Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC.
(each an **"Applicant"** and collectively, the **"Applicants")**

REPORT OF THE PROPOSED MONITOR
DATED OCTOBER 20, 2022

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that the Applicants have brought an application (the "**CCAA Application**") before this Court returnable on October 20, 2022, seeking an initial order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs. The Applicants propose that EY be appointed as Monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**").

2. This report (the "**Pre-Filing Report**") has been prepared by the Proposed Monitor prior to its appointment as Monitor, should this Court grant the Proposed Initial Order, to provide information to this Court for its consideration in respect of the Applicants' CCAA Application.

PURPOSE

3. The purpose of this Pre-Filing Report is to provide information to the Court on:

   a. EY's qualifications to act as Monitor;

b. an overview of the Applicants and their business operations;

c. background on the circumstances leading to the Applicants' decision to commence CCAA proceedings;

d. an overview of the Applicants' 13-week cash flow forecast on a consolidated basis for all the Applicants (the "**Cash Flow Forecast**") and the Proposed Monitor's comments regarding the reasonableness thereof; and

e. the relief sought in the Proposed Initial Order.

TERMS OF REFERENCE

4. In preparing this Pre-Filing Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, audited and unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**"). Except as described in this Pre-Filing Report in respect of the Cash Flow Forecast:

   a. the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

   b. some of the information referred to in this Pre-Filing Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

5. Future oriented financial information referred to in this Pre-Filing Report was prepared based on Management's 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.

6. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this Pre-Filing Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.

7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

EY'S QUALIFICATION TO ACT AS MONITOR

8. EY is a licensed insolvency trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (Canada). EY is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.

9. As discussed in further detail later in this Pre-Filing Report, EY already has a detailed understanding of the Applicants' operations and cash flow, and will be in a position to efficiently and seamlessly perform its responsibilities as Monitor, if appointed.

10. The Proposed Monitor has retained Thornton Grout Finnigan LLP to act as its independent counsel.

OVERVIEW OF THE APPLICANTS

Overview

11. This Pre-Filing Report should be read in conjunction with the Affidavit of Darren Karasiuk sworn October 20, 2022 (the "**Karasiuk Affidavit**") for additional background and financial information with respect to the Applicants. Any terms not expressly defined herein are otherwise defined in the Karasiuk Affidavit.

12. The Flowr Corporation ("**Flowr**"), a public entity listed on the TSX Venture Exchange under the ticker symbol "FLWR", was incorporated under the *Business Corporations Act* (Alberta) on June 1, 2016 and continued under the *Business Corporations Act* (Ontario) on September

25, 2018. Flowr had 433,490,072 common shares issued and outstanding as at August 15, 2022.

13. Flowr, along with its wholly and indirectly owned subsidiaries (collectively, the "**Flowr Group**"), are headquartered in Toronto, Ontario at 60 Adelaide Street East, Suite 1000. The senior management team of the Flowr Group are located in Ontario.

14. The principal business activities of the Flowr Group are the cultivation, processing, distribution, and sale of packaged dried cannabis flower, pre-roll and other cannabis products through its leased premises located in Kelowna, British Columbia.

15. Flowr is a holding company. The Flowr Group's operations are conducted substantially through Flowr's indirect subsidiary, The Flowr Group (Okanagan) Inc. ("**Flowr Okanagan**"), which is the main operating entity that holds the necessary licenses and certifications to operate and leases a cultivation facility (the "**K1 Facility**") in Kelowna, British Columbia as further described below.

16. There are four Applicants in these proposed CCAA proceedings. In addition to Flowr and Flowr Okanagan, the other two Applicants are Flowr Canada Holdings ULC ("**Flowr Holdings**") and Terrace Global Inc. ("**Terrace**"). A summary of these entities is as follows:

   a. Flowr Holdings is a holding company and is a majority-owned subsidiary (76.6%) of Flowr that was incorporated under the laws of British Columbia. Core Flow Canada Holdings Inc. owns the remaining 24.4% of Flowr Holdings; and

   b. Terrace is a wholly owned subsidiary of Flowr that was incorporated under the laws of the Province of Ontario. Terrace is a shell corporation with minimal assets or liabilities.

