Court File No. CV-22-00688966-00CL

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"**)

THIRD REPORT OF THE MONITOR
DATED DECEMBER 13, 2022

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AND IN THE MATTR 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"**)

THIRD REPORT OF THE MONITOR
DATED DECEMBER 13, 2022

INTRODUCTION

1. On October 20, 2022, the Applicants brought an application before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs.

2. On October 20, 2022, the Court granted an Initial Order, as amended and restated by the Amended and Restated Initial Order granted on October 28, 2022 (as amended and restated, the "**Initial Order**") in these CCAA proceedings (the "**CCAA Proceedings**") that, among other things:

    a. appointed Ernst & Young Inc. as monitor of the Applicants (in such capacity, the "**Monitor**");

    b. ordered a stay of proceedings in favour of the Applicants through to January 13, 2023;

c. granted certain Court-ordered charges, including a charge of $800,000 in favour of certain beneficiaries under a key employee retention plan (the "**KERP**"); and,

d. approved an interim financing facility up to $2 million (the "**DIP Facility**") provided by 1000343100 Ontario Inc. (the "**DIP Lender**").

3. On October 28, 2022, the Court granted an order (the "**SISP Order**"), authorizing the Monitor to conduct a sale and investment solicitation process (the "**SISP**") in respect of the Applicants.

4. On November 3, 2022, the Court granted an order that, among other things, authorized The Flowr Canada Holdings ULC ("**Flowr Holdings**" or the "**Vendor**") and The Flowr Group (Okanagan) Inc. ("**Flowr Okanagan**" or the "**Company**") to enter into a stalking horse purchase agreement dated October 31, 2022 (the "**Stalking Horse Purchase Agreement**") between the Vendor, the Company and 1000343100 Ontario Inc. (in such capacity, the "**Stalking Horse Bidder**"), and approved the Break Fee (as defined in the Stalking Horse Purchase Agreement) in the amount of $185,000.

PURPOSE

5. The purpose of this third report of the Monitor (the "**Third Report**") is to provide information to the Court in respect of:

a. the activities of the Applicants since the first report of the Monitor dated October 27, 2022 (the "**First Report**");

b. the results of the SISP including a summary of the Auction that was held on December 1, 2022;

c. the proposed amended and restated Stalking Horse Purchase Agreement dated December 1, 2022 (the "**Purchase Agreement**") in respect of the share sale transaction (the "**Transaction**") between the Vendor, the Company and Avant Brands K1 Inc. (formerly, the Stalking Horse Bidder) (the "**Purchaser**"), which will vest in the Purchaser, all of the Vendor's right, title and interest in and to the Purchased Shares (as defined below);

d. the Applicants' receipts and disbursements for the period from October 17, 2022 to December 4, 2022 as compared to the cash flow forecast appended as Appendix "C" to the First Report (the "**October Cash Flow Forecast**");

e. the Monitor's recommendations with respect to the Applicants' motion for an order (the "**Approval and Vesting Order**"), among other things:

   i. approving the Purchase Agreement and the Transaction and vesting in the Purchaser the Applicants' right, title and interest in the shares of Flowr Okanagan (the "**Purchased Shares**") as described in the Purchase Agreement, along with any other Transferred Assets, free and clear from any Encumbrances, except for the Permitted Encumbrances;

   ii. vesting absolutely and exclusively in a residual company ("**ResidualCo**"), all Excluded Assets, Excluded Contracts and Excluded Liabilities;

   iii. adding ResidualCo as an Applicant to the CCAA Proceedings;

   iv. approving releases (the "**Releases**") in favour of (1) the current and former directors, officers, employees, legal counsel and advisors of the Flowr Group and ResidualCo, (2) the Monitor and its legal counsel, and (3) the Purchaser and its current and former directors, officers, employees, legal counsel and advisors (collectively, the "**Released Parties**"); and

   v. expanding the Monitor's powers regarding ResidualCo; and

f. the Monitor's recommendation with respect to the Applicants' motion for an order (the "**Ancillary Order**"):

   i. granting an extension of the Stay Period to February 26, 2023; and

   ii. approving the Pre-Filing Report of the Monitor dated October 20, 2022, the First Report, the Second Report (as defined below) and this Third Report, and the conduct and activities of the Monitor described therein.

TERMS OF REFERENCE

6. In preparing this Third Report and making the comments herein, the 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**").

7. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information. Some of the information referred to in this Third 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.

8. Future oriented financial information referred to in this Third 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.

9. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Third Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

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

11. Further information regarding the CCAA Proceedings, including all of the Monitor's reports to the Court previously filed, is available on the Monitor's website at https://ey.com/ca/flowr (the "**Monitor's Website**").

12. Capitalized terms not otherwise defined herein have the meanings attributed to them in the Initial Order, SISP Order and SISP, or Purchase Agreement, as applicable.

BACKGROUND INFORMATION WITH RESPECT TO APPLICANTS

13. Detailed background information in respect of the Applicants was provided in the Monitor's previous reports to the Court, which are available on the Monitor's Website.

14. The Flowr Corporation ("**Flowr**"), a public entity listed on the TSX Venture Exchange under the ticker symbol "FLWR", is a holding company.

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

16. There are four Applicants in these CCAA proceedings. In addition to Flowr and Flowr Okanagan, the other two Applicants are Flowr Holdings and Terrace Global Inc.

APPLICANTS' ACTIVITIES SINCE THE FIRST REPORT

17. Since the issuance of the First Report, the Applicants have continued to maintain their operations in the ordinary course without any significant disruptions. In addition, the Applicants performed the following activities:

    a. with the Monitor's consent, issued notices to disclaim nine contracts, including an office lease at 60 Adelaide Street East, Toronto, and a warehouse sublease in Kelowna, British Columbia;

    b. with the consent of the Monitor and the DIP Lender, disposed of certain redundant assets;

c. with the Monitor's assistance, providing weekly updates to the DIP Lender on actual cash flow as compared to cash flow projections pursuant to the terms of the DIP Facility;

d. supported the Monitor in conducting the SISP by reviewing marketing materials, responding to interested parties' due diligence requests, facilitating site tours, evaluating the bids received in the SISP and undertaking the Auction; and

e. continued to address Canada Revenue Agency's audit requests.

THE SISP

Background

18. The First Report described the SISP in detail, a copy of which was attached as Appendix "A" thereto. For ease of reference, a summary of the key dates of the SISP is set out below.

Milestone	Deadline
Deadline to publish notice of SISP and deliver Teaser Letter and NDA to Known Potential Bidders	November 7, 2022
Bid Deadline	November 25, 2022
Auction Date	December 1, 2022
Hearing of the Sale Approval Motion (as defined below)	No later than December 16, 2022, subject to the availability of the Court

19. As summarized in the Second Report of the Monitor dated November 2, 2022 (the "**Second Report**"), the Monitor, in consultation with the Applicants, developed a list of potential bidders (the "**Known Potential Bidders**").

20. On and around November 1, 2022:

a. the Monitor sent the Teaser Letter and the NDA to all Known Potential Bidders;

b. the Monitor, with assistance of the Applicants, sent out a press release through Global Newswire; and

c. the notice of the SISP (the "**Notice**") was added to the Monitor's Website.

21. Copies of the Teaser Letter, NDA and Notice are attached hereto as **Appendix "A"**.

22. In and around November 1, 2022, the Monitor worked with the Applicants to set up and review documents to be placed within a virtual data room. The documents were arranged within folders for ease of reference and topics and access could be monitored and controlled by the Monitor. Many of these documents were similar to those that were provided during the informal sale process run by the Applicants prior to the CCAA Proceedings, with some additional documents and minor redactions for commercially sensitive information.

23. On November 3, 2022, the Stalking Horse Agreement was approved by the Court with a purchase price of $3,888,888.88 plus the amount of the Closing DIP Loan plus the amount of the Assumed Liabilities, each as defined in the Stalking Horse Agreement (the "**Stalking Horse Bid**"). Pursuant to the terms of the Stalking Horse Purchase Agreement and SISP Order, the Break Fee in the amount of $185,000 would be payable to the Stalking Horse Bidder if the Stalking Horse Purchase Agreement was not selected as the Successful Bid.

24. On November 4, 2022, the Notice was published in The Globe & Mail (National Edition).

Results of SISP

25. The results of the SISP were as follows:

a. a Teaser Letter and NDA were sent to sixty (60) Known Potential Bidders as well as interested parties which came forward to the Monitor as result of the Notice;

b. four (4) Known Potential Bidders executed an NDA and were provided access to a virtual data room to allow for due diligence as a "**Potential Bidder**". In addition, the Stalking Horse Bidder was provided access to the virtual database for additional due diligence;

c. from November 1, 2022 to November 25, 2022:

i. the Applicants' executives attended several meetings with the Potential Bidders and the Stalking Horse Bidder and provided extensive access to the senior teams

in both finance, compliance, operations and facilities management to provide responses and additional documentation to the Potential Bidders and Stalking Horse Bidder. The Monitor participated in most of these meetings (approximately 20 in total) and ensured all shared documents were provided within the virtual data room to be available to all Potential Bidders;

ii. a significant amount of time was spent by the Potential Bidders and the Stalking Horse Bidder in the virtual data room by 36 users among the Potential Bidders, the Stalking Horse Bidder and their advisors; and

iii. out of the four (4) Potential Bidders, two (2) conducted on-site tours of the K1 Facility;

d. on November 21, 2022, the Monitor sent all Potential Bidders a Bid Process Letter. A copy of the Bid Process Letter is attached hereto as **Appendix "B"**;

e. on November 21, 2022, a template share purchase agreement that was based on the Stalking Horse Agreement was placed into the virtual data room;

f. in and around November 21, 2022, two (2) of the Potential Bidders indicated that they would not proceed with a Bid. Both Potential Bidders indicated that these decisions were based on the results of their due diligence and that additional time for further diligence would not impact their decision not to submit a Bid; and

g. one (1) Bid (the "**260 Initial Bid**") was received from 2608241 Ontario Inc. ("**260**") by the Bid Deadline.

Review of the 260 Bid

26. In accordance with the SISP, the Applicants and the Monitor assessed the 260 Initial Bid received by the Bid Deadline to determine if it met the requirements to be a "Qualified Bid" pursuant to the SISP.

27. In determining whether the 260 Initial Bid was a Qualified Bid, the Applicants and the Monitor evaluated the 260 Initial Bid based on, among other things:

a. whether the purchase price and the value provided by such bid was equal to or greater than that contained in the Stalking Horse Bid, and included a cash purchase price in an amount equal to or greater than the Stalking Horse Bid, plus the amount of the Break Fee plus $50,000;

b. the identity, circumstances and ability of 260 to successfully complete a transaction;

c. the proposed transaction documents;

d. factors affecting the speed, certainty and value of the transaction;

e. the assets included and excluded from the bid;

f. any related restructuring costs; and

g. the likelihood and timing of consummating such transaction.

28. In addition, the Monitor and the Applicants considered 260's intent to continue operations and the retention or preservation of the jobs of existing employees at the K1 Facility.

29. The Monitor and the Applicants sought clarification on several points of the 260 Initial Bid, resulting in 260 providing an amended bid (the "**260 Bid**"). The purchase price of the 260 Bid was in the amount of $4,123,900 plus the amount of the Closing DIP Loan (as defined in the 260 Bid) plus the amount of Assumed Liabilities (as defined in the 260 Bid). Further, 260 agreed to provide a deposit (the "**260 Deposit**") to the Monitor in advance of the commencement of any Auction.

30. After reviewing the 260 Bid, the Monitor and the Applicants approved the 260 Bid as a Qualified Bid. 260 was notified on November 29, 2022, two Business Days after the Bid Deadline, that its bid was approved as a Qualified Bid and it was a Qualified Party eligible to participate in the Auction.

31. A summary of the key differences between the 260 Bid and the Stalking Horse Bid is set out in **Appendix "C"** attached hereto.

Auction

32. With at least one Qualified Bid and the Stalking Horse Bid, as provided for in the SISP, the Monitor moved forward to schedule an Auction in accordance with the terms of the SISP Order on December 1, 2022 at 11:00 a.m. EST.

33. In comparing the 260 Bid and the Stalking Horse Bid, the Monitor, in consultation with the Applicants, determined that the 260 Bid represented the best Qualified Bid and therefore was the Lead Bid and would be the Initial Bid in the Auction. Details of the 260 Bid, including the redline version to the Stalking Horse Agreement, was provided to both 260 and the Stalking Horse Bidder in the auction process letters from the Monitor dated November 29, 2022 (together, the "**Auction Letters**"). Copies of the Auction Letters, without enclosures, are attached hereto as **Appendix "D"**.

34. In advance of the Auction, the Stalking Horse Bidder approached the Monitor to inquire whether it would be permitted to use its publicly-traded common equity (the "**Avant Shares**") as consideration in the Auction.

35. The Monitor considered the benefit of accepting this consideration as part of the Auction process and it was the Monitor's view, in consultation with the Applicants, that allowing cash equivalent of such consideration would be in the best interest of the stakeholders of the estate.

36. The Monitor agreed to permit the Avant Shares as consideration, subject to an appropriate discount (the "**Avant Share Discount**") to be applied to reach equivalent value to cash consideration. The Monitor worked with securities valuation experts from Ernst & Young LLP to determine the Avant Share Discount, factoring in the trading liquidity, market valuation of the shares and the share price volatility. The Monitor reviewed private placements of equity on the TSX and TSX-V for cannabis companies over the past two years, to determine the discount required to sell a block of shares. The analysis indicated that the discount on freely traded shares should be 15% and the discount on shares with hold period restrictions should be 20%.

37. In accordance with the SISP, in the event a Qualified Party sought to submit an Overbid, the Qualified Party was required to submit an Overbid in minimum increments of $100,000. In

response to the Stalking Horse Bidder's request as noted above, the Monitor modified the SISP by removing the word 'cash' from the requirement for the minimum additional increments of $100,000 in each overbid (the "**Overbid**") in the Auction Letters that detailed the auction procedures.

38. On November 30, 2022, the Stalking Horse Bidder and 260 both accepted the invitation to participate in the Auction, thereby becoming "Qualified Parties" under the SISP.

39. The Auction was held virtually on December 1, 2022. Each Qualified Party, the Monitor, the Applicants, along with respective counsel and advisors, were provided access to their own virtual breakout rooms. The Monitor utilized the main room for all discussions that were conducted on an open basis to all Qualified Parties. A Court reporter was in attendance within the main room.

40. At the beginning of each round, the Qualified Parties read their Overbid in the main room, then all participants were placed into their separate virtual breakout rooms for private discussions. When requested or required, the Monitor (and in some instances, the Applicants) would enter the Qualified Parties' breakout room to discuss the process, clarify Bid details and respond to questions or concerns of the Qualified Parties.

41. A summary of the Bids presented by the Stalking Horse Bidder and 260 at each round is set out in **Appendix "E**" attached hereto. Further details of each round are described below.

First Round of Auction

42. The first round commenced with the Stalking Horse Bidder announcing its Overbid, which was in the amount of (a) $4.2 million in cash; plus (b) $500,000 in Avant Shares; plus (c) the amount of the Closing DIP Loan; plus (d) the amount of the Assumed Liabilities.

43. 260 raised concerns to the Monitor with respect to a non-cash Overbid qualifying as a proper Overbid as they were not aware the SISP had been amended in this regard and the language in the Auction Letter received by 260 stated that it did not intend to amend the SISP.

44. The Monitor addressed the concerns raised by 260 regarding non-cash consideration in the main room by indicating to both Qualified Parties that:

a. the Monitor sent the Auction Letters to all Qualified Parties and it was the intention of the Monitor to amend the SISP to allow for non-cash cash-equivalent consideration to be used in the Auction;

b. the Monitor noted that each Auction Letter provided that it did not amend the SISP, despite the intention of the Monitor in this regard; and

c. counsel to the Monitor stated, on the record, as follows:

> "For clarity to all Auction participants: The Auction Process is amended, whether by the Auction Process Letter or today by this statement, to allow parties to bid with non-cash cash-equivalent consideration. Where such consideration is being offered, the Monitor will work with such Bidder to value the consideration."[1]

45. Following the Monitor's amendment, counsel for 260 stated that 260 reserved its rights "with regard to how the SISP is being conducted."[2]

46. Subsequent to these statements, the Auction resumed.

47. During the first round, the Monitor and the Applicants met with each Qualified Party in their breakout rooms to clarify the type of activities and expenses that would take place both prior to the closing of the Transaction and in order to finalize and wind-up the affairs of Flowr and terminate these CCAA Proceedings, which would need to be financed by the Closing DIP Loan. To support this conversation, the Monitor provided both Qualifying Parties with an illustrative cash flow forecast that extended to the week ending February 26, 2023 to provide context and an estimation of closing and post-closing costs. A copy of this illustrative cash flow forecast is attached hereto **Appendix "G"**.

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[1] Auction Transcript Excerpt, page 11, lines 11-18, appended hereto at **Appendix "F"**.

[2] Auction Transcript Excerpt, page 12, lines 10-13, appended hereto at **Appendix "F"**.

48. Both Qualified Parties agreed that they would fund these types of activities under the Closing DIP Loan, subject to typical lender review rights.

