that the primary objectives of completing the glasshouse is not affected from these recent departures.

Dave Weinmann, who is with me today, has been appointed to Interim CFO. Dave was brought into Sunniva almost six months ago as our Global Controller, with a long career in financial management in both private and public companies, and in both CFO and Controller positions. David has been responsible for the design and implementation of our financial reporting structure and accounting functions. We have no reservations in David taking over the CFO role as we continue to work through our transition.

Cost overruns and delays in payments at the Cathedral City glasshouse have resulted in disputes over funding. To date, we have contributed over \$22 million towards the completion of the facility. As noted in our Q3 disclosures yesterday, we received a Notice of Default and a 30-day Notice of Termination, which we received on Monday, November 25. At this time, we cannot provide much additional detail to that, other than to state that we have consulted with our California legal counsel, Dentons, and we intend to vigorously defend our position. Until a resolution has been achieved, the previous Q2 2020 targets for achieving our Certificate of Occupancy cannot be relied on. We will provide updates on this matter, as appropriate, and will revise our timeline guidance when we have line of sight to a resolution.

Now, over to operations. As we discussed in our Q2 earnings call at the end of August, Sunniva is now focused solely on developing our operations in California and on the completion of the glasshouse in Cathedral City, California. We are steadfast in our commitment to complete this facility, as we believe that despite the current issues, when completed, it will be among the premiere cannabis cultivation

operations in North America. We are confident that the flower produced in this facility will be of triple-A quality and will capture high margins. Our vertically integrated operations, which include in-house manufacturing and distributional operations, both located in near proximity to the glasshouse, will give us the flexibility to pivot, as needed, to meet the dynamic market demands and to gear our sales efforts to capture the highest margin for our products, including bulk flower sales, high-quality Sunniva branded flower, or into our existing manufacturing facility for the rapidly expanding extracts market. All of our production will be processed through our distribution operations, which are located nearby and can deliver our products through the state. We remain confident in the future outlook for Sunniva.

The questions of primary importance today are where are we now with California construction and operations and how do we get to our target of vertically integration?

In terms of construction progress, we are finished about 85% of the work required to commence operations, with a further capital commitment from Sunniva of approximately US\$8 million. Our engagement with Colliers International, which we announced at the end of August, is working well and has resulted in a number of adjustments to the completion process that we believe will be beneficial to a successful start-up. Duncan will provide a more detailed update of the glasshouse progress following my comments, but we remain committed to achieving a full Certificate of Occupancy following the testing and commissioning of the facility. We continue to investigate options to bring the facility into partial operations in an accelerated manner to shorten the time to first revenue.

As we indicated in our second quarter conference call, as a result of analysis of the facility, we decided to add additional backup power and cooling capacity to the existing design to minimize the impact on our operations in the event of a possible temporary loss of power. We are currently evaluating the option of vendor financing to cover the estimated US\$25 million cost for both systems. In light of the recent rolling brownouts in Northern California, we believe that this increased risk mitigation will ultimately result in significant long-term shareholder value.

We have a fully operational extraction lab and packaging and distribution facility which we are not currently directing any capital to. The Sales Team has been active in evaluating opportunities to utilize the manufacturing and packaging facilities as a means of generating revenue in the near term, while we're waiting for our own cultivation supply.

The next question is how do we get from here to the target. In short, the answer is that we need additional capital to complete the glasshouse. In the third quarter, we announced the sale of Natural Health Services to The Clinic Network Canada. We expect that this transaction will be completed in early December. The current proposed terms of the transaction have been amended to \$250,000 in cash that we received as an initial deposit, and \$8.75 million in shares of Cura-Can, the parent company to The Clinic Network. The sale of NHS will be beneficial to our ongoing cash requirements, as it eliminates some residual corporate costs in Canada and the requirement for Sunniva to inject cash from time to time as part of the working capital needs of that company.