17. The Karasiuk Affidavit describes other entities in the Flowr Group that are not included in these CCAA proceedings due to inactive operations and/or minimal assets and liabilities. A copy of the Flowr Group's organizational chart set forth in Exhibit "B" of the Karasiuk Affidavit is appended hereto as **Appendix "A".**

Business and Operations

18. As described in detail in the Karasiuk Affidavit, the K1 Facility is an 85,000 square foot indoor cultivation facility designed to meet the International Council for Harmonisation's good manufacturing practices standards. The K1 Facility has a total of 20 separate and distinct grow rooms, a purpose-built irrigation system, and an automated packaging line that was commissioned in 2020.

19. The Flowr Group markets and sells its cannabis products through the following channels:

    a. authorized distributors and retailers through provincial agencies in British Columbia, Alberta, Ontario and Quebec under supply agreements. The adult-use recreational products are sold under the Applicants' principal brand, "Flowr";

    b. wholesale to other cannabis licence holders across Canada; and

    c. two international supply agreements, one for the EU markets and the other for the Israeli market.

20. The Applicants currently have 83 active employees and 4 contract employees.

Licensing

21. The Flowr Group, through Flowr Okanagan, holds licences issued under the *Cannabis Act,* S.C. 2018, c. 16 and the related *Cannabis Regulations*, SOR/2018-144 (collectively, the "**Cannabis Licence**"), along with a research license that was granted to it by Health Canada, which collectively permit the following activities:

    a. the cultivation and processing of cannabis products;

    b. the sale of cannabis products to the Canadian medical market and the adult-use recreational market; and

c. administering its cannabis for research purposes and to test and review its products based on taste, sight, smell and touch.

22. The current Cannabis Licence is effective as of August 10, 2022 and expires on December 1, 2023.

23. Flowr Okanagan also holds a licence issued by Canada Revenue Agency under the excise duty framework in order to produce or package cannabis products.

Funded Debt Obligations

24. As described in the Karasiuk Affidavit, in 2022, Flowr repaid much of its previous loan indebtedness using proceeds from the sale of surplus and underperforming assets. As at June 30, 2022, Flowr had $4.966 million remaining in principal amount of convertible debentures (the "**Debentures**") outstanding under a Subordinated Convertible Debenture Agreement dated April 27, 2020 between Flowr and Computershare Trust Company of Canada, as indenture trustee (the "**Indenture Trustee**"). The Debentures bear interest at 10% per annum, calculated semi-annually in arrears on June 30 and December 31 of each year, with the last interest payment to be paid on the fourth anniversary of April 27, 2024.

25. The Proposed Monitor understands that the Applicants have provided the Indenture Trustee with notice prior to bringing their CCAA Application. The Indenture Trustee will be included on the Service List in connection with these CCAA proceedings moving forward and, as such, will be provided with motion materials in connection with the Comeback Motion (as defined below).

Akanda Shares

26. As discussed in the Karasiuk Affidavit, as part of the consideration of the sale of the shares of Holigen Limited by its parent Holigen Holdings Limited ("**Holigen**"), who in turn is a subsidiary of Flowr, to Akanda and Cannahealth on April 29, 2022, Holigen received 1,900,000 shares of Akanda subject to certain hold restrictions (the "**Akanda Shares**").

27. The Akanda Shares were subsequently sold to an arm's length third party purchaser (the "**Purchaser**") pursuant to a Share Purchase Agreement dated September 29, 2022 for cash

consideration of approximately US$692,600. The purchase price was received by Flowr and the Akanda Share Transaction closed on or about October 1, 2022, however, the Akanda Shares have not been yet transferred to the Purchaser by Flowr as the parties are addressing the transfer terms to ensure the hold restrictions are maintained.

28. The Applicants have requested, and the Proposed Monitor has agreed, to hold the Akanda Shares in trust during the pendency of the proposed CCAA proceedings until the Akanda Shares can be delivered to the Purchaser in accordance with their terms and the Proposed Initial Order.

CIRCUMSTANCES LEADING TO THE APPLICANTS' CCAA FILING

29. As detailed in the Karasiuk Affidavit, the Flowr Group incurred significant operating losses in 2021 and the first six months of 2022 due to a mix of unfavourable factors, including over-supply in the market of cannabis products, price compression and the impact of the illicit market. The Flowr Group's operating cash burn amounted to approximately $26.5 million during this 18-month period according to its consolidated audited financial statements for 2021 and unaudited financial statements for the six-month period ending June 30, 2022. In the quarter ending June 30, 2022 alone, the Flowr Group incurred $2.1 million of operating cash outflow.