49. Thereafter, the Monitor, in consultation with the Applicants, accepted the Stalking Horse Bidder's Overbid in the first round as a Qualified Bid.

Second Round of Auction

50. In the second round, 260 announced its Overbid in the amount of (a) $4.8 million in cash; plus (b) the amount of the Closing DIP Loan; plus (c) the amount of the Assumed Liabilities.

51. The Monitor, in consultation with the Applicants, accepted this Overbid submitted by 260 as a Qualified Bid.

Third Round of Auction

52. In the third round, the Stalking Horse Bidder announced its Overbid in the amount of (a) $4.2 million in cash; plus (b) $800,000 in Avant Shares; plus (c) the amount of the Closing DIP Loan; plus (d) the amount of Assumed Liabilities.

53. The Monitor, in consultation with the Applicants, accepted this Overbid submitted by the Stalking Horse Bidder as a Qualified Bid.

Fourth Round of Auction

54. In the fourth round, 260 indicated its Overbid in the amount of (a) $4.5 million in cash; plus (b) a vendor takeback mortgage with a cash equivalent value of $600,000 with secured guarantees from the other members of 260's corporate group; plus (c) the amount of the Closing DIP Loan; plus (d) the amount of Assumed Liabilities.

55. The Monitor clarified the details, terms and conditions of the non-cash consideration in such Overbid. The Monitor's review and assessment of the vender takeback mortgage included requesting and reviewing supporting documentation from 260, independent research and consultation with a senior member of the Monitor's mergers and acquisitions practice on valuation and discount factors.

56. The Monitor, in consultation with the Applicants, accepted this Overbid submitted by 260 as a Qualified Bid.

Fifth and Final Round of Auction

57. In the fifth round, the Stalking Horse Bidder announced its Overbid in the amount of: (a) $4.2 million in cash; plus (b) $1,100,000 in Avant Shares; plus (c) the amount of the Closing DIP Loan; plus (d) the amount of Assumed Liabilities.

58. The Monitor, in consultation with the Applicants, accepted this Overbid submitted by the Stalking Horse Bidder as a Qualified Bid. However, the Monitor indicated that the Monitor and the Applicants would not accept any further Avant Shares as part of any future Overbid. The Monitor had limited the number of discounted Avant Shares it would accept as consideration in the Auction at $1,100,000 of cash equivalent value taking into consideration the percentage of Avant Shares the Applicants would own and the timeline that could be required to dispose the Avant Shares if they were monetized by the Applicants.

59. Thereafter, after being given an opportunity to do so, 260 declined to submit a further Overbid.

60. Accordingly, the Monitor, in consultation with the Applicants, announced the final Stalking Horse Bid as the Successful Bid and the Stalking Horse Bidder to be the Successful Party, thereby concluding the Auction.

61. The Monitor returned the 260 Deposit to 260 on December 9, 2022.

THE PURCHASE AGREEMENT

62. After the Successful Bid was announced, and in accordance with the SISP, the Purchaser, Applicants and Monitor amended the Stalking Horse Purchase Agreement, which culminated in the Purchase Agreement.

63. Below, are the highlights of the significant amendments to the Stalking Horse Agreement. A copy of the executed Purchase Agreement, along with a redline from the Stalking Horse

Agreement to the Purchase Agreement, are attached hereto as **Appendices "H"** and **"I",** respectively.

Item	Stalking Horse Agreement	Purchase Agreement
Purchaser	1000343100 Ontario Inc.	Avant Brands K1 Inc. (formerly 1000343100 Ontario Inc.)
Purchase Price	$3,888,888.87, plus Closing DIP Loan, plus Assumed Liabilities	$5,115,000, plus Closing DIP Loan, plus Assumed Liabilities (Note: Purchase Price is the Successful Bid of $5,300,000 less the Break Fee of $185,000)
Satisfaction of Purchase Price	a. Credit Bid; b. Balance of Purchase Price in immediately available Funds (the "**Cash Purchase Price**"); and c. Assumed Liabilities. Illustrative Example of the satisfaction of the purchase price of $3,888,888.88: a. Credit Bid (Max. $2,000,000); b. Cash Purchase Price ($1,888,888.88); and c. Assumed Liabilities.	a. Credit Bid; b. Avant Shares equal to a cash equivalent value of $1,100,000; c. Cash Purchase Price; and d. Assumed Liabilities. Illustrative Example of the satisfaction of the purchase price of the net purchase price of $5,115,000 (Successful Bid of $5,300,000 less the Break Fee of $185,000): a. Credit Bid (Max. $2,000,000); b. Avant Shares ($1,100,000); c. Cash Purchase Price ($2,015,000) (Note: Could be reduced if certain KERP payments are made in Avant Shares; and d. Assumed Liabilities.
Valuation of Avant Shares	N/A	The Avant Share value shall be calculated at a 15% discount to the volume weighted average price per Avant Common Share on the Toronto Stock Exchange for the 10 consecutive trading days preceding the Closing Date. This results in Avant Common Shares with a gross share value of $1,294,117.65 to be issued based on the value of the 10-day VWAP of the Avant Common Shares trading on the TSX measured on the close of trading on the trading day prior to the date of the Purchase Agreement.

Post-Closing Expenses and the Closing DIP Loan	Not specified	Clarification that the Closing DIP Loan to include Post-Closing Expenses as estimated in the cash flow forecast approved by the Monitor and the Purchaser and that the Closing DIP Loan and the Credit Bid adjusts upward by the amount equal to the Post-Closing Expenses.

64. For further clarity, in satisfying the purchase price, the Avant Shares are given a value of $1,100,000. However, the Purchaser will deliver Avant Shares with a gross value of $1,294,117.65, which is discounted to calculate the cash equivalent value of $1,100,000.

Monitor's Recommendation on the Purchase Agreement

65. The amendments to the Stalking Horse Agreement are reasonable as:

a. it reflects the Successful Bid including the amounts of cash and non-cash consideration;

b. it clarifies the valuation of the Avant Shares that was determined by the Monitor, in consultation with the Applicants, and acceptable to the Purchaser;

c. it clarifies the intent of the Closing DIP Loan to include funding for the Post-Closing Expenses; and

d. the remainder is in the same or similar form as the Stalking Horse Agreement previously reviewed and supported by the Monitor and approved by the Court.

66. The Monitor recommends that the Court approve the Purchase Agreement for the following reasons:

a. the SISP was the product of extensive consultation, including with the Monitor, and was previously approved by the Court;

b. the SISP was well structured and resulted in a broad canvassing of the market for potential purchasers of the Applicants' business;

c. the SISP was facilitated by the Monitor, which has extensive experience in marketing businesses and assets, and included consultation with the Applicants;

d. the Purchase Agreement is the product of a competitive Auction as part of a fair, transparent and reasonable SISP and will result in the highest realization for the Applicants' assets available in the circumstances;

e. the terms of the Purchase Agreement are commercially reasonable, and the Outside Date of March 31, 2023 is expected to provide adequate time to close the Transaction;

f. the Closing DIP Loan provides sufficient funds to allow the Applicants and the Purchaser to close the Transaction and to allow the Applicants and the Monitor to complete the necessary wind-down work in respect of the remaining Applicants;

g. the Transaction provides greater recovery for the Applicants' creditors than could be obtained in a bankruptcy or liquidation; and

h. the Purchase Agreement benefits many of the stakeholders (including customers, employees and suppliers) through a Transaction that results in a going-concern outcome for the operating entity. The Purchaser has indicated that it intends to continue operating the K1 Facility which currently has 82 employees and preserve as many jobs as possible.

APPROVAL AND VESTING ORDER

Reverse Vesting Structure

67. The Transaction is in respect of the sale of the Purchased Shares following the implementation of a reverse vesting structure to effect the transfer into Flowr Okanagan of the Transferred Assets and the transfer out of Flowr Okanagan and into ResidualCo of the Excluded Assets and Excluded Liabilities. Flowr Okanagan holds several non-transferable licenses, which are described in the Affidavit of Darren Karasiuk sworn December 9, 2022. These licenses are essential to the Flowr Group's business and ability to cultivate, produce, package and sell cannabis products, along with other activities.

68. The need for a reverse vesting structure in the circumstances follows from the highly regulated nature of the Applicants' business, and that the value of their business is dependant on maintaining such non-transferable licenses. Without the reverse vesting structure, the value of such licenses may be lost, and the increased risk and uncertainty may result in a materially decreased purchase price for a going concern transaction, or lead to the liquidation of the Flowr Group.

69. Accordingly, the Monitor is of the view that the reverse vesting structure set out in the proposed Approval and Vesting Order represents the only viable alternative to implement the Transaction for the benefit of the Applicants' stakeholders and therefore supports the relief requested.

Releases

70. The proposed Approval and Vesting Order includes releases in favour of the Released Parties, which is defined to include:

    a. current and former directors, officers, employees, counsel and advisors of the Flowr Group and ResidualCo;

    b. the Monitor and its counsel; and

    c. the Purchaser and its current and former directors, officers, employees, counsel and advisors.

71. The full scope of the release provisions is set out in the proposed Approval and Vesting Order and should be read in conjunction with this Third Report. The Releases explicitly do not release or discharge any claim that is not permitted to be released, pursuant to section 5.1(2) of the CCAA.

72. The Releases are critical to the consummation of the Transaction and the orderly wind-down of these CCAA Proceedings. The Releases are also a condition precedent to the Transaction.

73. In the Monitor's view, having considered the facts of the situation, each of the Released Parties have, in some meaningful way, contributed to the Transaction and the successful

restructuring of the Applicants. Further, it is the Monitor's understanding, based on the advice of counsel, that it is customary to include such releases in reverse vesting orders.

74. Accordingly, the Monitor is of the view that the proposed releases are reasonable and not overly broad in the circumstances, and it supports the relief requested by the Applicants.

MONITOR'S ENHANCED POWERS

75. The proposed Approval and Vesting Order also expands the powers of the Monitor. Given that all Excluded Liabilities and Excluded Assets will be transferred to and vest in ResidualCo, which will be added as an Applicant to the CCAA Proceedings, the proposed Approval and Vesting Order expands the authority and power of the Monitor so it can assist with the wind down of ResidualCo.

76. Specifically, the proposed Approval and Vesting Order authorizes and empowers, but does not require, the Monitor to, among other things:

a. cause ResidualCo to take any and all actions and steps, and execute agreements and documents on behalf of ResidualCo;

b. exercise any power which may be properly exercised by any board of directors of ResidualCo;

c. engage, retain or terminate, either directly or on behalf of ResidualCo, services of any officers, employee, consultant, agent, or other person or entities as the Monitor deems necessary;

d. assign ResidualCo into bankruptcy, and the Monitor is entitled (but not obligated) to act as a trustee in such bankruptcy;

e. cause ResidualCo to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the winding-down of ResidualCo or the distribution of the proceeds of the ResidualCo Property or any other related activities, including in connection with concluding these CCAA Proceedings; and

f. consult with Canada Revenue Agency, Health Canada, or any other governmental body with respect to any issues arising in respect of these CCAA Proceedings.

77. The authority granted to the Monitor in the proposed Approval and Vesting Order will ensure that the Monitor has the requisite authority to deal with the winding-down of ResidualCo in an orderly and efficient manner. As a result, the Monitor is of the view that the relief provided is appropriate in the circumstances.

THE APPLICANTS' RECEIPTS AND DISBURSEMENTS

78. A summary of the Applicants' actual receipts and disbursements during the period from October 17, 2022 to December 4, 2022 (the "**Reporting Period**") as compared to the October Cash Flow Forecast appended as Appendix "C" to the First Report (the "**Variance Analysis**") is attached hereto as **Appendix "J"**. The Variance Analysis indicates a positive variance of approximately $317,000 as a result of timing differences set out in the Variance Analysis.

OVERVIEW OF THE APPLICANTS' CASHFLOW FORECAST OVER THE STAY PERIOD

79. The Applicants, with the assistance of the Monitor, have further updated the cash flow forecast (the "**Second Updated Cash Flow Forecast**") for the period from December 5, 2022 to February 26, 2023 (the "**Forecast Period**"). A copy of the Second Updated Cash Flow Forecast is attached hereto as **Appendix "K"**.

80. The Second Updated Cash Flow Forecast reflects cash collections of approximately $4.2 million and estimated total combined disbursements of approximately $8.0 million. The Applicants anticipate the need to fully draw the remaining balance of the DIP Facility (being $2.0 million) by the week ending January 1, 2023. The Applicants estimate they will need to draw $1 million under the Closing DIP Loan during the Forecast Period in order to maintain sufficient liquidity.

81. Given that the timing of closing the Transaction is uncertain, the closing of the Transaction is not reflected in the Second Updated Cash Flow Forecast, nor are the payments under the KERP.

STAY EXTENSION

82. The Stay Period is currently set to expire on January 13, 2023. The proposed Ancillary Order extends the Stay Period to and including February 26, 2023.

83. The Monitor is of the view that the extension of the Stay Period is appropriate for the following reasons:

    a. it allows time for the Applicants to satisfy the conditions of the Transaction and close the Transaction;

    b. it allows for the restructuring and wind-up of the affairs of Flowr; and

    c. the Applicants have acted and continue to act in good faith and with due diligence in pursuing its restructuring since the date of the Initial Order.

84. Based on the Cash Flow Forecast and the additional financing of the Closing DIP Loan proposed in the Purchase Agreement, the Monitor believes that the Applicants will have sufficient liquidity to fund its operations through the proposed extension of the Stay Period to February 26, 2023.

85. For the foregoing reasons, the Monitor supports the Applicants' request to extend the Stay Period to February 26, 2023.

CONCLUSIONS AND RECOMMENDATIONS

86. The Monitor supports the relief sought by the Applicants pursuant to the proposed Approval and Vesting Order and Ancillary Order for the reason stated herein.

All of which is respectfully submitted this 13th day of December 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”
Teaser Letter, NDA and Notice of SISP

The Flowr Corporation
60 Adelaide St East, Suite 1000
Toronto, Ontario
M5C 3E4

Strictly Confidential

Investment Opportunity

October 2022

The Flowr Corporation and certain subsidiaries ("Flowr" or the "Company")

SUMMARY

On October 20, 2022, Flowr and certain of its subsidiaries were granted an initial order (as amended or amended and restated from time to time, the "Initial Order") under the *Companies' Creditors Arrangement Act* (the "CCAA" and the "CCAA Proceedings") by the Ontario Superior Court of Justice (the "Court"). The Initial Order appointed Ernst & Young Inc. as Monitor of the Company (the "Monitor").

On October 28, 2022, Flowr received Court approval of a sale and investment solicitation process (the "SISP"), to solicit interest in an acquisition or refinancing of Flowr or a sale of the assets and/or the business of Flowr by way of merger, reorganization, recapitalization, primary equity issuance or other similar transaction (the "Opportunity"). The Monitor will be overseeing, assisting and be in consultation with Flowr throughout the SISP.

If you are interested in pursuing this opportunity, please sign back the non-disclosure agreement ("NDA").

BUSINESS OVERVIEW

Flowr is a cultivator, processor, and seller of cannabis and is in full compliance with Health Canada regulations. The Company currently sells product through authorized distributors and retailers in 4 provinces and territories in Canada. The Company also sells wholesale cannabis to other cannabis license holders across Canada and has international supply agreements for the European and Israeli markets. The Company's state-of-the-art 20 room indoor purpose-built cultivation facility is a key differentiator in their business, with operations and processes designed to produce premium cannabis and mitigate crop risk.

KEY INVESTMENT ATTRIBUTES

Company built to capitalize on international market opportunity

- The cannabis industry continues to evolve and grow as it is still a nascent market providing a substantial growth opportunity globally with strong demand for Canadian cannabis.
- Flowr's operations and product innovation are focused on consistency, predictability and reliability in order to differentiate the Company's products from its competition and to capitalize on growing demand for premium cannabis.
- At the same time, the Company already has the production capacity to meet the growing international market. Flowr's K1 Facility, located in Kelowna, British Columbia, provides the Company with a strategic advantage in the purpose-built design, self-contained modular grow rooms and robust production scale which will allow the Company to succeed in the international wholesale, contract growing and domestics markets.
- Flowr has a significant amount of its current capacity now under negotiation or contract with European and Israeli buyers providing the Company with the potential for stable revenue streams in the coming years at compelling prices.

World class cultivation facilities

- Flowr's 85,000 sq. ft. indoor licensed facility is designed and built to meet International Council for Harmonization's good manufacturing practices standards and has a forecasted production capacity of ~8,000 kg grams of high-quality flower per year.
- The K1 Facility has a total of 20 separate growing rooms, a purpose-built irrigation system, and an automated packaging line that was commissioned in 2020.
- The custom designed indoor growing rooms provide a highly customizable and controlled environment. All unnecessary parts/equipment are stored outside the growing rooms to reduce risk of containment and the self-contained modular rooms ensure a consistent, high-quality output.
- Flowr's K1 facility is fully staffed with seasoned cannabis professionals in all key functions.

SISP PROCESS

Recipients of this document should direct any questions or requests for additional information to the Monitor contacts on the final page and should not contact anyone at the Company other than as directed or arranged by the Monitor.