The other part of the California-focused strategy that will generate significant cash for Sunniva is the pending sale of the OK Falls property in British Columbia. On the last call, we had anticipated the transaction would have closed in September. The purchaser remains very committed to this project and has since increased its non-refundable deposit to \$1.9 million (phonetic 00:09:29) to compensate for the delays in financing. We have had ongoing discussions with both the purchaser and their capital provider, and without diving into the full details of the reasons for the previous delays, we are confident that we will get this transaction completed. Cash proceeds at closing from this transaction will be used to repay the existing mortgage on the property, promissory noteholders, and some outstanding debt, leaving approximately \$5 million to be added to our current cash position, which will be directed towards the capital cost of the glasshouse in Cathedral City.

Before handing it over to Duncan, I would like to reiterate our commitment to delivering a cultivation facility in Cathedral City that will be the prized centrepiece of our vertical integration strategy in California and to become a model for large-scale cannabis production and become the gold standard for the industry.

I will now turn the call over to Duncan Gordon to provide a short update on the progress made on the glasshouse over the past several months.

Duncan Gordon:

Thanks, Tony. With respect to the current status of the glasshouse, we are finished about 85% of the work required to commence operations. Specifically, in the greenhouse, approximately 90% of the work required to commence operations is finished and 75% in the header house. The header house status



does not include the dispensary, as that portion of the building is now planned to be completed after we achieve occupancy.

I will highlight some of the items that we have completed or have made notable progress on over the past three months, since Colliers assumed management of the project. Permanent power has been delivered to the property. With respect to heating and cooling, the chiller has been installed and powered, and the boiler has been enclosed. With respect to site work, paving of the driveways has been completed and landscaping has commenced. Inside the glasshouse, roll-up and side doors have been installed. Cameras have been installed to meet state and city requirements. Grow lights have been installed in all zones, and IT cabling is now complete.

I will now turn over the call to David Weinmann, who will go through the details of the third quarter and provide an update on our current financial position and outlook.

David Weinmann:

Thank you, Duncan. I'll jump straight to the financials. Please note that all the figures I will mention are in Canadian dollars, unless referred to as otherwise, and that the financial results for NHS have been removed from the revenue and expenses and is captured in the discontinued business line.

Revenue from continuing operations for Q3 came in at \$5.3 million, which is about four times higher than Q3 of last year, and an increase from the \$3.5 million reported in Q2 of this year. Full-scale Distributors contributed \$2.8 million, with CP Logistics coming in at \$2.6 million, compared to \$2 million and \$1.5 million, respectively, last quarter. Gross margin increased \$1.5 million, from \$784,000 in Q2, and up from \$214,000 last year.

Overall, the net loss for the quarter was \$20.5 million, which increased \$13.7 million from the same period last year, and increased \$5.5 million from the previous quarter. However, the net loss from continuing operations was \$9.2 million, compared to \$7.1 million last year. The net loss includes about \$2 million in impairment, booking, and interest charges. Loss from operations was \$7.1 million, which compares to a \$6.9 million operating loss in the same period last year and \$11.8 million operating loss last quarter.

The quarter-over-quarter decreases in cash and operations are mostly due to the ongoing capital requirements for the glasshouse, fixed costs at the extraction facility and U.S. operations, combined with reduced sales of cannabis products. Year to date, we have generated just over \$21 million in revenue from continuing operations, which exceeds the amount that was generated in all of 2018.

Reported SG&A of \$8.7 million included an accounting adjustment of approximately \$1.3 million in production facility costs and \$1.4 million accounts receivable provisions. Excluding these adjustments, corporate G&A decreased about 15% quarter-over-quarter, primarily due to the completion of the costs associated with transferring corporate functions from Vancouver to California. Net AR declined \$2.2 million, or 34%, from Q2 to Q3, which was due to the reclassification of the NHS AR and an increase in the accounts receivable provisions.

Inventory decreased roughly \$2 million quarter-over-quarter, which was driven by an increase in inventory provision, consistent sales, yet reduced production, throughout the quarter, to concentrate working capital to glasshouse construction. We continue to be very active in the near term with the management of all our capital resources. (Audio interference 00:14:31) completion of the glasshouse and working capital needs. (Audio interference 00:14:49) payables. As already mentioned, (audio interference 00:14:48) property has put us in a challenging short-term cash situation, which we will continue to work towards resolving.