30. It is the Proposed Monitor's understanding that many other licensed producers of cannabis in Canada face similar pressures due to the unfavourable operating environment that has challenged the cannabis industry.

31. To address financial challenges, management have taken significant measures, including cost cutting and selling surplus or non-performing assets, in order to repay indebtedness and increase the Flowr Group's liquidity. However, these efforts were insufficient to address the liquidity challenges facing the Applicants. Without further capital injection, the Applicants expect that their liquidity will be fully depleted in the immediate future.

32. Pursuant to the Proposed Initial Order, the Applicants are seeking a stay of proceedings up to and including October 30, 2022 (the "**Stay Period**"), which they will seek to extend in a

proposed Amended and Restated Initial Order (the "**ARIO**") at their comeback motion, to be heard on or before October 28, 2022 (the "**Comeback Motion**").

33. As will be discussed in a further report to the Court, the Applicants intend to pursue a sale and investment solicitation process (the "**SISP**") in the proposed CCAA proceeding, with a view toward either: (i) selling the Flowr Group's business and property as a going concern; or (ii) securing sufficient investment financing to restructure the business, in order to maximize stakeholders' recoveries. The Applicants intend to seek approval of the SISP in the ARIO at the Comeback Motion.

34. The proposed CCAA proceedings will allow the Applicants to maintain their business operations, preserve supplier relationships and jobs for their employees, while pursuing the SISP for the benefit of all stakeholders.

OVERVIEW OF APPLICANTS' THIRTEEN-WEEK CASH FLOW PROJECTION

35. The Applicants, with the assistance of the Proposed Monitor, have prepared a Cash Flow Forecast for the 13-week period from October 17, 2022 to the week ending January 15, 2023 (the "**Cash Flow Period**") for the purpose of projecting the Applicants' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Pre-Filing Report.

36. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the Applicants' projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") set out in the notes to the Cash Flow Forecast.

37. The Proposed Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

a. the Assumptions are not consistent with the purpose of the Cash Flow Forecast;

b. as at the date of this Pre-Filing Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or

c. the Cash Flow Forecast does not reflect the Assumptions.

38. The Applicants maintain bank accounts with ATB Financial and Corpay for their operations. Currently, the Applicants have no bank credit or overdraft facilities. In addition, Flowr Holdings has dormant accounts with Olympia Trust Company which it expects to close during these CCAA proceedings.

39. The Cash Flow Forecast shows that during the Cash Flow Period, the Applicants project estimated total combined receipts of approximately $3.5 million and project estimated total combined disbursements of approximately $6.0 million. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity during the first 13 weeks of the CCAA proceedings, subject to Court approval of the interim financing agreement dated October 20, 2022 between 1000343100 Ontario Inc. (the "**DIP Lender**") and the Applicants (the "**DIP Commitment Letter**"), and the related DIP Charge (as defined and discussed later herein) in favour of the DIP Lender.

40. The Proposed Initial Order limits the initial advance under the DIP Commitment Letter to $500,000, to be secured by the DIP Charge (plus interest, fees and expenses). However, the Applicants will seek to increase the authorized borrowing limit under the DIP Commitment Letter and secured by the DIP Charge to $2,000,000 under the proposed ARIO at the Comeback Motion.

RELIEF SOUGHT IN THE PROPOSED INITIAL ORDER

41. The Proposed Initial Order provides for three super-priority charges (collectively, the "**Charges**") on the current and future assets, undertakings and properties of the Applicants, wherever located, including all proceeds thereof that rank in the following order (each as defined below):

a. first, the Administration Charge;

b. second, the DIP Charge; and

c. third, the Directors' Charge.

42. Each of the Charges are discussed below.

Administration Charge

43. The Proposed Initial Order provides for a charge up to a maximum amount of $350,000 (the "**Administration Charge**") in favour of counsel to the Applicants, counsel to the board, if any, the Proposed Monitor and the Proposed Monitor's independent counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by, among other things, the DIP Facility (as defined below).

44. At the Comeback Motion, the Applicants will seek to increase the Administration Charge to $500,000 under the proposed ARIO.