As mentioned, the Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of Flowr as a going concern or a sale of all, substantially all or one or more components of Flowr's assets (the "Property") and business operations (the "Business") as a going concern or otherwise. The summary below, outlines the high level SISP, full details can be found in the Court-Approved SISP Order. Copies of all court documents can be found on the Monitor's Website at www.ey.com/ca/flowr. The SISP is summarized as follows:

INTEREST

1. Any party who wishes to participate in the SISP (a "Potential Bidder") must provide the following to Flowr and the Monitor: an executed NDA and a letter setting forth the identity, contact information and direct and indirect principals of the Potential Bidder.
2. Provide information to the Monitor as to their financial wherewithal to close a transaction.
3. Once the Monitor has received an executed NDA and is satisfied with the Potential Bidder's financial wherewithal to close a transaction, it shall provide the Potential Bidder access to due diligence material and information relating to the Property and Business as the Applicants or the Monitor deem appropriate. Due diligence shall include access to an electronic data room containing information about the Applicants and the Business, and may also include management presentations, on-site inspections, and other matters which a Potential Bidder may reasonably request.

FORMAL BINDING BID DEADLINE

1. Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or Business (a "Bidder") shall submit a binding offer (a "Bid") that complies with certain requirements to the Monitor by no later than 5:00 PM (Eastern Time) on November 25, 2022 ("Bid Deadline"). Some of the elements that will be considered to determine if a Bid is a Qualified Bid (as defined below) include:
    a. Whether the Bidder has a *bona fide* interest in completing a sale or investment;
    b. Whether the Bidder has the financial capabilities to consummate such transaction;
    c. Confirmation that, if the Bid is a Successful Bid, and Flowr has cash requirements in excess of the amounts available in the DIP Facility to get to closing of the transaction, then the Bidder will advance the funds to Flowr to allow them to fund their cash requirements by way of a non-revolving facility in a manner that does not impair the priority of the DIP Facility or otherwise is satisfactory to the DIP Lender; and
    d. Whether the Bid has proposed a purchase price equal to or greater than that contained in the Stalking Horse Bid plus the break fee plus $50,000.
2. The Monitor, in consultation with, and with the approval of Flowr, will designate the most competitive bids that comply with the foregoing requirements to be "Qualified Bids". In the event that there is a stalking horse agreement approved by the Court, this too will become a Qualified Bid.
3. The Monitor will then conduct and administer an Auction, if applicable, whereby parties that provided a Qualified Bid, including the Stalking Horse Bid (collectively, the "Qualified Parties"), shall be eligible to participate in the Auction.
4. The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids. Before the conclusion of the Auction, the Monitor, in consultation with Flowr, will review each Qualified Bid and identify the highest or otherwise best bid received at the Auction (the "Successful Bid").
5. Flowr will seek court approval to consummate the Successful Bid.

KEY CONTACTS

All communication relating to this Opportunity should be directed to the Monitor:

Ernst & Young Inc.
EY Tower, 100 Adelaide Street West
PO Box 1
Toronto, ON
M5H 0B3

Hotline: 1-833-681-0537 or 416-932-4923

Email: flowr.monitor@ca.ey.com

Attention: Daniel Taylor

MUTUAL CONFIDENTIALITY AGREEMENT

Between: _____ "Counterparty"

And: The Flowr Corporation, for itself and its affiliated entities Collectively, "Flowr"

Dated: November , 2022

The following terms and conditions of this Confidentiality Agreement (the "Agreement") apply to Confidential Information disclosed by Submitting Party to Receiving Party. Counterparty and Flowr are each referred to within as "Parties". The Party providing the Confidential Information is deemed the "Submitting Party" and the Party receiving the Confidential Information is deemed the "Receiving Party". In connection with their consideration of one or more possible transactions ("Transactions") between Counterparty and Flowr, each Party has received or may receive non-public, proprietary information containing valuable, proprietary and confidential trade secrets and other technical, business, strategic, financial and marketing data about the Submitting Party and/or its subsidiaries and affiliates ("Confidential Information"). The Confidential Information may include specific information about financial operations, business plans, blueprints or construction drawings or other information regarding the systems or design of plant growing facilities as well as other opportunities under consideration and pursuit. The Confidential Information may be delivered orally, in writing or by other media. As between the Parties, the Submitting Party exclusively owns its Confidential Information and all proprietary rights in or associated with its Confidential Information. Unauthorized use or disclosure of Confidential Information may cause substantial and irreparable damage to the Submitting Party's business and competitive position. Confidential Information is being provided by Submitting Party to Receiving Party in confidence in accordance with the following terms and conditions:

1. Confidential Information is being provided solely for the purpose of enabling Receiving Party to make an evaluation of possible participation in one or more of the Transactions.

Without the prior written consent of Submitting Party, Receiving Party will not (a) disclose to any third party the fact that any Confidential Information has been provided to Receiving Party or that either Party is exploring the possibility of participating in the Transactions or that such Transactions are the subject of consideration; (b) disclose to any third party any or all Confidential Information; or (c) use Confidential Information for any purpose other than evaluating the potential Transactions. Receiving Party will only disclose Confidential Information to those of its affiliates, employees, officers, directors, agents, representatives, advisors, financing sources and consultants (collectively "Representatives") who reasonably need to know such information and who agree to comply with the terms of this Agreement. Such disclosure by Receiving Party will be made only to the extent necessary in order to prepare the above-mentioned evaluation or to make decisions or render advice in connection therewith. Any unauthorized disclosure or use of Confidential Information by Receiving Party's Representatives will be deemed to have been by Receiving Party, and Receiving Party will be responsible and liable for any breach of this Agreement by its Representatives. All communications with Flowr regarding the potential Transactions or Confidential Information shall be made solely through:

Officers and Directors of The Flowr Corporation and The Flowr Group (Okanagan) Inc.

(each being an "Authorized Agent") and Counterparty shall not communicate with any of Flowr's partners, lenders, employees, vendors, customers, labor representatives, consultants or affiliates without prior written consent from an Authorized Agent unless in the ordinary course of Counterparty's business unrelated to the Transactions contemplated under this Agreement.

2. The restrictions in Section 1 will not apply to any Confidential Information that Receiving Party can demonstrate:

a. is or becomes publicly available without breach of this Agreement; or

b. was rightly received without obligation of confidentiality from a third party; or

c. was independently developed by Receiving Party.

Notwithstanding the above, nothing herein will prevent Receiving Party from disclosing Confidential Information pursuant to valid court order, subpoena or government inquiry; provided, however, that prior to any such disclosure Receiving Party will (i) unless prohibited by law from doing so, notify Submitting Party promptly in writing of the order or subpoena and of the facts and circumstances surrounding such order

or request so that Submitting Party may seek an appropriate protective order; (ii) cooperate with Submitting Party in any proceeding to obtain an appropriate protective order; and (iii) to the extent disclosure is still required, take all reasonable steps to make the disclosure on a confidential basis.

3. In the event the Confidential Information includes construction information or designs, it is agreed and understood that the Flowr design of a building system is composed of commercially available equipment, including but not limited to air handlers, filters, fans, boilers and pumps, however, the arrangements or combinations of this equipment are recognized as confidential information of Flowr. That being said, nothing herein will preclude Receiving Party from designing systems in the future for other customers using the same commercially available equipment and the prohibitions contained herein only apply to combinations of the equipment that are substantially similar to the Flowr designs.

4. In the event the Counterparty produces work product for Flowr that is paid for by Flowr, the work product shall become the property of Flowr and the intellectual property contained therein will belong to Flowr.

5. Receiving Party agrees to use the same care and discretion to avoid disclosure of Confidential Information as it uses with its own similar information it does not wish to disclose, but in no event less than a reasonable standard of care. Receiving Party will promptly provide Submitting Party with notice of any actual or threatened breach of the terms of this Agreement or unauthorized disclosure or use of Confidential Information.

6. The Parties agree to indemnify each other for losses, damages, costs and expenses arising from any breach of this Agreement caused by Receiving Party or its Representatives. In addition to any and all remedies available at law or in equity, Receiving Party agrees to take all reasonable measures, including court proceedings at Receiving Party's own expense, to restrain current or future Representatives from unauthorized use or disclosure of Confidential Information.

7. Except as may otherwise by expressly set forth in a definitive written agreement between the Parties, neither Party shall be deemed to have made any representation or warranty as to the accuracy or completeness of Confidential Information, or any item or items thereof. Without limitation of the foregoing, Receiving Party acknowledges that financial information provided to Receiving Party must be independently verified by Receiving Party prior to consummating any Transaction. It is understood that this Agreement does not obligate either Party to enter into any further definitive agreement or to disclose any particular information to the other Party and, other than as contemplated in section 4 herein, does not grant any intellectual property rights to Receiving Party.

8. Upon request from the Submitting Party, Receiving Party will promptly destroy or return and deliver to Submitting Party all Confidential Information, any copies thereof, and all notes, correspondence, documents or other records relating to the Confidential Information or the above-mentioned Transactions then in Receiving Party's possession. Notwithstanding anything to the contrary in this Agreement, (i) Receiving Party and its Representatives may retain copies of Confidential Information to the extent Receiving Party or its Representatives are required to do so by applicable law or internal record keeping policies (subject to this Agreement's confidentiality obligations), and (ii) Receiving Party and its Representatives shall not be required to delete electronically-stored Confidential Information to the extent such deletion would be technologically impracticable or inconsistent with the archival records retention policy of Receiving Party or its Representatives (subject to this Agreement's confidentiality obligations).

9. The Parties expressly acknowledge that monetary damages alone may not be an adequate remedy for any breach of this Agreement and that, in addition to any other remedies which the Parties may have, Submitting Party will be entitled to seek injunctive relief, including specific performance, in any court of competent jurisdiction with respect to any actual or threatened breach by Receiving Party of this Agreement without the necessity of proving actual damages or posting a bond.

10. In addition to its other obligations under this Agreement, Receiving Party will comply with all applicable privacy laws regarding its collection, use, protection and disclosure of personal information contained in the Submitting Party's Confidential Information.

11. This Agreement will remain in effect for a period of two (2) years from the date that either Party terminates negotiations with respect to the potential Transactions.

12. The substantive laws of the Province of Ontario will govern this Agreement, without reference to provisions relating to conflict of laws.

13. Nothing in this Agreement is intended to grant any rights under any copyright or trademark of either Party, nor will this Agreement grant any rights in or to Confidential Information, except as expressly permitted hereunder.

14. This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors, agents and assigns. If any provision of this Agreement is deemed void by law, the remaining provisions will continue in full force and effect. Failure to enforce any provision of this Agreement will not constitute a waiver of any term hereof. This Agreement may be executed in counterparts, each of which will be deemed an original and each of which together will constitute one and the same instrument.

15. The prevailing party in any litigation relating to the enforcement, interpretation and/or breach of this Agreement will be entitled to recover (in addition to any damages or other relief granted) reasonable legal fees and other expenses in connection with such litigation (both at trial and on any appeals therefrom).

16. Receiving Party hereby acknowledges that it is aware, and Receiving Party shall advise its Representatives who are informed of the matters that are the subject of this Agreement, that applicable United States and Canadian securities laws place certain restrictions on any person who has material, non-public information concerning an issuer, with respect to purchasing or selling securities of such issuer or from communicating such information to any other person, and with respect to United States securities laws, under circumstances in which it is reasonably foreseeable that such other person is likely to purchase or sell such securities.

17. Non-Solicit. Counterparty shall not, and shall cause its affiliates (together with Counterparty, the "Covered Entities") not to, for a period of two (2) years from the date hereof, solicit, employ or retain or engage on a consulting or advisory basis or otherwise, any director, officer or employee of Flowr or its affiliates without the prior written consent of Flowr; provided, that the Covered Entities shall not be precluded from hiring any person (a) who responds on his or her own volition, without any overt or tacit encouragement by the Covered Entities, to a general solicitation or advertisement not targeted specifically at employees of Flowr or its affiliates; (b) who contacts the Covered Entities on his/her own initiative without any direct or indirect solicitation or encouragement from the Covered Entities, other than any general solicitation or advertisement; (c) whose employment with Flowr or its affiliates is terminated by Flowr or such affiliate; or (d) with whom the Covered Entities have not had any contact with or of whom the Covered Entities have not become aware of in connection with the Transactions.

18. Non-Interference. Counterparty agrees that neither it, nor any of its affiliates will, directly or indirectly, use the Confidential Information of Flowr to solicit, induce, encourage or otherwise cause any of Flowr's customers, suppliers, manufacturers, distribution partners, clients, advertisers, marketing representatives, investors, lenders, advisors or consultants to alter, change, modify, cancel, discontinue, limit or refrain from entering into any commercial or business relationship (contractual or otherwise) with Flowr or its affiliates, without Flowr's express prior written consent; nor will the Counterparty or any of its affiliates use the Confidential Information of Flowr to solicit or attempt to initiate a new business relationship, or modify terms of an existing business relationship, with any such customer, supplier, manufacturer, distribution partner, client, advertiser, marketing representative, investor, lender, advisor or consultant.

Agreed to and accepted:

Counterparty (as stated on Page 1):

_____

Signature: _____

Print Name: _____

Title: _____

The Flowr Corporation:

Signature: _____

Print Name: Matthew Husson

Title: General Counsel & Secretary

NOTICE OF SALE AND INVESTMENT SOLICITATION PROCESS ("SISP")

THE FLOWR CORPORATION

On October 20, 2022, The Flowr Corporation and certain of its subsidiaries (collectively, "**Flowr**") were granted protection pursuant to an order, as amended, (the "Amended and Restated **Initial Order**") issued under the *Companies' Creditors Arrangement Act* by the Ontario Superior Court of Justice (the "**Court**"). Ernst & Young Inc. ("**EY**") was appointed Monitor. On October 28, 2022, the Court authorized and directed Flowr to undertake a sale and investment solicitation process (the "**SISP**").

Flowr is a licensed producer of cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations* that is licensed to cultivate, produce, distribute, and sell dried cannabis flower, pre-rolled cannabis and other cannabis products. Flowr currently supplies the Canadian markets, and has two international supply agreements, one for the EU and one for Israel. Flowr grows and packages cannabis in its state-of-the-art 20 room indoor purpose-built cultivation facility in Kelowna, British Columbia, a key differentiator in their business.

The SISP is intended to solicit interest in an acquisition or refinancing of Flowr's business, or a sale of the assets and/or the business of Flowr on a going concern basis, which may include, among other things, a merger, reorganization, recapitalization, primary equity issuance or other similar transaction.

The deadline to submit a binding offer is set for November 25, 2022 at 5:00 p.m. (Eastern Time).

Those who are interested in participating in this SISP can contact the Monitor to receive additional information at:

Ernst & Young Inc. –
The Court-Appointed Monitor of Flowr
100 Adelaide Street West, P.O. Box 1
Toronto, ON, M5H 0B3 Canada
Hotline: 1-833-681-0537 or 416 932 4923
Email: flowr.monitor@ca.ey.com
Attention: Daniel Taylor

Copies of the SISP Order, and the SISP Process may be obtained from the website of Ernst & Young Inc., at www.ey.com/ca/flowr.

DATED at Toronto this 4th day of November, 2022.

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Appendix “B”
Bid Process Letter dated November 21, 2022

November 21, 2022

RE: The Flowr Corporation Sale and Investment Solicitation Process – Bid Process Letter

Thank you for your continued interest in a possible purchase of, or investment in, all or part of the assets and business operations of The Flowr Corporation and certain of its subsidiaries (collectively, the "**Applicants**") pursuant to the Sale and Investment Solicitation Process (the "**SISP**") approved by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on October 28, 2022 (the "**SISP Order**") in the proceedings of the Applicants under the *Companies' Creditors Arrangement Act* (Canada). This letter provides an overview of the bid process procedures but is not intended to amend, restate or supersede the SISP and should be read together with the SISP. All capitalized terms used herein and not otherwise defined have the meanings given to them in the SISP.

Potential Bidders, Auction and Selection of Successful Bidder

Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their assets (the "**Property**") and business operations (the "**Business**") (a "**Bidder**") shall submit a binding offer (a "**Bid**") that complies with the requirements set out in Paragraph 13 of the SISP to Ernst & Young Inc, the court-appointed monitor (the "**Monitor**") by no later than **5:00 PM (Eastern Time) on November 25, 2022 (**the "**Bid Deadline**"). **To the extent possible, Potential Bidders are encouraged to submit their Bids by email**.

Attention: Alex Morrison, Karen Fung and Daniel Taylor
Ernst and Young Inc.
EY Tower, 100 Adelaide Street West
PO Box 1
Toronto, ON M5H 0B3

Email:Alex.F.Morrison@parthenon.ey.com,
Karen.K.Fung@parthenon.ey.com, Daniel.Taylor@parthenon.ey.com

The Bid must be either a **binding** offer to:

a) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); and/or
b) make an investment in, restructure, reorganize or refinance the Business of the Applicants (an "**Investment Proposal**");

The Applicants will be posting to the data room a copy of a form of binding purchase agreement. While the Applicants do not require the Potential Bidders to use this form, the Applicants are providing this to be of assistance to the bidders. For those that do use this template agreement, such Potential Bidder shall deliver, prior to the Bid Deadline: (i) a duly authorized and executed

agreement, and (ii) a mark-up/blackline of the template agreement showing all amendments and modifications made.