Our current capital obligations for the glasshouse are about US\$8 million. Given the current dispute on the outstanding amounts related to cost overruns, we will not be deploying any additional funds towards the project at this time. When we have resolution to the dispute, we will update on the spending plans for bringing the glasshouse into operations. We continue to evaluate various capital raising initiatives to satisfy both near-term and longer term needs, and hope to have more information to share with you in the upcoming months.

Thank you for listening, and with that, I'll turn the call over to the Operator to open it up for Q&A.

Operator:

Certainly, sir. We will now take questions from analysts. To join the question queue, you may press star, one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question,

please press star, two. We will now pause for a moment as analysts join the queue. Once again, for analysts in the room, if you have a question, please press star, one now.

Our first question comes from Ted Ohashi with Let's Toke Business Newsletter. Please go ahead.

Ted Ohashi:

Hi, Tony. Thanks for the update. I need to get into what has happened with David Lyle and Kevin Wilkerson, and the reason for that is of late, in the cannabis industry, there have been other instances of CFOs and senior people leaving, and the subsequent news hasn't been good. Let me start with Michael Barker's resignation, and then their legal action one week later. I mean, I have to believe those two events were related, and I have to believe it was an issue before it was announced and before Michael Barker resigned. Is that correct? Is this something that's been brewing for a while?

Dr. Anthony Holler:

You know, it's difficult to respond to that question, because Michael Barker has been on the Board for a significant amount of time, and yes, there were disputes over payments and things like that, but there was no indication that he was going to leave the Board. I just suspect—you know, I can only speculate that, probably, his attorneys recommended that he step off the Board.

Ted Ohashi:

Okay. I don't clearly understand what the ramifications are of their action. Let's assume that their action is successful. What does that mean?

Dr. Anthony Holler:

You know, Ted, I'm not going to discuss their action because our law firm in the U.S., Dentons, is going to be responding to that, and I don't want to speculate as to what our response would be, so I really can't answer that question.

Ted Ohashi:

Is part of the motivation here—I mean, I know Barker wanted you guys to start paying rent. I guess there are certain things that have to be met for them to do that under your agreement. I mean, is that part of the puzzle here?

Dr. Anthony Holler:

Well, we can't pay rent till we have something to rent, right? This facility has to be finished before we rent it. That's how I'd answer that question.

Ted Ohashi:

Okay. What needs to be done to resolve this issue? Now, all of a sudden the completion of the glasshouse is contingent on this legal action, so—I mean, I'm trying to get some sense of the delay that we might be looking at.

Dr. Anthony Holler:

Again, it's difficult for me to answer that question in terms—because we don't currently have a resolution, but I think what has to happen, realistically, is the interested parties have to get together and figure this out.

Ted Ohashi:

That's you and Barker?

Dr. Anthony Holler:

Yes, and Barker's equity holders, etc.

Ted Ohashi:

Okay, okay. The Natural Health sale, the way it ended up, it seemed to be pretty much a giveaway of that asset. You ended up—or you will end up with a \$0.25 million and 6 million shares of a private company that nobody knows anything about. What percentage of Cura-Can is 5.83 million shares, do you know?

Dr. Anthony Holler:

It's a relatively small percentage of Cura-Can. I don't know the exact percentage, but Cura-Can is a multi-state operator in the U.S. and has an ongoing business in a number of different states. Their plan, eventually, is to go public. We also have the opportunity, if The Clinic Network Canada goes public, that we could convert into those shares, and their intention is to go public in the next six months.

Ted Ohashi:

Okay, all right. The way the NHS sale turned out, it kind of raises a lot of issues about Okanagan Falls. We've chatted before about Okanagan Falls, that the sale was priced six months ago, and six months ago in the cannabis industry was quite different than it is today. Are you working toward closing the Okanagan Falls deal as we understand it, or is it going to be something completely different?

Dr. Anthony Holler:

No, that sale is contemplated to be as you understand it.

Ted Ohashi:

Okay. Can somebody comment on your current cash position? I mean, how serious is liquidity here?

Dr. Anthony Holler:

I'll let David comment on that.

David Weinmann:

The question was how serious is liquidity. We do have enough cash, and we feel that we have a runway to provide us time to get these deals closed, so we're looking into—towards the end of Q1 on that.

Ted Ohashi:

Okay. So, on a burn-rate basis, you're covered until the new year?