45. The Proposed Monitor is of the view that given the current liquidity constraints of the Applicants, the proposed Administration Charge and quantum is required and reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

DIP Facility and related DIP Charge

46. In order to provide the required liquidity needed to fund the operations of the Flowr Group during the CCAA proceedings, the Applicants are seeking the approval of the DIP Commitment Letter, pursuant to which the DIP Lender has agreed to provide the DIP financing ("**DIP Facility**") required in the Cash Flow Forecast, subject to the terms of the DIP Commitment Letter. In addition to the approval of the DIP Commitment Letter, the Proposed Initial Order also provides for the creation of a related charge (the "**DIP Charge**") in favour of the DIP Lender to secure all obligations that may be owing to the DIP Lender under the DIP Commitment Lender within the first 10-day period of the CCAA proceedings. The DIP Charge is in an amount equal to the maximum allowable borrowing amount as

proposed in Proposed Initial Order, plus potential accruing interest, fees and expenses. As mentioned above, at the Comeback Motion, the Applicants will seek to increase the borrowing limit under the DIP Facility to $2,000,000 under the proposed ARIO, along with an increase to the associated DIP Charge.

47. The DIP Charge will be secured by present and future real and personal, tangible and intangible property and assets and undertakings in favour of the DIP Lender in priority to all security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise. A copy of the DIP Commitment Letter is attached as Exhibit "T" to the Karasiuk Affidavit.

48. The following is a summary of the material terms of the DIP Commitment Letter:

a. the DIP Facility is a non-revolving credit facility in the aggregate principal amount of $2,000,000 to be funded in multiple advances:

    i. the first advance of $500,000, shall be provided promptly upon the issuance of the Proposed Initial Order, if granted; and

    ii. monthly draws of the remaining balance of the DIP Facility, being $1,500,000 following the issuance of the ARIO, if granted;

b. the proceeds of the DIP Facility are to be used for: (i) ordinary course working capital and other general corporate purposes of the Applicants in accordance with, and subject to the limitations set forth in, the Cash Flow Forecast, the Proposed Initial Order or any other order of the Court in these CCAA proceedings; and (ii) paying the fees and expenses incurred in connection with the CCAA proceedings;

c. the DIP Facility matures on the earliest of (i) March 31, 2023, (ii) the closing of a transaction in respect of the Applicants as a result of the proposed SISP, (iii) the implementation of a plan of compromise or arrangement in these proposed CCAA proceedings, (iv) the termination of the CCAA proceedings, and (v) the occurrence of an Event of Default as defined in the DIP Commitment Letter, subject to any applicable cure period;

d. interest shall be compounded daily and payable on Maturity Date, at a rate of prime plus 12% per annum;

e. a commitment fee of $40,000 (representing 2% of the total amount available under the DIP Facility) (the "**Fee**") shall be fully earned upon execution of the DIP Commitment Letter, but not paid until the Maturity Date;

f. recoverable expenses incurred by the DIP Lender in connection with the DIP Commitment Letter or administration of the DIP Facility (the "**Expenses**") will be added to the DIP Facility and interest will accrue thereon; and

g. repayment of any amounts owing will be at the discretion of the Applicants, and will be applied as follows:

    i. first, to any accrued and unpaid interest;

    ii. second, to Fees and Expenses (as that term is defined in DIP Commitment Letter); and

    iii. third, to any outstanding principal.

49. The DIP Commitment Letter provides that the DIP Lender shall have the exclusive option, without obligation, to act as a stalking horse bidder in the SISP. This exclusivity period will end at the earlier of (i) the date on which the Lender notifies in writing that it does not intend to enter into a Purchase Agreement; and (ii) ten (10) days after the date of the DIP Commitment Letter.

50. In light of the current market environment, the state of the cannabis industry in Canada, the nature of the Applicants' assets, and the financial challenges facing the Flowr Group, the Applicants believe that the terms being offered in the DIP Commitment Letter, including the interest rate and Fee, are reasonable in the circumstances. The Proposed Monitor is in concurrence of this view.

51. As described in the Cash Flow Forecast, the Applicants have a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicants are projected to exhaust their liquidity in the first 10-day period and will thus be unable to maintain their

operations and effect a restructuring. Accordingly, the Proposed Monitor is of the view that the Applicants' request for approval of the DIP Commitment Letter and the DIP Charge is required and reasonable in the circumstances prior to the Comeback Motion.