The SISP further details the requirements for each of the Sale Proposal and Investment Proposal, however, a few items are highlighted below:

a) the Bid includes a letter stating that the Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
b) the Bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
c) the Bid is not conditioned on (i) the outcome of unperformed due diligence by the Bidder, or (ii) obtaining financing, but may be conditioned upon the Applicants receiving the required approvals or amendments relating to the licences required to operate the business, if necessary;
d) the Bid includes confirmation that, if the Bid is the Successful Bid and the Applicants has cash requirements in excess of the amounts available to them under the DIP Facility to get to a closing of the transaction then the Bidder will advance funds to the Applicants to allow them to fund their cash requirements by way of non-revolving facility in a manner that does not impair the priority of the DIP Facility or otherwise is satisfactory to the DIP Lender; and
e) the Bid contemplates closing the transaction set out therein on or before January 31, 2023.

As there has been a Stalking Horse Agreement (when referring to the bid, the "**Stalking Horse Bid**" and in referring to the DIP Lender, as purchaser, the "**Stalking Horse Bidder**") approved by the Court, the Monitor may only designate a Bid as a Qualified Bid (as defined below) where the proposed purchase price is equal to or greater than the purchase price contained in the Stalking Horse Bid, and includes a cash purchase price in an amount equal to or greater than the Stalking Horse Bid, plus $235,000, which is the amount of the break fee ($185,000) plus $50,000. The purchase price under the Stalking Horse Bid is $3,888,888.88 plus the Closing DIP Loan (if any) and Assumed Liabilities (all as defined in the Stalking Horse Agreement). Further details, including the Stalking Horse Agreement can be viewed on the Monitor's website, www.ey.com/ca/flowr.

Except to the extent otherwise set forth in a definitive sale or investment agreement with a successful bidder, any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Applicants, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Applicants in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Following the Bid Deadline, the Applicants and the Monitor will assess the Bids received. The Monitor, in consultation with the Applicants and with the approval of the Applicants, will

designate the most competitive Bids that comply with the foregoing requirements to be "**Qualified Bids**". Only Bidders whose Bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).

The Monitor, in consultation with the Applicants and with the approval of the Applicants, may waive strict compliance with any one or more of the requirements specified in the SISP and deem a non-compliant Bid to be a Qualified Bid.

The Monitor shall notify each Bidder in writing as to whether its Bid constituted a Qualified Bid within two (2) business days of the Bid Deadline, or at such later time as the Monitor deems appropriate.

The Monitor may, in consultation with the Applicants and with the approval of the Applicants, aggregate separate Bids from unaffiliated Bidders to create one Qualified Bid.

A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such Bid, (ii) the identity, circumstances and ability of the Bidder to successfully complete such transactions, (iii) the proposed transaction documents, (iv) factors affecting the speed, certainty and value of the transaction, (v) the assets included or excluded from the Bid, (vi) any related restructuring costs, and (vii) the likelihood and timing of consummating such transaction, each as determined by the Applicants and the Monitor.

If the Monitor receives at least one additional Qualified Bid in addition to the Stalking Horse Bid, the Monitor will conduct and administer an auction in accordance with the terms of this SISP (the "**Auction**"). Instructions to participate in the Auction will be provided to Qualified Parties not less than 24 hours prior to the Auction. The Auction date is currently set for December 1, 2022.

Only parties that provided a Qualified Bid by the Bid Deadline, as confirmed by the Monitor, including the Stalking Horse Bid (collectively, the "**Qualified Parties**"), shall be eligible to participate in the Auction. Each Qualified Party must inform the Monitor whether it intends to participate in the Auction by no later than 5:00 p.m. (Eastern Time) on the day prior to the Auction. The Monitor will promptly thereafter inform in writing each Qualified Party who has expressed its intent to participate in the Auction of the identity of all other Qualified Parties that have indicated their intent to participate in the Auction. If no Qualified Party provides such expression of intent, then the Stalking Horse Bid shall be the Successful Bid.

At the hearing of the motion to approve any transaction with a Successful Bidder (the "**Sale Approval Motion**"), the Applicants shall, among other things, seek approval from the Court to consummate any Successful Bid. All the Qualified Bids other than the Successful Bid, if any, shall be deemed rejected by the Applicants on and as of the date of approval of the Successful Bid by the Court.

Potential Bidders are reminded that binding offers must include written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction and a commitment to provide the required non-refundable deposit, in each case, in accordance with the requirements of the SISP.

General

In submitting a Bid, a Bidder acknowledges and represents that the Bidder, (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Applicants prior to making its offer; (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Applicants. The Monitor shall not have any liability whatsoever to any person or party, including without limitation any Qualified Parties or the Successful Bidder for any act or omission related to the process contemplated by the SISP. By submitting a bid, each Qualified Party or Successful Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever.

Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

The Applicants and the Monitor shall have the right to modify the SISP in accordance with its terms.

We would like to thank you again for your interest and we look forward to discussing this opportunity further with you.

Sincerely,

Ernst and Young Inc., in its capacity
as Monitor of the Applicants, and not in
its Corporate or Personal capacity.

Appendix “C”
Summary of 260 Bid and Stalking Horse Bid

Summary of 260 Bid and Stalking Horse Bid

Purchaser	**Stalking Horse Bidder (1000343100 Ontario Inc.)**	**2608241 Ontario Inc.**
Purchase Price	$3,888,888.88, plus Closing DIP Loan, plus Assumed Liabilities.	$4,123,900 (i.e. the Stalking Horse Bid plus the Break Fee of $185,000 plus additional consideration of $50,000), plus Closing DIP Loan, plus Assumed Liabilities.
Retained Assets	Transferred Assets, Flowr Okanagan's equipment, Assumed Contracts, Permits and Licences, books and records, etc.	Those included in the Stalking Horse Bid and cash in Flowr Okanagan's accounts.
Purchase Price Payment	Avant Shares may be used for KERP payments in the discretion of beneficiaries.	Cash. A 10% deposit to be sent prior to the Auction.
Timeline	10 days or sooner after completing closing conditions, including approval of Health Canada. Outside Date of March 31, 2023.	10 days or sooner after completing closing conditions. Outside date of the earlier of (i) Jan 31, 2023 and (ii) 45 days after the issuance of the Approval and Vesting Order, subject to approval from Health Canada.
Interim Period	Maintain the ordinary course of business, the Permits and Licences and assets.	Imposes additional requirements such as: - Flowr Okanagan shall consult with 260 prior to planting any new cannabis plants. - Any asset sale (including bulk sale>$50k or 50 kg of biomass) requires approval.

Appendix “D”
Auction Letters dated November 29, 2022 (without enclosures)

November 29, 2022

1000343100 Ontario Inc.
Attention: Stephen Arbib & Norton Singhavon
[redacted]

Copy to:
Norton Rose Fulbright Canada
222 Bay Street, Suite 3000, PO Box 53
Toronto Ontario M5K 1E7
Attention: Eric Reither and Jennifer Stam
[redacted]

Dear Stephen and Norton:

RE: The Flowr Corporation Sale and Investment Solicitation Process

Thank you for your continued participation in the Sale and Investment Solicitation Process (the "**SISP**") approved by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on October 28, 2022 (the "**SISP Order**") in the proceedings of the Applicants under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") for the Flowr Corporation and certain of its subsidiaries (collectively, the "**Applicants**"). Ernst & Young Inc is the court-appointed monitor of the Applicants (the Monitor), in these CCAA proceedings. All capitalized terms used herein and not otherwise defined have the meanings given to them in the SISP.

This letter provides to advise you that:

a) the Monitor received one (1) Bid from 2608241 Ontario Inc. (the "**Carmel Bid**") by the Bid Deadline. The Monitor, in consultation with the Applicants, has reviewed the Carmel Bid and has determined that it is a Qualified Bid and has advised the Bidder in accordance with the SISP;
b) as there is a Court approved Stalking Horse Bid and at least one Qualified Bid, the Monitor will move forward under the SISP and conduct and administer an Auction in accordance with the terms of the SISP Order;
c) this letter provides an overview of the auction process procedures but is not intended to amend, restate or supersede the SISP and should be read together with the SISP. All capitalized terms used herein and not otherwise defined have the meanings given to them in the SISP Order; and
d) you have been invited to participate in Auction on December 1, 2022, at 11:00 a.m. ET via videoconferences.

Lead Bid

Pursuant to the SISP Order, the Monitor is providing all Qualified Bidders with details of the Lead Bid.

The Carmel Bid has been identified as the Lead Bid with a purchase price of $4,123,900 + Closing DIP Loan + Assumed Liabilities. We note that the purchase price includes the break fee of $185,000, therefore the net recovery to the estate less the Break Fee is $3,938,900 + Closing DIP Loan + Assumed Liabilities.

A copy of the Lead Bid and a blackline of the Lead Bid to the Stalking Horse Agreement is attached.

Participation in the Auction

Each Qualified Party, including the Stalking Horse Bidder, must inform the Monitor whether it intends to participate in the Auction no later than 5:00 p.m. Eastern Time on the November 30, 2022. Therefore, if you wish to participate in the Auction, you must notify the Monitor, by email to:

Attention: Alex Morrison, Karen Fung and Daniel Taylor

Email: alex.f.morrison@parthenon.ey.com, karen.k.fung@parthenon.ey.com, daniel.taylor@parthenon.ey.com

If no Qualified Party provides such expression of intent, the Stalking Horse Bidder, shall be the Successful Bid.

The Auction shall be governed by the following procedures:

(a) **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent overbids at the Auction.

(b) **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bid;

(c) **Minimum Overbid.** The Carmel Offer has been identified as the Lead Bid with a purchase price of $4,123,900 + Closing DIP Loan + Assumed Liabilities. (the "**Initial Bid**"), and any bid made at the Auction by a Qualified Party subsequent to the Monitor's announcement of the Initial Bid (each, an "**Overbid**") and any overbids must proceed in minimum additional increments of $100,000;

(d) **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference, on an open basis, and all Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties

with the understanding that all formal bids will be delivered in one group video conference, on an open basis;

(e) **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s);

(f) **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded; and

(g) **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules as the Auction as it sees fit.

Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will review each Qualified Bid and identify the highest or otherwise best bid received at the Auction (the "**Successful Bid**" and the Qualified Party making such bid, the "**Successful Party**").

The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with and approval from the Applicants, subject to the milestones set forth for a hearing of the Sale Approval Motion no later than December 16, 2022.

We would like to thank you again for your interest and we look forward to your response.

Sincerely,

Ernst and Young Inc., in its capacity
as Monitor of the Applicants, and not in
its Corporate or Personal capacity.

Enclosed

November 29, 2022

2608241 Ontario Inc
Attention: Roey Fishman & Dustin Laren
[redacted]

with a copy to:
Bennett Jones LLP
3400 One First Canadian Place, P.O. Box 130
Toronto, Ontario M5X 1A4
Attention: Jesse Mighton
[redacted]

Dear Roey and Dustin:

RE: The Flowr Corporation Sale and Investment Solicitation Process

Thank you for your continued participation in the Sale and Investment Solicitation Process (the "**SISP**") approved by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on October 28, 2022 (the "**SISP Order**") in the proceedings of the Applicants under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") for the Flowr Corporation and certain of its subsidiaries (collectively, the "**Applicants**"). Ernst & Young Inc is the court-appointed monitor of the Applicants (the Monitor), in these CCAA proceedings. All capitalized terms used herein and not otherwise defined have the meanings given to them in the SISP.

This letter provides to advise you that:

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b) as there is a Court approved Stalking Horse Bid and at least one Qualified Bid, the Monitor will move forward under the SISP and conduct and administer an Auction in accordance with the terms of the SISP Order;
c) this letter provides an overview of the auction process procedures but is not intended to amend, restate or supersede the SISP and should be read together with the SISP. All capitalized terms used herein and not otherwise defined have the meanings given to them in the SISP Order; and
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Lead Bid

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A copy of the Lead Bid and a blackline of the Lead Bid to the Stalking Horse Agreement is attached.

Participation in the Auction

Each Qualified Party, including the Stalking Horse Bidder, must inform the Monitor whether it intends to participate in the Auction no later than 5:00 p.m. Eastern Time on the November 30, 2022. Therefore, if you wish to participate in the Auction, you must notify the Monitor, by email to:

Attention: Alex Morrison, Karen Fung and Daniel Taylor

Email: alex.f.morrison@parthenon.ey.com, karen.k.fung@parthenon.ey.com, daniel.taylor@parthenon.ey.com

If no Qualified Party provides such expression of intent, the Stalking Horse Bidder, shall be the Successful Bid.

The Auction shall be governed by the following procedures:

(a) **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent overbids at the Auction.

(b) **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bid;

(c) **Minimum Overbid.** The Carmel Offer has been identified as the Lead Bid with a purchase price of $4,123,900 + Closing DIP Loan + Assumed Liabilities. (the "**Initial Bid**"), and any bid made at the Auction by a Qualified Party subsequent to the Monitor's announcement of the Initial Bid (each, an "**Overbid**") and any overbids must proceed in minimum additional increments of $100,000;

(d) **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference, on an open basis, and all Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties

with the understanding that all formal bids will be delivered in one group video conference, on an open basis;

(e) **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s);

(f) **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded; and

(g) **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules as the Auction as it sees fit.

Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will review each Qualified Bid and identify the highest or otherwise best bid received at the Auction (the "**Successful Bid**" and the Qualified Party making such bid, the "**Successful Party**").

The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with and approval from the Applicants, subject to the milestones set forth for a hearing of the Sale Approval Motion no later than December 16, 2022.

We would like to thank you again for your interest and we look forward to your response.

Sincerely,

Ernst and Young Inc., in its capacity
as Monitor of the Applicants, and not in
its Corporate or Personal capacity.

Appendix “E”
Overbid Summary

CCAA Proceedings of The Flowr Corporation, et al.
Bid Analysis as at 12/01/2022

	Stalking Horse Bid	Lead Bid	Overbid #1	Overbid #2	Overbid #3	Overbid #4	Overbid #5 - Successful Bid[1]
	Stalking Horse Bidder	260 Bidder	Stalking Horse Bidder	260 Bidder	Stalking Horse Bidder	260 Bidder	Stalking Horse Bidder
Cash Consideration	3,888,889	4,123,900	4,200,000	4,800,000	4,200,000	4,500,000	4,200,000
Avant Share Consideration			500,000		800,000		1,100,000
Vendor Takeback Consideration						600,000	
Net Bid Value[2]	**3,888,889**	**4,123,900**	**4,700,000**	**4,800,000**	**5,000,000**	**5,100,000**	**5,300,000**

Note 1: After Overbid #5, the 260 Bidder indicated on the record that they would not be submitting an overbid, thereby concluding the auction.

Note 2: Each Bid and subsequent Overbid included the amount of the Closing DIP Loan plus the amount of Assumed Liabilities.

Appendix “F”
Auction Transcript Excepts

Court File No. CV-22-00688966-00CL

SALE AND INVESTMENT SOLICITATION PROCESS (THE “SISP”) OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (the “Applicants”)

TRANSCRIPT OF AUCTION PROCEEDINGS
held virtually via Microsoft Teams
on Thursday, December 1, 2022, at 11:01 a.m.

Arbitration Place © 2022
940-100 Queen Street
Ottawa, Ontario K1P 1J9
(613) 564-2727

900-333 Bay Street
Toronto, Ontario M5H 2R2
(416) 861-8720

APPEARANCES:

Jesse Mighton Greg Lewis Roey Fishman Alac Kim Dustin Laren	on behalf of Carmel
Jennifer Stam Eric Reither Norton Singhavon Stephen Arbib	on behalf of Avant JV
Jeremy Bornstein	on behalf of Cassels Brock
Darren Karasiuk Mike Willetts	on behalf of the Applicant
Rachel Nicholson Rebecca Kennedy	on behalf of Thornton Grout Finnegan
Kayla Mahar	on behalf of Miller Thomson
Alex Morrison Daniel Taylor Karen Fung	on behalf of Ernst & Young

Also Present:

Pam Boparai
Jurgen Schreiber

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read it.

MS. STAM: We are ready.

MS. FUNG: Thank you.

MR. SINGHAVON: Jenny, am I good to present it? I am Norton Singhavon, representative of 1000343100 Ontario Inc., which going forward I will refer to as the Avant JV. The opening bid of the Avant JV is as follows: $4.2 million cash which takes into consideration the break fee plus freely-tradable shares of Avant Brands Inc. with a net dollar value equivalent of $500,000 at a valuation agreed on with the Monitor for a total dollar value of $4,700,000 plus the closing DIP loan plus Assumed Liabilities as defined in the Purchase Agreement all as submitted in accordance with the Purchase Agreement.

MS. FUNG: Thank you. We will now move everyone to their breakout rooms.

--- Recess taken at 11:16 a.m.

--- Upon resuming at 1:44 p.m.