David Weinmann:

Yes, actually, until the end of Q1 is when we feel comfortable.

Ted Ohashi:

Okay. So, four months or so, four-and-a-half months, something like that?

David Weinmann:

Correct.

Ted Ohashi:



Okay. Now, the \$8 million to complete the glasshouse, is that what we're talking about? It wasn't quite clear to me what that \$8 million figure was.

Dr. Anthony Holler:

Yes, that's Sunniva's contribution to the completion of the glasshouse. There's approximately \$20 million to complete, and when we say "complete," that's to get it operational. Remember, that excludes the boilers and the—or sorry, the chillers and the backup power, but about \$20 million, and that's been allocated between Barker and ourselves.

Ted Ohashi:

Okay, and then you're delaying the completion of the dispensary area and all of that?

Dr. Anthony Holler:

Yes, we are, into the second phase, that's right.

Ted Ohashi:

Okay. What specifically is being delayed there, or deferred?

Dr. Anthony Holler:

Well, you know, it's just that we want to focus all our efforts on getting the facility into production. The dispensary isn't, at this point, an important part of that facility, so we really want to focus every dollar on getting the facility up and running, and growing plants.

Ted Ohashi:

Okay. Tony, I guess what it's coming down to, from the market's point of view, is your ability to commit enough time to this project to get it done. I know that you're doing other things in your business life. I mean, what is your commitment here?

Dr. Anthony Holler:

It's a total commitment. With Kevin leaving, obviously, I have to put—I'm actually putting more than 100% of my time in, in a day, because, obviously, I have to.

Ted Ohashi:



Okay, and you're going to ...

Dr. Anthony Holler:

I'm totally committed to this, and people who know me, know when I say that, I mean it. I'm not a guy who quits, I am not a guy who taps out, I want to see this completed, and as you know, I have significant financial resources involved in this Company, and significant time I've put into developing this Company. It's not that I'd be willing to give up, I am not a quitter. I want to be very clear about that.

Ted Ohashi:

Okay, thank you. Those are my questions.

Dr. Anthony Holler:

Thanks, Ted.

Operator:

Our next question comes from Brad Conacher with GMP Securities. Please go ahead.

Brad Conacher:

Hey, Tony, hi.

Dr. Anthony Holler:

Hi, Brad.

Brad Conacher:

Could you give us some understanding of your level of confidence on OK Falls closing? It seems to have been dragging out, and I'm sure you're as frustrated as everybody else with dealing with it, but just a little bit of colour as to why you're so confident that it actually will close.

Dr. Anthony Holler:

Well, I think the first thing is that the Company has put almost \$2 million as a non-refundable deposit, and normally people don't throw \$2 million around, first of all. Secondly, we have been discussing with their lenders this deal, and there's a commitment from the lenders that they're going forward with this transaction. I think there is a reality in the cannabis industry right now, where everybody is being a bit



cautious, whether it's lenders or anything else, but I certainly feel confident that they're going to close. Everything that I've heard suggests they're closing.

Brad Conacher:

Okay. Another question. Michael Barker was on the Board. He retains a significant shareholding in the Company, does he not?

Dr. Anthony Holler:

He does.

Brad Conacher:

Yes. Do you have any idea what the size of that is?

Dr. Anthony Holler:

Not off the top of my head, but he's a significant shareholder. I think if you look at the last Insider Trading Reports, you'll see that he's a very significant shareholder.

Brad Conacher:

Okay. Finally, the plan going forward, options for sort of financing the final—we're basically on the five-yard line here, ready to—you know, with this project. What are the options going forward for getting it completed? How much can you elaborate on those?

Dr. Anthony Holler:

Well, I can't elaborate a lot on those because we're working on some of those, but I think the reality is that this project has to be refinanced, and that's what I'm working on right now.

Brad Conacher:

Have you got interested parties, or are you having to beat the bushes? I mean, how sort of receptive is the market, as early as this may be?

Dr. Anthony Holler:

We have parties that have expressed interest, but it's still early stage.

**Brad Conacher:**

Okay. All right, thanks, Tony.

Operator:

Our next question comes from Bill Papanastasiou with Canaccord Genuity Corp. Please go ahead.