Directors' Charge

52. The Proposed Initial Order provides for a charge in an amount not to exceed $600,000 (the "**Directors' Charge**") to secure an indemnity in favour of the current director and officers of the Applicants against obligations and liabilities that they may incur as director or officers of the Applicants after the commencement of these CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct. The Applicants, at the Comeback Motion, will seek to increase the Directors' Charge to $800,000 under the proposed ARIO.

53. The directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, to the extent such coverage is insufficient to pay an indemnified amount as described above, or to the extent that such coverage is denied by the insurance provider.

54. The Proposed Monitor assisted the Applicants in the calculation of the Directors' Charge, taking into consideration the estimated payroll-related costs, the timing of such payroll related costs, the estimated vacation accrual, and an estimate of goods and services or other applicable sales taxes ("**Sales Taxes**") and cannabis excise duties ("**Excise Duty**") based on historical run rates. This analysis estimates the directors' and officers' exposure in respect of accrued payroll costs, vacation pay and Sales Taxes and Excise Duty obligations in the first 10-day period and thereafter.

55. The Proposed Monitor is of the view that the Directors' Charge is required and is reasonable under the circumstances.

Securities Filings

56. The Applicants are also seeking relief in the Proposed Initial Order authorizing the decision by Flowr to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing

filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, without in any way restricting the ability of any securities regulator or stock exchange from taking any action permitted under the CCAA. The Proposed Initial Order also orders that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required.

57. The Proposed Monitor understands that this relief is being sought by the Applicants given the time and costs associated with preparing the Securities Filings, which would detract the Applicants from focusing on a successful restructuring. Further, detailed financial information will continue to be made publicly available through the materials filed in the CCAA proceedings.

58. The Monitor is supportive of this relief sought by the Applicants in the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

59. The Proposed Monitor has reviewed the Applicants' CCAA Application materials and has consented to act as the Monitor of the Applicants, should this Court grant the Proposed Initial Order.

60. For the reasons stated herein, the Proposed Monitor believes it is appropriate for the Applicants to be granted protection under the CCAA and respectfully request that the Court grants the Proposed Initial Order.

All of which is respectfully submitted this 20th day of October 2022.

ERNST & YOUNG INC., in its capacity as Proposed Monitor of the Applicants, and not in its corporate or personal capacity.

per: ___________________________________

Alex Morrison, CPA, CA
Senior Vice-President

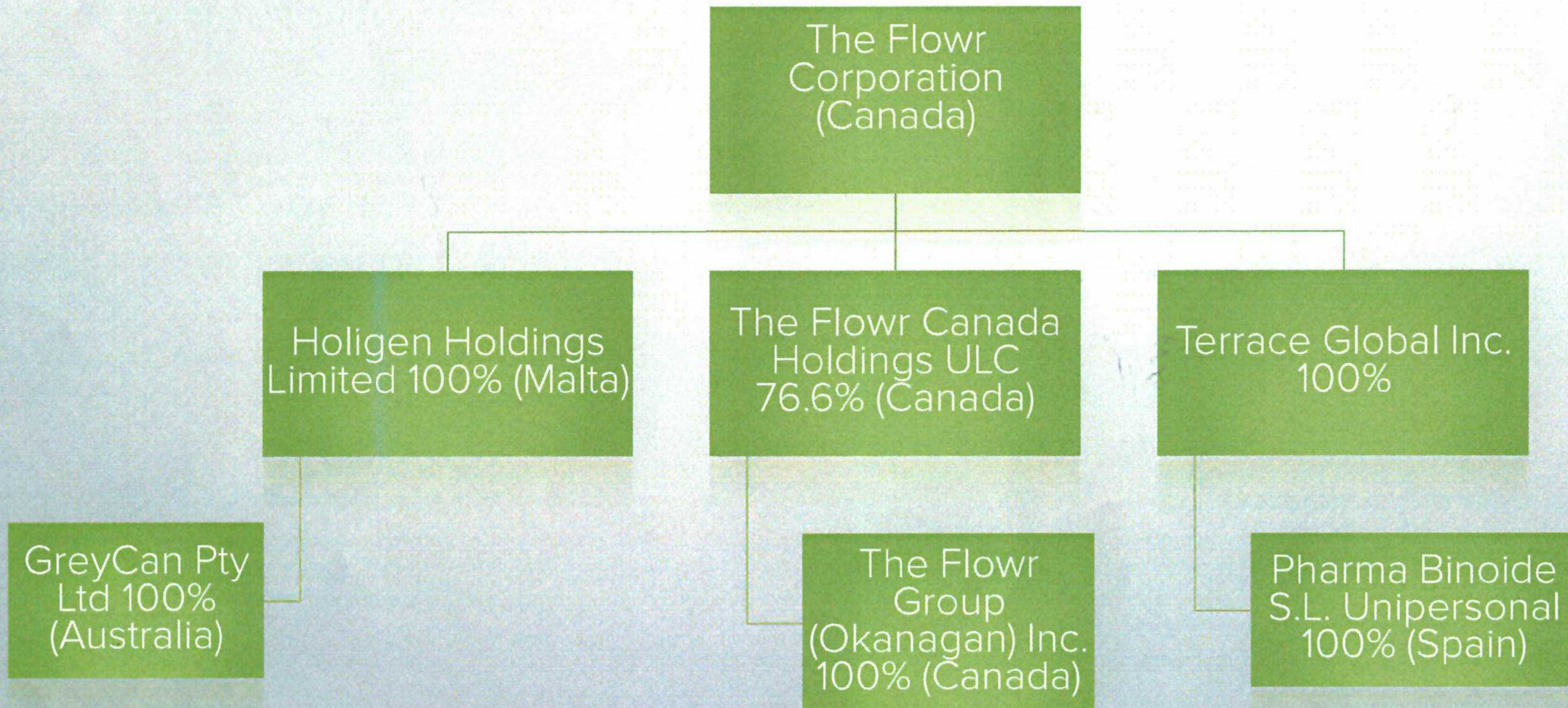
Karen Fung, CPA, CA
Senior Vice-President