MS. KENNEDY: It is Rebecca Kennedy and I will start back on the record. The Monitor would like to make certain statements on the record. Our first point is to address a concern raised by Carmel regarding non-cash

consideration. The Monitor sent an Auction Bid Process Letter on November 29th 2022 to all qualified Bidders. It was the intention of the Monitor to amend the Auction Process to allow for non-cash cash-equivalent consideration to be used in the Auction. Because it has been brought to our attention that the Auction Letter noted that it did not amend the SISP. It was the express intention that the Auction Letter amend the SISP in this regard.

For clarity to all Auction participants: The Auction Process is amended whether by the Auction Process Letter or today by this statement to allow parties to bid with non-cash cash-equivalent consideration. Where such consideration is being offered, the Monitor will work with such Bidder to value the consideration.

In light of this, the Monitor has recognized the Avant JV bid presented by Norton Singhavon as an overbid in the amount of $4.7 million plus closing DIP plus the Assumed Liabilities. I will now turn it to the Monitor to put on the record the process for the valuation of the shares.

MR. MORRISON: Shares will be valued based on the 10-day volume-weighted average price preclosing applying a 15 per cent gross-up for freely-tradable shares.

MS. KENNEDY: I think at this point I can turn it to Karen, but at this point it is to Carmel, and if you would like to go back to the breakout room or if you would like to go on the record, Jesse.

MR. MIGHTON: I want to state on behalf of Carmel we reserve all rights with regard to how the SISP is being conducted. We would like to go back to our breakout room.

MS. FUNG: All the rooms are being opened up, so please accept and then you will be pushed into your own rooms.

MR. MIGHTON: Thank you. We will advise when we are ready to come back to the main room.

--- Recess taken at 1:47 p.m.

--- Upon resuming at 1:58 p.m..

MR. TAYLOR: It is to Carmel.

MR. FISHMAN: This is Roey Fishman speaking on behalf of Carmel. Our overbid for round 2 is $100,000 resulting in a bid of $4.8

Appendix “G”
Illustrative Cash Flow Forecast to February 26, 2023

The Flowr Corporation and Certain Affiliated CCAA Filing Entities (collectively, the "Applicants")
Cash Flow Forecast for the Period November 28, 2022 to February 26, 2023
$CDN in Thousands

	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Ending	4-Dec-2022	11-Dec-2022	18-Dec-2022	25-Dec-2022	1-Jan-2023	8-Jan-2023	15-Jan-2023	22-Jan-2023	29-Jan-2023	5-Feb-2023	12-Feb-2023	19-Feb-2023	26-Feb-2023	Total
	Notes														
Receipts															
Sales Collections	2	$ 73	$ 182	$ 200	$ 20	$ 540	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 3,708
Other Receipts	3	44	110	150	-	28	-	75	-	-	-	-	-	-	539
Total Receipts		**117**	**292**	**350**	**20**	**568**	**200**	**275**	**200**	**200**	**200**	**200**	**200**	**200**	**4,247**
Disbursements															
Payroll and Benefits	4	(128)	(83)	(128)	(73)	(128)	(83)	(128)	(73)	(128)	(83)	(128)	(73)	(128)	(1,855)
Operating Expenses	5	(211)	(29)	(147)	-	(215)	(24)	(102)	-	(212)	(27)	(102)	-	(212)	(1,664)
Other SG&A and Taxes	6	(7)	(30)	(36)	(161)	(1,041)	(30)	-	(91)	(135)	(30)	-	(121)	(179)	(2,481)
Restructuring Costs	7	(15)	(265)	(115)	(15)	(215)	(40)	(115)	(40)	(90)	(15)	(15)	(15)	(15)	(1,414)
Transaction Closing & Windup Costs	8	-	-	-	-	(10)	(45)	(40)	(40)	(90)	(135)	(110)	(100)	(75)	(645)
Total Disbursements		**(361)**	**(407)**	**(426)**	**(249)**	**(1,609)**	**(222)**	**(385)**	**(244)**	**(655)**	**(290)**	**(355)**	**(309)**	**(609)**	**(8,059)**
Net cash receipts/(disbursements)		**$ (244)**	**$ (115)**	**$ (76)**	**$ (229)**	**$ (1,041)**	**$ (22)**	**$ (110)**	**$ (44)**	**$ (455)**	**$ (90)**	**$ (155)**	**$ (109)**	**$ (409)**	**$ (3,811)**
Cash Balance															
Beginning Balance	1	$ 607	$ 364	$ 748	$ 673	$ 944	$ 402	$ 380	$ 271	$ 727	$ 272	$ 182	$ 527	$ 418	$ 820
Net cash receipts/(disbursements)		(244)	(115)	(76)	(229)	(1,041)	(22)	(110)	(44)	(455)	(90)	(155)	(109)	(409)	(3,811)
DIP draws/(repayment)		-	500	-	500	500	-	-	-	-	-	-	-	-	2,000
Closing DIP draws/(repayment)		-	-	-	-	-	-	-	500	-	-	500	-	-	1,000
Ending Cash Balance		**$ 364**	**$ 748**	**$ 673**	**$ 944**	**$ 402**	**$ 380**	**$ 271**	**$ 727**	**$ 272**	**$ 182**	**$ 527**	**$ 418**	**$ 9**	**$ 9**
DIP Facility															
Opening Balance		$ 500	$ 500	$ 1,000	$ 1,000	$ 1,500	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ -
DIP draws/(repayment)	9	-	500	-	500	500	-	-	-	-	-	-	-	-	2,000
Closing Balance		**$ 500**	**$ 1,000**	**$ 1,000**	**$ 1,500**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**
Closing DIP Facility															
Opening Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500	$ 500	$ 500	$ 1,000	$ 1,000	$ -
Closing DIP draws/(repayment)	10	-	-	-	-	-	-	-	500	-	-	500	-	-	1,000
Closing Balance		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 500**	**$ 500**	**$ 500**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**

Appendix “H”
Purchase Agreement

AMENDED AND RESTATED PURCHASE AGREEMENT

This amended and restated purchase agreement dated as of the 1st day of December, 2022 (the "**Effective Date**") amends and restates the Stalking Horse Agreement (defined below), among:

THE FLOWR CANADA HOLDINGS ULC
(the "**Vendor**")

– and –

THE FLOWR GROUP (OKANAGAN) INC.
(the "**Company**")

– and –

AVANT BRANDS K1 INC. (formerly, 1000343100 ONTARIO INC.)
(the "**Purchaser**")

WHEREAS pursuant to the Order of the Honourable Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued October 20, 2022 (as may be further amended or amended and restated from time to time, the "**Initial Order**"), the Vendor, the Company, The Flowr Corporation and Terrace Global Inc. (collectively, the "**Flowr Group**") were granted, among other things, creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") and Ernst & Young Inc. was appointed as the CCAA monitor of the Flowr Group (in such capacity, the "**Monitor**");

AND WHEREAS in connection with the proceedings initiated by the Initial Order (the "**CCAA Proceedings**"), on October 28, 2022, the Flowr Group sought and obtained approval of the Court to run a SISP (as defined below);

AND WHEREAS on November 3, 2022, the Court approved the Stalking Horse Agreement for the Purchased Shares (as defined below) for the purposes of serving as the stalking horse bid in the SISP;

AND WHEREAS pursuant to the SISP, the Monitor conducted an auction on December 1, 2022 and at the conclusion of the auction, the Purchaser's bid was declared the Successful Bid (as defined in the SISP) on the terms set out in this Agreement;

AND WHEREAS on the terms set out herein, the Vendor has agreed to sell and transfer to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, all of the Vendor's right, title and interest in and to the Purchased Shares, subject to and in accordance with the terms and conditions set forth in this Agreement,

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably

acknowledged, the parties hereto (collectively, the "**Parties**", and each, a "**Party**") hereby acknowledge and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"**Affiliate**" has the meaning given to the term "affiliate" in the *Business Corporations Act* (Ontario).

"**Agreement**" means this amended and restated purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Monitor, and "**Article**" and "**Section**" mean and refer to the specified article, section and subsection of this Agreement.

"**Applicable Law**" means, in respect of any Person, property, transaction or event, any (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority, and (iii) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

"**Approval and Vesting Order**" means an order by the Court, in form and substance satisfactory to the Purchaser, acting reasonably, among other things, approving and authorizing the Transaction and vesting in the Purchaser (or as it may direct) all the right, title and interest of the Vendor in and to the Purchased Shares, free and clear from any Encumbrances and releasing (A) current and former directors, officers, employees, legal counsel and advisors of the Flowr Group and ResidualCo, (B) the Monitor and its legal counsel, and (C) the Purchaser and its current and former directors, officers, employees, legal counsel and advisors.

"**Assumed Contracts**" means the Contracts listed in Schedule "**I**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof (and including as such Assumed Contracts may be amended, restated, supplemented or otherwise modified from time to time).

"**Assumed Liabilities**" means (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule "**H**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof; and (b) all Liabilities which relate to (i) the Business under any Assumed Contracts, (ii) any Permits and Licenses forming part of the Retained Assets; in each case solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

"**Authorization**" means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs (including any zoning approval or building permit) or from any Person in connection with any easements, contractual rights or other matters.

"Avant Common Shares" means common shares of Avant Brands Inc.

"Avant Share Value" has the meaning given to it in Section 3.2(b).

"**Books and Records**" means (i) all of the Company's files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, and (ii) all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Vendor, the Company, or any other member of the Flowr Group or any of their respective Affiliates including information, documents and records relating to the Assumed Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

"**Business**" means the business conducted by the Company, being a licensed producer and distributor of cannabis, with operations located in Kelowna, British Columbia and its head office located in Toronto, Ontario, engaged in the cultivation, processing and sale of cannabis and cannabis products for medicinal and recreational use.

"**Business Day**" means a day on which banks are open for business in Toronto, Ontario and Kelowna, British Columbia, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario or the Province of British Columbia.

"**Cannabis Licenses**" means all Authorizations related to cannabis and issued by a Governmental Authority to the Company, including Authorizations to plant, grow, cultivate, extract, produce, process, package, store, destroy, market, promote, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation those listed in Schedule "**F**" hereto.

"**Cash Purchase Price**" has the meaning set out in Section 3.2(c).

"**CCAA**" has the meaning set out in the recitals hereto.

"**CCAA Proceedings**" has the meaning set out in the recitals hereto.

"**Claims**" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

"**Closing**" means the closing and consummation of the Transaction.

"**Closing Date**" means the date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Vendor, after the date upon which the conditions set forth in Article 9 have been satisfied or waived, other than any conditions set forth in Article 9 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing).

"**Closing DIP Loan**" has the meaning set out in Section 5.2.

"**Closing Time**" means 12:01 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

"**Contracts**" means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected, including any Contracts in respect of Employees.

"**Company**" means The Flowr Group (Okanagan) Inc.

"**Court**" has the meaning set out in the recitals hereto.

"**DIP Loan**" means the borrowings under the DIP Facility (as defined in the DIP Term Sheet).

"**DIP Term Sheet**" means the debtor-in-possession term sheet dated as of October 20, 2022 among the Purchaser, as lender, and the members of the Flowr Group, as borrowers, as the same may be amended, restated, supplemented and/or modified from time to time.

"**Discharge**" means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, irrevocable, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof.

"**Effective Date**" has the meaning set out in the preamble hereto.

"**Employee**" means any individual who is employed by the Company as of the Closing Date, whether on a full-time or a part-time basis and includes an employee on short term or long term disability leave, but for certainty excludes any employee whose employment will be terminated pursuant to Section 9.2(f).

"**Encumbrance**" means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, write of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

"***Excise Act***" means the *Excise Act, 2001*, S.C. 2002, c.22.

"***Excise Tax Act***" means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

"**Excise License**" means cannabis license 85070 2630 RD0001 obtained by the Company under the *Excise Act*.

"**Excluded Assets**" means the properties, rights, assets and undertakings of the Company (or where, applicable, the other members of the Flowr Group) listed as "Excluded Assets" on Schedule "**A**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

"**Excluded Asset Bill of Sale**" has the meaning set out in Section 4.1.

"**Excluded Asset Promissory Note**" has the meaning set out in Section 4.1.

"**Excluded Contracts**" means those contracts and other agreements of the Company that are not Assumed Contracts and for greater certainty, includes those contracts and agreements which are listed on Schedule "**B**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

"**Excluded Liabilities**" has the meaning set out in Section 2.2(a).

"**Excluded Liabilities Promissory Note**" has the meaning set out in Section 4.2.

"**Excluded Liabilities Assumption Agreement**" has the meaning set out in Section 4.2.

"**Filing Date**" means October 20, 2022.

"**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

"**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act*.

"**Health Canada Approval**" means the approval issued by Health Canada in connection with the change of control contemplated by the Transaction.

"***Income Tax Act***" means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

"**Initial Order**" has the meaning set out in the recitals hereto.

"**Interim Period**" means the period from the Effective Date to the Closing Time.

"**KERP**" means the Key Employee Retention Plan developed by the Flowr Group, with input from the Monitor, and approved by the Court pursuant to the Initial Order.

"**KERP Entitlement**" means the dollar amount of the retention bonus payable to applicable Employees in accordance with the terms and conditions of the KERP.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"**Monitor**" has the meaning set out in the recitals hereto.

"**Monitor's Certificate**" has the meaning set out in Section 9.2(k).

"**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"**Outside Date**" means 11:59 pm (Toronto time) on March 31, 2023 or such later date and time as the Company and the Purchaser may agree to in writing; provided that the Purchaser may by notice to the Vendor extend the "Outside Date" by 30-days at any time prior to the Outside Date provided any application for the approvals contemplated by Section 9.2(a) or any appeal therefrom remains outstanding.

"**Other Flowr Contracts**" means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which any Other Flowr Entity is a party or by which any Other Flowr Entity is bound or in which any such Other Flowr Entity has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

"**Other Flowr Entity**" means any of the Vendor, The Flowr Corporation, Terrace Global Inc., Holigen Holdings Limited, GreyCan Pty Ltd. and RPK Biopharma Unipessoal, LDA.

"**Parties**" has the meaning set out in the recitals hereto.

"**Party**" has the meaning set out in the recitals hereto.

"**Permits and Licenses**" means the orders, permits, licenses, Authorizations, approvals, registrations, consent, waiver or other evidence of authority issued to, granted to, conferred upon, or otherwise created for, the Company by any Governmental Authority, including: (i) those related to the Business, the Retained Assets, Transferred Assets and Assumed Contracts; (ii) the Excise License; and (iii) the Cannabis Licenses.

"**Permitted Encumbrances**" means those Encumbrances related to the Retained Assets and/or Transferred Assets set forth in Schedule "**E**" , as the same may be modified by the Purchaser prior to the granting of the Approval and Vesting Order in accordance with the terms hereof.

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"**Post-Closing Expenses**" has the meaning set out in Section 3.5.

"**Pre-Closing Reorganization**" means the transactions, acts or events described in Exhibit "**A**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof and the Approval and Vesting Order, which unless otherwise expressly provided therein are to occur immediately prior to the Closing Time.

"**Purchase Price**" has the meaning set out in Section 3.1.

"**Purchased Shares**" means all of the issued and outstanding shares of the Company.

"**ResidualCo**" means a corporation to be incorporated as a wholly-owned subsidiary of the Vendor to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

"**Retained Assets**" has the meaning set out in Section 4.1.

"**Retained Employee**" means any Employee that is not a Terminated Employee.

"**SISP**" means the sale and investment solicitation process, conducted pursuant to the sale and bidding procedures substantially in the form set out in Schedule "**G**" hereto.

"**Stalking Horse Agreement**" means the stalking horse purchase agreement dated as of the 31st day of October, 2022 among the Vendor, the Company and the Purchaser and approved by the Court on November 3, 2022.

"**Taxes**" means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

"**Terminated Employee**" means those Employees whose employment will be terminated prior to Closing pursuant to Section 9.2(f), as determined by the Purchaser by written notice to the Company at least ten (10) Business Days prior to the Closing Date.

"**Terminated Employee KERP Payments**" has the meaning set out in Section 5.2.

"**Transaction**" means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Shares.

"**Transferred Assets**" means those assets listed on Schedule "**D**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof, which are owned by Other Flowr Entities, but will be transferred to the Company prior to Closing as part of the Pre-Closing Reorganization and will constitute Retained Assets.

"**Wind-Down Costs**" has the meaning given to it in Section 5.2.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor, the Company or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to $, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A	-	Pre-Closing Reorganization

SCHEDULES

Schedule A	-	Excluded Assets
Schedule B	-	Excluded Contracts
Schedule C	-	Excluded Liabilities
Schedule D	-	Transferred Assets
Schedule E	-	Permitted Encumbrances
Schedule F	-	Permits and Licenses
Schedule G	-	SISP and Bidding Procedures
Schedule H	-	Assumed Liabilities
Schedule I	-	Assumed Contracts

The Parties acknowledge that as of the Effective Date, the Schedules (other than Schedules F and G) are not complete. Such Schedules are for the benefit of the Purchaser and may be amended or completed by the Purchaser, in its sole and absolute discretion, on or before the dates set out in such Schedules and on notice to the Vendor.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2
PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Purchased Shares

Subject to the terms and conditions of this Agreement, effective as of the Closing Time, the Vendor shall sell and transfer the Purchased Shares to the Purchaser, and the Purchaser shall purchase the Purchased Shares from the Vendor, free and clear of all Encumbrances.