Bill Papanastasiou:

Hi, guys. Thanks for taking my call.

Dr. Anthony Holler:

Hey, Bill.

Bill Papanastasiou:

Hi. Just a follow-up on a previous question in regards to the departure of Senior Management at Sunniva. I understand you won't comment on kind of past history and why they've left, but on a forward-looking basis, has the Company devised a strategy to retain future—the newly appointed management members? Hoping you can discuss a bit more on that. Thanks.

Dr. Anthony Holler:

Yes. Obviously, our middle management group who reported to Kevin and Dave Lyle, I had a meeting with them last week, after Kevin's departure, and to a person they're committed to the Company. Obviously, we're going to take good care of those people because of their loyalty and commitment and dedication to seeing this project through. It was very encouraging to see that even though two top management personnel left, the people who were actually doing all the work felt confident to stay and work through this. I mean, that's very heartening and, obviously, I very much appreciate that. Obviously, you never like to see someone leave, but then to have the people who do all the work really support the Company, I mean, I'm very encouraged by that.

Bill Papanastasiou:

Okay, great, thanks. That's all the questions I have.

Dr. Anthony Holler:

Thank you.

**Operator:**

Our next question comes from Shadd Dales with The Dales Report. Please go ahead.

Shadd Dales:

Hi, guys. How are you today?

Dr. Anthony Holler:

Good, thank you.

Shadd Dales:

Good. Just from a pure, like, PR media standpoint—you know, obviously, I've been a following of shareholders and their responses online and there's obviously a lot of people that are scared right now. There's been two press releases in the month of November that basically have described two executives leaving on personal reasons, and obviously, with the announcement that came out last night, there's a lot of shareholders that are worried that you're going to run out of money, and this thing is going to be done within a month or two. So, if you're sitting down with a lot of those people right now, I know the question was asked before, but how confident are you of these deals closing, this operation is being completed, and moving ahead with what you're stating is a thriving company in the next six months to a year?

Dr. Anthony Holler:

Well, I'd answer the question this way. It's very clear that the most important step going forward is the closing of OK Falls because it deals with some of our promissory note holders, a little bit of debt and the first mortgage, and then gives us a nice, you know, handful of cash, about \$5 million. So, that's critically important. I think that's, obviously, number one. Obviously, that cash, we can deploy directly to the glasshouse, to work to get that finished. In terms of my view on what has to happen next, the facility itself has to be refinanced, and so I think that's critical, to get it completed and operational. That's a big focus of mine right now. If we can accomplish those two things, then I think we've got a great runway ahead. That's how I'd answer it. None of those things are easy, as you know, but just because they're not easy doesn't mean you don't work day and night on them.

Shadd Dales:



Yes, I get that. I think a lot of the thing is right now, that if these deals close, then, obviously, a lot of shareholders are going to feel a lot more confident, secure, and feel like there's a longevity plan that's actually going to be executed, which—I know there's only so much that you can emphasize on, but, again, the question goes to back to how confident do you feel that these deals will end up being closed.

Dr. Anthony Holler:

Well, as I said, I'm confident the OK Falls deal will close. I've been working with these people for a few months now and, although there have been delays, I am confident that this deal will close.

Shadd Dales:

Okay. That's it for me, thanks.

Dr. Anthony Holler:

Thank you.

Operator:

Our next question comes from Ted Ohashi with Let's Take Business Newsletter. Please go ahead.

Ted Ohashi:

Hi, Tony. I just wanted to piggyback off of an answer that you gave. The refinancing of the glasshouse, what are the kinds of things that you're talking about? I mean, are you talking about bringing in a partner, are you talking about doing one single, large financing? What sorts of things are we considering here?

Dr. Anthony Holler:

We're considering everything, Ted, okay? We're considering everything.

Ted Ohashi:

Okay, but can you narrow that down a bit?

Dr. Anthony Holler:



Well, you know, we have to consider everything. We are having discussions with potential senior partners, we are having discussions with financiers. I can't narrow that down any further, but to say that we have to look at all these potential possibilities.

Ted Ohashi:

Okay, and would you refer to that as sort of a Plan B to Okanagan Falls not closing, or is this something totally separate from that?