Allen Yao, CPA, CA
Vice-President

Appendix “A”

The Flowr Corporation

(as at June 30, 2022)



(i) Flowco Advisory LP (organized in Ontario) and RPK Biocultivation is a dormant, indirect subsidiary of The Flowr Corporation with no assets and is not depicted in this organizational chart.

Appendix “B”

The Flowr Corporation and Certain Affiliated CCAA Filing Entities (collectively, the “Applicants”)
Cash Flow Forecast for the Period October 17, 2022 to January 15, 2023
$CDN in Thousands

Week		1	2	3	4	5	6	7	8	9	10	11	12	13	
Ending	Notes	**23-Oct-2022**	**30-Oct-2022**	**6-Nov-2022**	**13-Nov-2022**	**20-Nov-2022**	**27-Nov-2022**	**4-Dec-2022**	**11-Dec-2022**	**18-Dec-2022**	**25-Dec-2022**	**1-Jan-2023**	**8-Jan-2023**	**15-Jan-2023**	**Total**
Receipts															
Sales collections	2	$ 50	$ 250	$ 350	$ 250	$ 300	$ 350	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 250	$ 3,300
Other receipts	3	-	-	-	-	-	210	-	-	-	-	-	-	-	210
Total Receipts		**50**	**250**	**350**	**250**	**300**	**560**	**250**	**250**	**250**	**250**	**250**	**250**	**250**	**3,510**
Disbursements															
Payroll and Benefits	4	-	(238)	(10)	(238)	-	(71)	(178)	(71)	(168)	(71)	(178)	(71)	(168)	(1,460)
Operating Expenses	5	(111)	(40)	(296)	(15)	(128)	(40)	(296)	(15)	(128)	(40)	(296)	(15)	(128)	(1,549)
Other SG&A and Taxes	6	(328)	(200)	(177)	(42)	(37)	-	(177)	(78)	(21)	(14)	(555)	(207)	(21)	(1,858)
Restructuring Costs	7	(180)	(226)	(96)	(102)	(102)	(11)	(107)	(68)	(73)	(11)	(68)	(57)	-	(1,101)
Total Disbursements		**(619)**	**(704)**	**(579)**	**(397)**	**(267)**	**(122)**	**(758)**	**(232)**	**(390)**	**(136)**	**(1,097)**	**(350)**	**(317)**	**(5,968)**
Net cash receipts/(disbursements)		**$ (569)**	**$ (454)**	**$ (229)**	**$ (147)**	**$ 33**	**$ 438**	**$ (508)**	**$ 18**	**$ (140)**	**$ 114**	**$ (847)**	**$ (100)**	**$ (67)**	**$ (2,458)**
Cash Balance															
Beginning Balance	1	$ 795	$ 726	$ 271	$ 542	$ 395	$ 428	$ 866	$ 858	$ 876	$ 736	$ 850	$ 503	$ 403	$ 795
Net Cash Receipts/(Disbursements)		(569)	(454)	(229)	(147)	33	438	(508)	18	(140)	114	(847)	(100)	(67)	(2,458)
DIP Draws/(Repayments)		500	-	500	-	-	-	500	-	-	-	500	-	-	2,000
Ending Cash Balance		**$ 726**	**$ 271**	**$ 542**	**$ 395**	**$ 428**	**$ 866**	**$ 858**	**$ 876**	**$ 736**	**$ 850**	**$ 503**	**$ 403**	**$ 337**	**$ 337**
DIP Facility															
Opening Balance		$ -	$ 500	$ 500	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 2,000	$ 2,000	$ -
DIP Draws/(Repayments)	8	500	-	500	-	-	-	500	-	-	-	500	-	-	2,000
Closing Balance		**$ 500**	**$ 500**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,500**	**$ 1,500**	**$ 1,500**	**$ 1,500**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**