2.2 Excluded Liabilities of the Company

(a) Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or the Purchased Shares or against, relating to or affecting any of the Retained Assets, or any Excluded Assets or Excluded Contracts, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule "**C**", (collectively, the "**Excluded Liabilities**") shall be excluded and will no longer be binding on the Company or the Purchased Shares or Transferred Assets, Retained Assets, Employees, Permits and Licenses, or Books and Records following the Closing Time.

(b) Subject to the Pre-Closing Reorganization and pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Approval and Vesting Order, and the Company, the Purchased Shares, the Retained Assets, the Transferred Assets, and the Company's undertakings, Business and properties shall be Discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Shares shall be FIVE MILLION ONE HUNDRED FIFTEEN THOUSAND DOLLARS (CDN $5,115,000) plus the Closing DIP Loan (if any) and the Assumed Liabilities, subject to adjustment as provided in this Agreement (the "**Purchase Price**"). The Purchase Price shall be paid to the Monitor as consideration for the Purchased Shares.

3.2 Satisfaction of Purchase Price

The Purchaser shall pay the Purchase Price to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in accordance with the following:

(a) Credit Bid. an amount equivalent to all amounts owing to the Purchaser under the DIP Term Sheet as of the Closing Time including any accrued and unpaid interest, expenses, fees and other amounts, (the "**Credit Bid Amount**") shall be treated as credited against (in satisfaction of that amount of) the Purchase Price and which the Purchaser shall cause the release thereof at Closing in favour of the Vendor and other borrowers under the DIP Term Sheet;

(b) Avant Shares. delivery of free trading Avant Common Shares with a cash equivalent value of $1,100,000 (the "**Avant Share Value**") based on the value set out below; and

(c) Balance of Purchase Price. an amount equal to the Purchase Price less the Credit Bid Amount and the Avant Share Value in immediately available funds (the "**Cash Purchase Price**");

(d) Assumed Liabilities. an amount equal to the amount of the Assumed Liabilities which the Company shall retain on the Closing Date, in accordance with the Pre-Closing Reorganization, and which shall be satisfied by the Company performing the Assumed Liabilities.

For the purposes of section 3.2(b), the Avant Share Value shall be calculated at a 15% discount to the volume weighted average price per Avant Common Share on the Toronto Stock Exchange for the 10 consecutive trading days preceding the Closing Date. This results in Avant Common Shares with a gross share value of $1,294,117.65 to be issued based on the value of the 10-day VWAP of the Avant Common Shares trading on the TSX measured on the close of trading on the trading day prior to the date of this Agreement.

3.3 Monitor to hold Purchase Price

The Purchase Price shall be held by the Monitor for the benefit of the Vendor and ResidualCo, and any Claim against the Company or the Purchased Shares shall continue to exist solely as against ResidualCo from and after Closing.

3.4 Adjustments to Purchase Price; KERP Entitlements

The Parties acknowledge and agree that a portion of the Purchase Price is intended to fund KERP Entitlements. Accordingly, a portion of the Purchase Price shall be satisfied, and the Cash Purchase Price shall be reduced, on a dollar for dollar basis, to account for: (a) any non-cash consideration which Employees (in each of their sole discretion) may elect, prior to Closing, to accept in lieu of their KERP Entitlement (provided that such adjustment to the Cash Purchase Price shall be equal to the amount of the Employee's KERP Entitlement that is no longer payable in cash); and (b) the Terminated Employee KERP Payments, if any. There shall be no other adjustments or reductions to the Cash Purchase Price and, for certainty, any amount of the Closing DIP Loan (if any) that is not utilized for Terminated Employee KERP Payments shall increase the Purchase Price and the Credit Bid Amount in each case by that amount such that the Cash Purchase Price is not reduced.

3.5 Adjustments to Purchase Price and Credit Bid; Closing DIP Loan

The Parties acknowledge and agree that certain of the Wind-Down Costs may be incurred after Closing, but before the termination of the CCAA Proceedings (the "**Post-Closing Expenses**"). The Purchaser and the Monitor shall agree on any estimated amount of Closing DIP Loan required to fund the Post-Closing Expenses, and the Purchaser covenants and agrees to fund the agreed on Post-Closing Expenses under the Closing DIP Loan, by electing at its option to either: (i) continue to make advances under the Closing DIP Loan after Closing; or (ii) advance funds to the Monitor at Closing in an amount determined by the Monitor and the Purchaser, and supported by the cash flow forecast approved by the Monitor and the Purchaser. The Monitor shall continue to report on cash flow variances to the Purchaser in accordance with the DIP Term Sheet and provide a final reconciliation at the completion of the CCAA Proceedings. For greater certainty, it is acknowledged that any funds advanced by the Purchaser to fund the Post-Closing Expenses are not an asset of the Vendor, the Company or any of the other Applicants and shall not form part of any estate of the Applicants. Upon completion of the activities covered by the Wind-Down Costs and in any event no later than termination of the CCAA Proceedings, any funds advanced under the Closing DIP Loan but not used to fund the Post-Closing Expenses, shall be promptly returned to the Purchaser without deduction.

In either case, the Purchase Price and the Credit Bid shall be adjusted upwards by an amount equal to the actual Post-Closing Expenses incurred and funded by the Closing DIP Loan from and after the Closing.

ARTICLE 4
TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo

At Closing, the Company shall retain all of the assets owned by it on the Effective Date of this Agreement and any assets acquired by it up to and including Closing, including the Transferred Assets, the Company's equipment, its Assumed Contracts, Permits and Licences, Books and Records, Business and undertakings (the "**Retained Assets**"), excluding inventory sold or consumed in the ordinary course of Business in the Interim Period and amounts paid in the Interim Period in accordance with the Initial Order, the DIP Term Sheet and the approval of the Monitor. The Retained Assets shall not include: (i) the Excluded Assets; or (ii) the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Pre-Closing Reorganization, and same shall be vested in ResidualCo pursuant to the Approval and Vesting Order as evidenced by a bill of sale and assignment of contracts (the "**Excluded Assets Bill of Sale**"), all in consideration of an interest-free promissory note (the "**Excluded Assets Promissory Note**") issued by the Company to ResidualCo in an amount equal to the portion of the Cash Purchase Price that exceeds the Excluded Liabilities Promissory Note (as defined below), which Excluded Asset Promissory Note will be cancelled at Closing in accordance with the Approval and Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

On the Closing Date, the Excluded Liabilities shall be assumed by ResidualCo and the Company shall issue to ResidualCo an interest free promissory note (the "**Excluded Liabilities Promissory Note**") in an amount equal to a portion, to be agreed upon between the Parties, of the Cash Purchase Price in consideration for ResidualCo assuming the Excluded Liabilities, which Excluded Liabilities Promissory Note will be cancelled at Closing in accordance with the Approval and Vesting Order. In accordance with the Pre-Closing Reorganization and the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed by ResidualCo and evidenced by an assignment and assumption agreement in form and substance acceptable to the Purchaser and the Vendor (the "**Excluded Liabilities Assumption Agreement**"). Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Company shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Purchased Shares, the Company and the Retained Assets as of and from and after the Closing Time.

4.3 Tax Matters

Pursuant to the Approval and Vesting Order, at the Closing Time, all Taxes owed or owing or accrued due by the Company shall be transferred to, vested in and assumed by ResidualCo. Any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Closing Date, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo.

ARTICLE 5
FURTHER FUNDING

5.1 INTENTIONALLY DELETED

5.2 Further Funding

In the event that the Flowr Group has cash requirements in excess of the amounts available to them under the DIP Facility once fully drawn, then provided that the Company and/or Vendor are not then in default under the DIP Facility or their obligations under this Agreement, then the Purchaser shall advance, by way of a non-revolving debtor-in-possession loan facility (the "**Closing DIP Loan**") pursuant to the DIP Term

Sheet, such further funding to the Flowr Group as is reasonably necessary to close the Transaction in accordance with the cash flow projections approved by the Monitor and the Purchaser, which the parties understand will include post-closing restructuring costs, orderly wind down costs including with respect to The Flowr Corporation and delisting same from the TSX Venture Exchange (if necessary), the costs to prepare and file the necessary tax returns and related matters in respect of the Canada Revenue Agency, costs to undertake a D&O claims process (if necessary), distribution and discharge of the Monitor and the CCAA Proceedings ("**Wind-Down Costs**") and fund such other costs and expenses of the Flowr Group as may be agreed to by the Purchaser, in writing. It shall be a condition of the Purchaser that the Closing DIP Loan be secured by the DIP Lender's Charge (as defined in the Initial Order). Without limiting the foregoing, the Parties acknowledge and agree that the Closing DIP Loan shall be used, as necessary, to fund the KERP Entitlements of Terminated Employees whose employment is terminated prior to Closing ("**Terminated Employee KERP Payments**").

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Vendor

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Vendor is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and, subject to obtaining of the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Vendor of this Agreement has been authorized by all necessary corporate action on the part of the Vendor.

(c) No Conflict. The execution, delivery and performance by the Vendor of this Agreement does not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Vendor, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the Flowr Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Vendor and constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending against the Vendor or, to the knowledge of the Vendor, threatened, with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Vendor from fulfilling any of its obligations set forth in this Agreement, and no event has occurred or circumstance exists which would reasonably be

expected to give rise to or serve as a valid basis for the commencement of any such proceeding.

(f) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Health Canada Approval, the Vendor does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

(g) Residency. The Vendor is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.

(h) Title to Purchased Shares. The Vendor is the sole registered and beneficial owner of the Purchased Shares, with good and valid title thereto, and the Vendor will transfer good and valid title to the Purchased Shares to the Purchaser, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Vesting Order. There are no issued and outstanding shares or other securities of the Company other than the Purchased Shares, nor are there any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person and which are convertible into or exchangeable for shares or any other securities of the Company.

(i) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Vendor or the Company of any of the Purchased Shares or the Retained Assets.

6.2 Representations and Warranties in respect of the Company

The Vendor and the Company hereby represent and warrant to and in favour of the Purchaser as of the date hereof and as of the Closing Time, and acknowledge that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Company is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and, subject to obtaining the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.

(c) No Conflict. The execution, delivery and performance by the Company of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Company, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the Flowr Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

(e) Authorized and Issued Capital. The authorized capital of the Company consists of an unlimited number of Class A Voting Participating Common Shares, Class B Voting Participating Common Shares and Class C Voting Participating Common Shares, of which 550,000 Class A Voting Participating Shares, 250,000 Class B Voting Participating Shares and 200,000 Class C Voting Participating Shares are issued and outstanding. The Purchased Shares: (i) constitute all of the issued and outstanding securities in the capital of the Company; (ii) have all been duly authorized and validly issued as fully paid and non-assessable; (iii) have been issued by the Company in compliance with all Applicable Laws; and (iv) are registered in the name of, and are legally and beneficially owned by, the Vendor. None of the Purchased Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights. The Company is a private issuer (as such term is defined in Section 2.4 of National Instrument 45-106).

(f) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Company of any of the Purchased Shares, any Retained Assets or for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Company. The Company has good and valid title to the Retained Assets free and clear of all Encumbrances (other than Permitted Encumbrances).

(g) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Company from fulfilling any of its obligations set forth in this Agreement and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.

(h) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Health Canada Approval, the Company does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

(i) Cannabis Licenses. The Cannabis Licenses and the Excise License are in full force and effect. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or the creation of any Encumbrance in respect of, the Cannabis Licenses or the Excise License. In addition, subject to obtaining the Health Canada Approval, there are no terms, conditions, or other restrictions imposed on the Cannabis Licenses or the Excise License that would delay, restrict, or prevent the Company or the Vendor from fulfilling any of their obligations set forth in this Agreement.

(j) Compliance with Laws. The Company is conducting and has conducted the Business in compliance with all Applicable Laws in all material respects.

(k) Assumed Contracts. The list and copies of Contracts and Other Flowr Contracts provided by the Company and Vendor pursuant to Section 7.4(b), are correct and complete in all material respects, inclusive of all amendments, modifications and supplements thereto.

6.3 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that, the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Business Corporations Act* (Ontario) as of the date hereof and may, as of the Closing Time be continued under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.

(c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

6.4 As is, Where is

The representations and warranties of the Company shall survive the Closing Time on the Closing Date provided, however, that the Purchaser's recourse for any breach or inaccuracy of such representations and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever.

ARTICLE 7
COVENANTS

7.1 Closing Date

(a) The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

(b) Without limiting the foregoing, the Parties shall assist with submissions, share information and make any other efforts required to obtain any approval (including the Health Canada Approval) or Permits and Licences from any Governmental Authority necessary to effect the Closing.

(c) Each of the Parties shall, as promptly as possible, make, or cause to be made, all filings and submissions (including with respect to the Cannabis Licences), as applicable, required under any Applicable Law to effect the Closing.

(d) The Vendor and the Company shall cause such individuals as the Purchaser may determine in its sole discretion to be appointed or assigned to be as of the Closing Time: (i) a director or officer of the Company; (ii) another individual who exercises direct control over the Company; (iii) directors or officers of any corporation that exercises direct control over the Company; or (iv) the responsible person, the head of security, or the master grower, and their alternates, as those terms are defined in the *Cannabis Regulations* (Canada).

7.2 Motion for Approval and Vesting Order

As soon as practicable after the date of this Agreement and in any event by no later than December 9, 2022, the Vendor shall serve and file with the Court a motion for the issuance of the Approval and Vesting Order, seeking relief that will, *inter alia*, approve this Agreement and the Transaction, and grant the releases contemplated thereby. The Vendor shall use its best efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Vendor in its efforts to obtain the issuance and entry of the Approval and Vesting Order.

7.3 Interim Period

During the Interim Period, except as otherwise expressly contemplated or permitted by this Agreement (including the Approval and Vesting Order and the Pre-Closing Reorganization), the Vendor and Company shall, unless consented to by the Purchaser under the DIP Term Sheet, comply with the DIP Term Sheet and continue to maintain the Business, operations of the Company and Retained Assets and cause the Other Flowr Entities to maintain the Transferred Assets in substantially the same manner as conducted on the Effective Date and in material compliance with all Applicable Laws, Permits and Licences.

7.4 Access During Interim Period

(a) During the Interim Period, the Vendor and the Company shall give, or cause to be given, to the Purchaser, and its representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize themselves with the Business and the Retained Assets. Without limiting the generality of the foregoing: (a) the Purchaser and its representatives shall be permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement and to the Employees; and (b) the Purchaser and its Representatives shall be permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities and the Vendor's and Company's customers and contractual counterparties. Such investigations, inspections, surveys and tests shall be carried out at the Purchaser's sole and exclusive risk and cost, during normal business hours, and without undue interference with the Company's operations and the Vendor and the Company shall co-operate reasonably in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

(b) in order to consider, analyze and complete or modify Schedules "**D**" (Transferred Assets) and "**I**" (Assumed Contracts) in accordance with the terms of this Agreement, the Company and Vendor undertake to provide to the Purchaser, promptly and in any event no later than November 20, 2022, true and complete copies of: (a) all Contracts and Other Flowr Contracts; (b) a list of inventory, property, plant & equipment and any other material assets owned by all Other Flowr Entities; (c) a list of all employees employed by the Company and Other Flowr Entities; and (d) a list of any outstanding legal proceeding against the Company and Other Flowr Entities.

7.5 Insurance Matters

Until Closing, the Vendor and the Company shall keep in full force and effect all existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice of the Vendor and the Company in the ordinary course of business.

ARTICLE 8
CLOSING ARRANGEMENTS

8.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

8.2 Pre-Closing Reorganization

(a) Subject to the other terms of this Agreement, the Company shall effect the Pre-Closing Reorganization on the terms and using the steps set out at Exhibit "**A**"; *provided that* the Purchaser and Company shall cooperate to ensure that the Pre-Closing Reorganization is completed in a tax efficient manner, including by revising the steps thereof as required by the Purchaser; and *provided further* that the Purchaser shall be entitled to require, as a part of the Pre-Closing Reorganization, that the Transferred Assets be transferred to and vested in the Company free and clear of all Encumbrances (other than Permitted Encumbrances) pursuant to the Approval and Vesting Order provided that such Transferred Assets have been identified by the Purchaser at least 8 days prior to the hearing for such Approval and Vesting Order.

(b) The Purchaser and the Vendor shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

(c) In addition to the foregoing, the Parties agree that this Agreement and the Pre-Closing Reorganization may be amended prior to Closing to account for the acquisition of the tax losses in The Flowr Corporation, there having been no bids received for or in respect of The Flowr Corporation in the SISP.

8.3 Vendor Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

(a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;

(b) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable stock transfer powers duly executed in blank, in either case, by the Vendor;

(c) confirmation, in form and substance satisfactory to the Purchaser, that all applicable Governmental Authorities have approved the change of control contemplated by the Transaction such that the Permits and Licenses, including the Cannabis Licenses, will be valid and in good standing immediately following the Closing;

(d) a certificate of an officer of the Vendor dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor and the Company have performed in all material respects the covenants to be performed by them prior to the Closing Time;

(e) the Organizational Documents of the Company and the corporate Books and Records;

(f) a side letter addressed to the Purchaser and further to which any applicable Other Flowr Entities making the representations and warranties contemplated by Section 9.2(l); and

(g) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

8.4 Company Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Monitor the following:

(a) the Excluded Asset Promissory Note;

(b) the Excluded Liability Assumption Agreement, signed by the Company and ResidualCo;

(c) the Excluded Asset Bill of Sale, signed by the Company and ResidualCo; and

(d) the Excluded Liabilities Promissory Note.