Dr. Anthony Holler:

This is totally separate. As I said, Ted, I am confident that OK Falls will close, and so for me, OK Falls closing is number one, because then we can start injecting cash into the glasshouse. Number two is refinancing that whole facility, so that we can get operational.

Ted Ohashi:

Okay, and finally, again, as part of your answer, you're not injecting capital into the glasshouse right now. I mean, what has to happen for you to start that up again?

Dr. Anthony Holler:

Well, obviously, for us, we have some commitments to inject capital into the glasshouse, so I wouldn't say that we're not injecting cash into the project. I would say that currently we're not, but that could change very quickly once we have the financing or get the monies from OK Falls.

Ted Ohashi:

Okay. So, it's not related to the Barker lawsuit—or the Barker legal action?

Dr. Anthony Holler:

Well, you know, they're all related, but still, remember, our focus is finding a solution whereby this facility gets finished.

Ted Ohashi:

I would presume that's Barker's objective, as well.

Dr. Anthony Holler:



Absolutely.

Ted Ohashi:

I mean, they must have a lot riding on this.

Dr. Anthony Holler:

As you can imagine, even if you're 85% complete, there's a lot of work to be done, and a lot of expertise in finishing that facility, and a lot of that expertise lies with us, and so I think it's in everyone's interest to figure this out.

Ted Ohashi:

Okay. Thank you.

Dr. Anthony Holler:

Thanks, Ted.

Operator:

Our next question comes from Fred McCutcheon with Canaccord Genuity. Please go ahead.

Fred McCutcheon:

Hi, Tony.

Dr. Anthony Holler:

Good morning, Fred.

Fred McCutcheon:

Hi. I just want to follow up on some points that have been briefly addressed with regard to the construction of the glasshouse. Just to clarify, I know you're not deploying more capital at the moment to the glasshouse, but does work continue at a slower pace, and is that Barker's workers that are doing that work?

Dr. Anthony Holler:



Well, there are workers on site right now, and you're right, it is at a slower pace, but there are workers on site. I just got back from Cathedral City.

Fred McCutcheon:

As I understand it, Colliers is managing that process, but...

Dr. Anthony Holler:

They are.

Fred McCutcheon:

...but are Barker's people the actual people conducting the work?

Dr. Anthony Holler:

Well, the contractors. They're not actually Barker's people, they're contractors.

Fred McCutcheon:

Right, okay. Let me rephrase that. Is Barker involved in that process underneath Colliers?

Dr. Anthony Holler:

Absolutely. Sunniva, Barker, and Colliers are working together, although Colliers oversees the management of the construction project.

Fred McCutcheon:

Okay. So, things are still moving along, just not at the same pace.

Dr. Anthony Holler:

Slowly, exactly.

Fred McCutcheon:

Okay, and then that can change rapidly when you get some capital and/or settle with Barker.

Dr. Anthony Holler:

Absolutely.



Fred McCutcheon:

Is it fair to describe the issue with Barker as a not uncommon client/builder dispute?

Dr. Anthony Holler:

It's complex. I don't want to describe it.

Fred McCutcheon:

Okay. I mean, these things happen, but...

Dr. Anthony Holler:

Yes, in big projects like this, these sorts of things happen, you're right.

Fred McCutcheon:

But your interests are aligned, so hopefully you can come to some sort of meeting of the minds.

Dr. Anthony Holler:

Yes. The value of this project is when it's completed. A partially finished project, as you know, is de-valued. So, if we can complete this project, all interested parties are going to be happy, because they're going to get their money out of it, and they're going to get a return.

Fred McCutcheon:

Okay, great. Thank you.

Dr. Anthony Holler:

Thanks, Fred.

Operator:

This concludes the question-and-answer session. I would now like to turn the conference back over to Dr. Anthony Holler for any closing remarks.

Dr. Anthony Holler:

Thank you. I would like to conclude by stating that I share your frustration and disappointment. I would add that I will do everything humanly possible to find solutions to our issues and work tirelessly in the



best interests of the shareholders. As always, I would like to acknowledge the hard work, commitment, and dedication of the Sunniva team towards achieving our goals.

Thank you to everyone who joined our call today and for your continued interest and support of Sunniva. Thank you.

Operator:

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.