In the Matter of the CCAA of The Flowr Corporation, The Flowr Canada Holdings ULC, The Flowr Group (Okanagan) Inc., and Terrace Global Inc. (collectively, the "Applicants")

Notes to the Unaudited Cash Flow Forecast of the Applicants

Disclaimer:

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), the Applicants with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the proposed monitor of the Applicants (the "**Proposed Monitor**") have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional assumptions discussed below with respect to the requirements and impact of a *Companies' Creditors Arrangement Act* ("**CCAA**") filing (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**"). Since the Cash Flow Forecast is based on Assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the Assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court appointed Monitor pursuant to section 23(1)(b) of the CCAA, which requires a Monitor to review the debtor's cash flow statements as to its reasonableness and to file a report with the Court on the Monitor's findings.

Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of the Applicants and other employees of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on the Proposed Monitor's review, nothing has come to the Proposed Monitor's attention that causes the Proposed Monitor to believe, in any material respect, that:

(a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;
(b) As at the date of this report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or
(c) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Cash Flow Forecast period. The Applicants, with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the proposed monitor of the Applicants (the "**Proposed Monitor**" and if appointed, the "**Monitor**"), have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the ongoing operations and the CCAA proceedings

The Cash Flow Forecast assumes that the Applicants obtains relief under the CCAA in the week beginning October 17, 2022.

The Cash Flow Forecast does not reflect the impact of a potential sale transaction in respect of the Applicants.

Assumptions:

1. **Opening Balance**
   Represents the anticipated opening cash balance at the commencement of the CCAA proceedings.

2. **Sales Receipts**
   The Applicants sell primarily dry cannabis flower products to authorized distributors and retailers through provincial agencies and to other licence holders. Receipts from the Applicants' sales are based on forecast collections from opening accounts receivable and projected sales during the forecast period.

3. **Other Receipts**
   The Applicants anticipate certain property insurance refunds and HST refunds in the forecast period; however, the timing and quantum of these refunds are uncertain.

4. **Payroll and Benefits**
   Payroll and benefits for salaried and hourly employees are forecast based on historical run rates and anticipated staffing levels. Salaried employees receive semi-monthly pay, while hourly employees get paid bi-weekly. The Applicants fund the payroll through a third-party service provider.

   The Applicants intend to seek Court approval of a charge in respect of key employee retention payments based upon achieving certain milestones. The Cash Flow Forecast does not reflect these payments in the forecast period.

5. **Operating Expenses**
   These disbursements include vendor payments, leases and utilities in connection with the production and sale of cannabis products based on expected production.

6. **Other Selling, General & Administrative Expense and Taxes ("Other SG&A")**
   This includes primarily insurance payments, consulting fees, HST and Excise duty payables, and other general and administrative costs that are not included in the Operating Expenses.

7. **Restructuring Costs**
   Restructuring costs include primarily professional fee payments and expenses to the Applicants' legal counsel, the Proposed Monitor and its counsel in connection with the Applicants' restructuring proceedings.

8. **Debt in Possession Facility ("DIP") Draws and Repayments**
   Reflects projected draws and repayments under a proposed DIP facility, subject to court approval.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.C-36 AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

REPORT OF THE PROPOSED MONITOR
October 20, 2022

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