8.5 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor and the Company (or to the Monitor, as applicable), the following:

(a) the Avant Common Shares contemplated by Section 3.2(b);

(b) the Cash Purchase Price;

(c) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(d) such other agreements, documents and instruments as may be reasonably required by the Vendor and the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 9
CONDITIONS OF CLOSING

9.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

(a) Approval and Vesting Order. The Court shall have issued and entered the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably.

(b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and

(c) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 9.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

9.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Regulatory Approval. The Purchaser shall have obtained the Health Canada Approval, in a form satisfactory to the Purchaser, acting reasonably.

(b) Pre-Closing Reorganization. The Pre-Closing Reorganization shall have been completed in the order and in the timeframes contemplated hereunder.

(c) Company's Deliverables. The Vendor and the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 8.3.

(d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 6.1 and Section 6.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(e) No Breach of Covenants. The Company and the Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Company and the Vendor on or before the Closing Date.

(f) Company Employees. The Company shall have terminated the employment of any employees identified by the Purchaser in its sole discretion to be Terminated Employees

and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law, shall be Excluded Liabilities or shall be Discharged pursuant to the Approval and Vesting Order. Notwithstanding the foregoing, Terminated Employees that are subject to the KERP shall be entitled to receive their KERP Entitlements, and nothing in this Agreement shall limit or terminate such entitlement, which will be funded, as necessary, in accordance with Section 5.2.

(g) ResidualCo. Pursuant to the Approval and Vesting Order: (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged; (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price; and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.

(h) Partial Termination of CCAA Proceeding. Upon Closing, the CCAA Proceeding shall have been terminated in respect of the Company, its Business and property, as set out in the Approval and Vesting Order, but, for greater certainty, shall continue in respect of ResidualCo, the Vendor and the rest of the Flowr Group.

(i) Disclaimer of Excluded Contracts. The Company shall have sent notices of disclaimer for all known Excluded Contracts and other agreements, and such known Excluded Contracts shall form part of the Excluded Assets.

(j) Permits and Licenses. The Permits and Licenses, including the Cannabis Licenses and Excise License, shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied and such Permits and Licenses shall remain in good standing immediately following and notwithstanding Closing and no Governmental Authority whose consent is not required to the Transaction shall have objected to the completion of the Transaction or indicated that such Permits and Licenses will not remain in full force and effect following completion of the Transaction.

(k) Monitor's Certificate. The Monitor shall have provided an executed certificate of the Monitor substantially in the form attached to the Approval and Vesting Order (the "**Monitor's Certificate**") confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

(l) Representations as to Transferred Assets/by Other Flowr Entities. To the extent any assets, properties or undertakings of an Other Flowr Entity have been designated as a Transferred Asset hereunder, such Other Flowr Entity shall have provided to the Purchaser those representations and warranties set out in Sections 6.1(a) through (i) as modified for such Other Flowr Entit(ies) and Transferred Asset(s) *mutatis mutandis*, which representations and warranties (except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement) shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 9.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement.

9.3 Conditions Precedent in favour of the Vendor and the Company

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.

(b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 6.3 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

(c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

(d) Monitor's Certificate. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 9.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 9.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

ARTICLE 10
TERMINATION

10.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

(a) by the mutual written agreement of the Vendor (with the consent of the Monitor) and the Purchaser; or

(b) by the Vendor (with the consent of the Monitor) or the Purchaser upon written notice to the other Parties if: (i) the Closing has not occurred on or prior to the Outside Date; or (ii) the Approval and Vesting Order is not obtained on or before December 16, 2022 (subject to availability of the Court); provided in each case that the failure to close or obtain such order, as applicable, by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of Section 10.2.

ARTICLE 11
GENERAL

11.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for the Vendor (or any trustee in bankruptcy of the estate of the Vendor) to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Vendor, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

11.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

(a) in the case of the Purchaser, as follows:

1000343100 ONTARIO INC.

Attention: Stephen Arbib & Norton Singhavon
Email: sarbib@menain.com; ns@avantbrands.ca

with a copy to:

Norton Rose Fulbright Canada LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, Ontario M5K 1E7

Attention: Eric Reither & Jennifer Stam
Email: eric.reither@nortonrosefulbright.com;
jennifer.stam@nortonrosefulbright.com

and to:

Cassels, Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON, M5H 3C2

Attention: Jane Dietrich & Jeremy Bornstein
Email: jdietrich@cassels.com; jbornstein@cassels.com

(b) in the case of the Vendor or the Company, as follows:

The Flowr Canada Holdings ULC
60 Adelaide Street East
Toronto, Ontario M5C 3E4

Attention: Darren Karasiuk
Email: dkarasiuk@flowr.ca

with a copy to:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, ON M5H 4A9

Attention: Kyla Mahar
Email: kmahar@millerthomson.com

(c) in each case, with a further copy to the Monitor as follows:

Ernst & Young Inc.
P.O. Box 1, 100 Adelaide Street West
Toronto, Ontario M5H 0B3

Attention: Alex Morrison
Email: alex.f.morrison@parthenon.ey.com

with a copy to:

Thornton Grout Finnigan LLP
Suite 3200, 100 Wellington Street West
P.O. Box 329, Toronto-Dominion Centre
Toronto, ON M5K 1K7

Attention: Rebecca Kennedy & Rachel Nicholson
Email: rkennedy@tgf.ca; rnicholson@tgf.ca

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

11.3 Public Announcements

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the CCAA Proceedings, other than any information which the Purchaser advises the Vendor in writing as being confidential, and this Agreement may be posted on the Monitor's website maintained in connection with the CCAA Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Vendor or any of its Affiliates under Applicable Laws or stock exchange rules, the Vendor shall not issue (prior to or after the Closing) any press release or make any public statement or public communication with respect to this Agreement or the Transactions contemplated hereby without the prior consent of the other Parties, which shall not be unreasonably withheld or delayed.

11.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

11.5 Survival

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

11.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo, provided that no consent, waiver or agreement of ResidualCo shall be required for any amendment of this Agreement.

11.7 Entire Agreement

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term Sheet. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

11.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term Sheet.

11.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Ontario therefrom.

11.10 Assignment

(a) This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, in whole or in part, without the prior written consent of the Vendor, the Company, ResidualCo or the Monitor, provided that: (x) (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor, the Company and the Monitor; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder; and (y) the Purchaser may assign the benefits of this Agreement to a lender or lenders as security for obligations owed to it or them, all without the consent of (but upon notice to) the Vendor, the Company and the Monitor.

(b) Except as specifically contemplated herein as it relates to ResidualCo, this Agreement may not be assigned by the Vendor or the Company without the Consent of the Purchaser.

11.11 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

11.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

11.13 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

11.14 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, the executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

11.15 Monitor's Capacity

In addition to all of the protections granted to the Monitor under the CCAA or any order of the Court in this CCAA Proceeding, the Vendor, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

[*Signature Page Follows*]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

AVANT BRANDS K1 INC. (FORMERLY 1000343100 ONTARIO INC.)

By: _____

Name: David Lynn

Title: Director

By: _____

Name: Stephen Arbib

Title: Director

I/We have authority to bind the Corporation

THE FLOWR CANADA HOLDINGS ULC

By: _____

Name:

Title:

I have authority to bind the Corporation.

THE FLOWR GROUP (OKANAGAN) INC.

By: _____

Name:

Title:

I have authority to bind the Corporation.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

AVANT BRANDS K1 INC. (FORMERLY 1000343100 ONTARIO INC.)

By: _____

Name:
Title:

By: _____

Name:
Title:

I/We have authority to bind the Corporation

THE FLOWR CANADA HOLDINGS ULC

By: _____

Name: Darren Karasiuk
Title: Director

I have authority to bind the Corporation.

THE FLOWR GROUP (OKANAGAN) INC.

By: _____

Name: Darren Karasiuk
Title: Director

I have authority to bind the Corporation.

EXHIBIT "A"
PRE-CLOSING REORGANIZATION

1. The Transferred Assets shall be transferred to the Company.

2. ResidualCo shall be incorporated by the Vendor with nominal consideration for common shares and shall be added to the CCAA Proceeding as an Applicant, but shall take no other steps or actions in respect thereof.

3. The Excluded Assets and Excluded Liabilities shall be transferred to, and vested in, ResidualCo pursuant to the Approval and Vesting Order.

SCHEDULE "A"
EXCLUDED ASSETS

1. Inventory sold in the ordinary course of Business in the Interim Period.

2. Excluded Contracts.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "B"
EXCLUDED CONTRACTS

*All Contracts that are not Assumed Contracts.

SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time.

2. Any and all Liabilities pertaining to the administration of the CCAA Proceedings including, without limitation, under any court-ordered charge granted therein.

3. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.

4. All Liabilities to Terminated Employees whose employment with the Company is terminated on or before Closing, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law.

5. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the negotiation, execution or delivery of this Agreement or the consummation of the Transaction.

6. Any and all Liabilities that are not Assumed Liabilities.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "D"
TRANSFERRED ASSETS

1. Intellectual property rights of the Vendor used by or currently being developed for use in the business of the Company, including any and all rights, trademarks, service marks, brand names, logos, design rights and similar designations relating to the "Flowr" brand.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE “E”
PERMITTED ENCUMBRANCES

Nil.

SCHEDULE "F"
CANNABIS LICENSES

Regulatory Authority	Authorization Type	Details	Licensee	Issuance Date	Expiry Date	Licence No.
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licences for Standard Cultivation, Standard Processing, Sale for Medical Purposes	Flowr Group (Okanagan) Inc.	08/10/2022	12/1/2023	LIC-DG4JA5DWP1-2020-16
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licence for Research	Flowr Group (Okanagan) Inc.	09/2/2022	06/30/2026	LIC-AQ4YORB346-2021-3

SCHEDULE "G"
SISP AND BIDDING PROCEDURES

(attached)

Sale and Investment Solicitation Process

Introduction

1. On October 20, 2022, The Flowr Corporation ("**Flowr**") and certain of its subsidiaries (collectively, the "**Applicants**") were granted an initial order (as amended or amended and restated from time to time, the "**Initial Order**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the "**CCAA Proceedings**") by the Ontario Superior Court of Justice (the "**Court**"). The Initial Order (which was amended and restated on **[October 28, 2022]**), among other things:

   (a) stayed all proceedings against the Applicants, their assets and their respective directors and officers;

   (b) appointed Ernst & Young Inc. as the monitor of the Applicants (in such capacity, the "**Monitor**");

   (c) authorized the Applicants to enter into a debtor-in-possession financing facility (the "**DIP Facility**") with 1000343100 Ontario Inc. ("**DIP Lender**") pursuant to a Commitment Letter dated October 20, 2022 (the "**DIP Commitment Letter**"), as well as the related charge in favour of the DIP Lender (the "**DIP Charge**") over all of the Applicants' present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof to secure the amounts outstanding under or in connection with the DIP Facility; and

   (d) authorized the Applicants to pursue all avenues of sale or investment of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.

2. Further to the Applicants' restructuring efforts and the terms of the DIP Facility, the Monitor will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Applicants, and pursuant to a Court order dated **[October 28, 2022]** (the "**SISP Order**"). The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the business of the Applicants by way of merger, reorganization, recapitalization, primary equity issuance or other similar transaction. The Applicants intend to provide all qualified interested parties with an opportunity to participate in the SISP.

3. In accordance with the terms of the DIP Facility, the DIP Lender has the exclusive option to submit a Stalking Horse Agreement (when referring to the bid, the "**Stalking Horse Bid**" and in referring to the DIP Lender, as purchaser, the "**Stalking Horse Bidder**") in order to provide certainty in the marketplace for the Applicants. Where the Stalking Horse Bidder submits its Stalking Horse Bid, the Monitor or the Applicants shall bring a motion before the Court seeking the approval of the Stalking Horse Bid. In the event the Stalking Horse Bid is approved by the Court, the Stalking Horse Bid shall automatically be considered as a Qualified Bid (as defined herein) for the purposes of the Auction (as defined herein).

Opportunity

4. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Applicants' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Applicants as a going concern or a sale of all, substantially all or one or more components of the Applicants' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.

5. Except to the extent otherwise set forth in a definitive sale or investment agreement with a successful bidder, any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Applicants, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Applicants in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Timeline

6. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Deadline to publish notice of SISP and deliver Teaser Letter and NDA to Known Potential Bidders	November 7, 2022
Bid Deadline	November 25, 2022
Auction Date	December 1, 2022
Hearing of the Sale Approval Motion (as defined below)	No later than December 16, 2022, subject to the availability of the Court

7. Subject to any order of the Court, the dates set out in the SISP may be extended by the Monitor with the consent and approval of the Applicants and after consultation with the DIP Lender.

Solicitation of Interest: Notice of the SISP

8. As soon as reasonably practicable, but in any event by no later than November 7, 2022:

   (a) the Monitor, in consultation with the Applicants, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor

indicating an interest in the Opportunity, and (ii) local and international strategic and financial parties who the Applicants, in consultation with the Monitor, believe may be interested in purchasing all or part of the Business and Property or investing in the Applicants pursuant to the SISP, in each case whether or not such party has submitted a letter of intent or similar document (collectively, "**Known Potential Bidders**");

(b) the Monitor will arrange for a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Applicants, considers appropriate) (the "**Notice**") to be published in The Globe and Mail (National Edition), and any other newspaper or journal as the Applicants, in consultation with the Monitor, consider appropriate, if any;

(c) the Monitor will issue a press release with Canada Newswire or comparable newswire entity setting out the information contained in the Notice and such other relevant information which the Monitor, in consultation with the Applicants, consider appropriate, designating dissemination in Canada; and

(d) the Monitor, in consultation with the Applicants, will prepare: (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicants and the Monitor, and their respective counsel, and substantially in the form of the NDA executed by the DIP Lender (an "**NDA**").

9. The Monitor will send the Teaser Letter and NDA to each Known Potential Bidder by no later than November 7, 2022 and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Applicants or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Potential Bidders and Due Diligence Materials

10. Any party who wishes to participate in the SISP (a "**Potential Bidder**"), other than the Stalking Horse Bidder, must provide to the Applicants and the Monitor an NDA executed by it, and which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof, and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.

11. The Monitor, in consultation with the Applicants, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Potential Bidder who has signed and delivered a NDA to the Monitor and provided information as to their financial wherewithal to close a transaction such access to due diligence material and information relating to the Property and Business as the Applicants or the Monitor deem appropriate. Due diligence shall include access to an electronic data room containing information about the Applicants and the Business, and may also include management presentations, on-site inspections, and other matters which a

Potential Bidder may reasonably request and as to which the Applicants, in their reasonable business judgment and after consulting with the Monitor, may agree. The Monitor will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner in which such requests must be communicated. Neither the Applicants nor the Monitor will be obligated to furnish any information relating to the Property or Business to any person other than to Potential Bidders. Furthermore and for the avoidance of doubt, selected due diligence materials may be withheld from certain Potential Bidders if the Applicants, in consultation with and with the approval of the Monitor, determine such information to represent proprietary or sensitive competitive information. Neither the Applicants nor the Monitor is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the Sale of the Property and the Business.

12. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Applicants.

Formal Binding Offers

13. Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or Business (a "**Bidder**") shall submit a binding offer (a "**Bid**") that complies with all of the following requirements to the Monitor at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than **5:00 PM (Eastern Time) on November 25, 2022** or as may be modified in the Bid process letter that may be circulate by the Monitor to Potential Bidders, with the approval of the Applicants and in consultation with the DIP Lender (the "**Bid Deadline**"):

    (a) the Bid must be either a binding offer to:

        (i) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); and/or

        (ii) make an investment in, restructure, reorganize or refinance the Business or the Applicants (an "**Investment Proposal**");

    (b) the Bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Applicants or their Property or Business and is consistent with any necessary terms and conditions established by the Applicants and the Monitor and communicated to Bidders;

    (c) the Bid includes a letter stating that the Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;

(d) the Bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;

(e) the Bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Applicants and the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;

(f) the Bid is not conditioned on (i) the outcome of unperformed due diligence by the Bidder, or (ii) obtaining financing, but may be conditioned upon the Applicants receiving the required approvals or amendments relating to the licences required to operate the business, if necessary;

(g) the Bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is otherwise participating or benefiting from such bid;

(h) for a Sale Proposal, the Bid includes:

(i) the purchase price in Canadian dollars and a description of any non-cash consideration, including details of any liabilities to be assumed by the Bidder and key assumptions supporting the valuation;

(ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;

(iii) a specific indication of the financial capability of the Bidder and the expected structure and financing of the transaction;

(iv) a description of the conditions and approvals required to complete the closing of the transaction;

(v) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;

(vi) any other terms or conditions of the Sale Proposal that the Bidder believes are material to the transaction; and

(vii) a commitment by the Bidder to provide a non-refundable deposit in the amount of not less than 10% of the Purchase Price offered upon the Bidder being selected as the Successful Bidder;

(i) for an Investment Proposal, the Bid includes:

(i) a description of how the Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;

(ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;

(iii) the underlying assumptions regarding the pro forma capital structure;

(iv) a specific indication of the sources of capital for the Bidder and the structure and financing of the transaction;

(v) a description of the conditions and approvals required for to complete the closing of the transaction;

(vi) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;

(vii) any other terms or conditions of the Investment Proposal; and

(viii) a commitment by the Bidder to provide a non-refundable deposit in the amount of not less than 10% of the total new investment contemplated in the bid upon the Bidder being selected as the Successful Bidder;

(j) the Bid includes acknowledgements and representations of the Bidder that the Bidder:

(i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Applicants prior to making its offer;

(ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and

(iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Applicants;

(k) the Bid is received by the Bid Deadline;

(l) the Bid includes confirmation that, if the Bid is the Successful Bid and the Flowr Group has cash requirements in excess of the amounts available to them under the DIP Facility to get to a closing of the transaction then the Bidder will advance funds to the Flowr Group to allow them to fund their cash requirements by way of

non-revolving facility in a manner that does not impair the priority of the DIP Facility or otherwise is satisfactory to the DIP Lender; and

(m) the Bid contemplates closing the transaction set out therein on or before January 31, 2023.

14. Following the Bid Deadline, the Applicants and the Monitor will assess the Bids received. The Monitor, in consultation with the Applicants, and with the approval of the Applicants, will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Bids received shall be deemed not to be Qualified Bids without the approval of the Monitor. Only Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).

15. In the event that a Stalking Horse Agreement is approved by the Court, the Monitor may only designate a Bid as a Qualified Bid where the proposed purchase price is equal to or greater than that contained in any Stalking Horse Bid, and includes a cash purchase price in an amount equal to or greater than the Stalking Horse Bid, *plus* the amount of any break fee *plus* $50,000.

16. The Monitor, in consultation with the Applicants and with the approval of the Applicants, may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant Bids to be a Qualified Bid; provided, however, that the Monitor shall not waive compliance with paragraph 14 above without the consent of the DIP Lender.

17. The Monitor shall notify each Bidder in writing as to whether its Bid constituted a Qualified Bid within two (2) business days of the Bid Deadline, or at such later time as the Monitor deems appropriate.

18. In the event that there is not a Stalking Horse Bid, if the Monitor, in consultation with the Applicants, are not satisfied with the number or terms of the Qualified Bids, the Monitor may, in consultation with the Applicants and with the approval of the Applicants, extend the Bid Deadline, or the Monitor may seek Court approval of an amendment to the SISP, in each case after consultation with the DIP Lender.

19. The Monitor may, in consultation with the Applicants and with the approval of the Applicants, aggregate separate Bids from unaffiliated Bidders to create one Qualified Bid.

Evaluation of Competing Bids

20. A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such bid, (ii) the identity, circumstances and ability of the Bidder to successfully complete such transactions, (iii) the proposed transaction documents, (iv) factors affecting the speed, certainty and value of the transaction, (v) the assets included or excluded from the bid, (vi) any related

restructuring costs, and (vii) the likelihood and timing of consummating such transaction, each as determined by the Applicants and the Monitor.

Auction

21. If the Monitor receives at least one additional Qualified Bid where there is a court approved Stalking Horse Bid, or two Qualified Bids where there is no court approved Stalking Horse Bid, the Monitor will conduct and administer an Auction in accordance with the terms of this SISP (the "**Auction**"). Instructions to participate in the Auction, which will take place via video conferencing, will be provided to Qualified Parties (as defined below) not less than 24 hours prior to the Auction.

22. Only parties that provided a Qualified Bid by the Bid Deadline, as confirmed by the Monitor, including the Stalking Horse Bid, if any (collectively, the "**Qualified Parties**"), shall be eligible to participate in the Auction. No later than 5:00 p.m. Eastern Daylight Time on the day prior to the Auction, each Qualified Party must inform the Monitor whether it intends to participate in the Auction. The Monitor will promptly thereafter inform in writing each Qualified Party who has expressed its intent to participate in the Auction of the identity of all other Qualified Parties that have indicated their intent to participate in the Auction. If no Qualified Party provides such expression of intent, the Stalking Horse Bidder, if any, shall be the Successful Bid (as defined below).

Auction Procedure

23. The Auction shall be governed by the following procedures:

    (a) **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent Overbids (as defined below) at the Auction. The Monitor shall provide all Qualified Bidders with the details of the lead bid by 5:00 PM (Eastern Time) two (2) Business Days after the Bid Deadline;

    (b) **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bid;

    (c) **Minimum Overbid.** The Auction shall begin with the Qualified Bid that represents the highest or otherwise best Qualified Bid as determined by the Monitor, in consultation with the Applicants (the "**Initial Bid**"), and any bid made at the Auction by a Qualified Party subsequent to the Monitors announcement of the Initial Bid (each, an "**Overbid**"), must proceed in minimum additional cash increments of $100,000;

    (d) **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference, on an open basis, and all

Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties with the understanding that all formal bids will be delivered in one group video conference, on an open basis;

(e) **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s); and

(f) **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded.

(g) **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules as the Auction as it sees fit.

Selection of Successful Bid

24. Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will:

(a) review each Qualified Bid, considering the factors set out in paragraph 13 and, among others things:

(i) the amount of consideration being offered, and, if applicable, the proposed form, composition and allocation of same;

(ii) the value of any assumption of liabilities or waiver of liabilities not otherwise accounted for in paragraph 26(a)(i);

(iii) the likelihood of the Qualified Party's ability to close a transaction by January 31, 2023, after completion of the Auction and timing thereof (including factors such as the transaction structure and execution risk, including conditions to, timing of, and certainty of closing; termination provisions; availability of financing and financial wherewithal to meet all commitments and required governmental or other approvals); the likelihood of the Court's approval of the Successful Bid; the net benefit to the Applicants; and

(iv) any other factors the Applicants may, consistent with its fiduciary duties, reasonably deem relevant; and

(b) identify the highest or otherwise best bid received at the Auction (the "**Successful Bid**" and the Qualified Party making such bid, the "**Successful Party**").

25. The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with and Approval from the Applicants, subject to the milestones set forth in paragraph 6.

Sale Approval Motion Hearing

26. At the hearing of the motion to approve any transaction with a Successful Party (the "**Sale Approval Motion**"), the Monitor or the Applicants shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Monitor and the Applicants on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

27. All discussions regarding a Sale Proposal, Investment Proposal, or Bid should be directed through the Monitor. Under no circumstances should the management of the Applicants be contacted directly without the prior consent of the Monitor. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP process.

28. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Applicants, the Monitor and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Applicants, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Potential Bidders or Bidders.

Supervision of the SISP

29. The Monitor shall oversee and conduct the SISP, in all respects, and, without limitation to that supervisory role, the Monitor will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, the Initial Order and any other orders of the Court, and is entitled to receive all information in relation to the SISP.

30. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Applicants or the Monitor and any Potential Bidder, any Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Applicants.

31. Without limiting the preceding paragraph, the Monitor shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Bidder, the Successful Bidder, the Applicants, the DIP Lender or any other creditor or other stakeholder of the Applicants, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the

result from gross negligence or wilful misconduct of the Monitor. By submitting a bid, each Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Monitor.

32. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, the Auction and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

33. Without limiting in any way the intent and effect of the applicable provisions of the DIP Facility in respect of the SISP, the Applicants and the Monitor shall have the right to modify the SISP (including, without limitation, pursuant to the Bid process letter) with the prior written approval of the Applicants and consultation with the DIP Lender if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the Service List in these CCAA proceedings shall be advised of any substantive modification to the procedures set forth herein.

Schedule "1"

Address of Monitor

To the Monitor:

Ernst and Young Inc.
EY Tower, 100 Adelaide Street West
PO Box 1
Toronto, ON M5H 0B3
Attention: Alex Morrison, Karen Fung and Allen Yao
Email: alex.f.morrison@parthenon.ey.com
karen.k.fung@parthenon.ey.com
allen.yao@parthenon.ey.com

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SCHEDULE "H"
ASSUMED LIABILITIES

Post-filing liabilities for goods and services incurred by the Company and related to the Business based on a A/P listing provided by the Monitor to the Purchaser the day before Closing.

SCHEDULE "I"

ASSUMED CONTRACTS

The following is a comprehensive list of Assumed Contracts:

1. Lease dated December 1, 2016 among the Company, as tenant, and 0954717 B.C. Ltd., as landlord, in respect of the premises known municipally as 9590 McCarthy Road, Kelowna, British Columbia, as amended by that certain Lease Amending Agreement dated as of April 15, 2021 between 0954717 B.C. Ltd., as landlord, The Flowr Group (Okanagan) Inc., as tenant, and The Flowr Corporation.

2. Master Cannabis Supply Agreement dated June 16, 2021 between Ontario Cannabis Retail Corporation, doing business as the Ontario Cannabis Store (as Purchaser) and The Flowr Group (Okanagan) Inc. (as Supplier).

3. Licensed Producer Supply Agreement for Non-Medical Cannabis dated July 31, 2018 between Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Administrator of the Cannabis Distribution Act, SBC 2018, c 28 (as Province and Purchaser) and The Flowr Group (Okanagan) Inc. (as Licensed Producer).

4. Sale, Distribution and Marketing Agreement dated April 9, 2020 between The Flowr Group (Okanagan) Inc. and Rose Lifescience Inc., as amended by that certain Addendum to the Sale, Distribution and Marketing Agreement dated March 16, 2021, that certain Addendum to the Sale, Distribution and Marketing Agreement dated August 5, 2021, and that certain Amendment No. 3 to the Sale, Distribution and Marketing Agreement dated October 15, 2021.

5. 2022 Sublease dated October 17, 2022 between Connected Supply Chain Solutions and The Flowr Group (Okanagan) Inc.

6. Subject to Section 9.2(f), all Employee Contracts for Employees employed by the Company on the Closing Date.

[**Note: Balance of schedule to be completed prior to Closing.]**

Appendix “I”
Redline of the Stalking Horse Agreement to the Purchase Agreement

~~Execution Version~~

~~STALKING HORSE~~AMENDED AND RESTATED PURCHASE AGREEMENT

This ~~Agreement is made~~amended and restated purchase agreement dated as of the ~~31~~1st day of ~~October~~December, 2022 (the "**Effective Date**") amends and restates the Stalking Horse Agreement (defined below), among:

THE FLOWR CANADA HOLDINGS ULC
(the "**Vendor**")

– and –

THE FLOWR GROUP (OKANAGAN) INC.
(the "**Company**")

– and –

AVANT BRANDS K1 INC. (formerly, 1000343100 ONTARIO INC.)
(the "**Purchaser**")

WHEREAS pursuant to the Order of the Honourable Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued October 20, 2022 (as may be further amended or amended and restated from time to time, the "**Initial Order**"), the Vendor, the Company, The Flowr Corporation and Terrace Global Inc. (collectively, the "**Flowr Group**") were granted, among other things, creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") and Ernst & Young Inc. was appointed as the CCAA monitor of the Flowr Group (in such capacity, the "**Monitor**");

AND WHEREAS in connection with the proceedings initiated by the Initial Order (the "**CCAA Proceedings**"), on October 28, 2022, the Flowr Group ~~intends to seek the~~sought and obtained approval of the Court to run a SISP (as defined below) ~~pursuant to which this Agreement will serve as~~;

AND WHEREAS on November 3, 2022, the Court approved the Stalking Horse ~~Bid (as defined below)~~Agreement for the Purchased Shares (as defined below) for the purposes of serving as the stalking horse bid in the SISP;

AND WHEREAS ~~in~~pursuant to the ~~event that this Agreement is selected as~~SISP, the Monitor conducted an auction on December 1, 2022 and at the conclusion of the auction, the Purchaser's bid was declared the Successful Bid (as defined ~~below)~~ in the SISP) on the terms set out in this Agreement;

AND WHEREAS on the terms set out herein, the Vendor has agreed to sell and transfer to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, all of the Vendor's right, title and interest in and to the Purchased Shares, subject to and in accordance with the terms and conditions set forth in this Agreement,

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the parties hereto (collectively, the "**Parties**", and each, a "**Party**") hereby acknowledge and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"**Affiliate**" has the meaning given to the term "affiliate" in the *Business Corporations Act* (Ontario).

"**Agreement**" means this amended and restated purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Monitor, and "**Article**" and "**Section**" mean and refer to the specified article, section and subsection of this Agreement.

"**Applicable Law**" means, in respect of any Person, property, transaction or event, any (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority, and (iii) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

"**Approval and Vesting Order**" means an order by the Court, in form and substance satisfactory to the Purchaser, acting reasonably, among other things, approving and authorizing the Transaction and vesting in the Purchaser (or as it may direct) all the right, title and interest of the Vendor in and to the Purchased Shares, free and clear from any Encumbrances and releasing (A) current and former directors, officers, employees, legal counsel and advisors of the Flowr Group and ResidualCo, (B) the Monitor and its legal counsel, and (C) the Purchaser and its current and former directors, officers, employees, legal counsel and advisors.

"**Assumed Contracts**" means the Contracts listed in Schedule "**I**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof (and including as such Assumed Contracts may be amended, restated, supplemented or otherwise modified from time to time).

"**Assumed Liabilities**" means (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule "**H**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof; and (b) all Liabilities which relate to (i) the Business under any Assumed Contracts, (ii) any Permits and Licenses forming part of the Retained Assets; in each case solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

~~"**Auction**" has the meaning set out in Section 5.1(e).~~

"**Authorization**" means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event,

or with respect to any of such Person's property or business and affairs (including any zoning approval or building permit) or from any Person in connection with any easements, contractual rights or other matters.

"~~**Bid Deadline**~~**Avant Common Shares**" means common shares of Avant Brands Inc.

"**Avant Share Value**" has the meaning ~~set out~~given to it in ~~Schedule "G"~~Section 3.2(b).

"**Books and Records**" means (i) all of the Company's files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, and (ii) all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Vendor, the Company, or any other member of the Flowr Group or any of their respective Affiliates including information, documents and records relating to the Assumed Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

~~"**Break Fee**" has the meaning set out in Section 5.1(b).~~

"**Business**" means the business conducted by the Company, being a licensed producer and distributor of cannabis, with operations located in Kelowna, British Columbia and its head office located in Toronto, Ontario, engaged in the cultivation, processing and sale of cannabis and cannabis products for medicinal and recreational use.

"**Business Day**" means a day on which banks are open for business in Toronto, Ontario and Kelowna, British Columbia, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario or the Province of British Columbia.

"**Cannabis Licenses**" means all Authorizations related to cannabis and issued by a Governmental Authority to the Company, including Authorizations to plant, grow, cultivate, extract, produce, process, package, store, destroy, market, promote, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation those listed in Schedule "**F**" hereto.

"**Cash Purchase Price**" has the meaning set out in Section 3.2(~~b~~c).

"**CCAA**" has the meaning set out in the recitals hereto.

"**CCAA Proceedings**" has the meaning set out in the recitals hereto.

"**Claims**" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

"**Closing**" means the closing and consummation of the Transaction.

"**Closing Date**" means the date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Vendor, after the date upon which the conditions set forth in Article 9 have been satisfied or waived, other than any conditions set forth in Article 9 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing).

"**Closing DIP Loan**" has the meaning set out in Section 5.2.

"**Closing Time**" means 12:01 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

"**Contracts**" means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected, including any Contracts in respect of Employees.

"**Company**" means The Flowr Group (Okanagan) Inc.

"**Court**" has the meaning set out in the recitals hereto.

"**DIP Loan**" means the borrowings under the DIP Facility (as defined in the DIP Term Sheet).

"**DIP Term Sheet**" means the debtor-in-possession term sheet dated as of October 20, 2022 among the Purchaser, as lender, and the members of the Flowr Group, as borrowers, as the same may be amended, restated, supplemented and/or modified from time to time.

"**Discharge**" means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, irrevocable, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof.

"**Effective Date**" has the meaning set out in the preamble hereto.

"**Employee**" means any individual who is employed by the Company as of the Closing Date, whether on a full-time or a part-time basis and includes an employee on short term or long term disability leave, but for certainty excludes any employee whose employment will be terminated pursuant to Section 9.2(f).

"**Encumbrance**" means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, write of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

"***Excise Act***" means the *Excise Act, 2001*, S.C. 2002, c.22.

"***Excise Tax Act***" means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

"**Excise License**" means cannabis license 85070 2630 RD0001 obtained by the Company under the *Excise Act*.

"**Excluded Assets**" means the properties, rights, assets and undertakings of the Company (or where, applicable, the other members of the Flowr Group) listed as "Excluded Assets" on Schedule "**A**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

"**Excluded Asset Bill of Sale**" has the meaning set out in Section 4.1.

"**Excluded Asset Promissory Note**" has the meaning set out in Section 4.1.

"**Excluded Contracts**" means those contracts and other agreements of the Company that are not Assumed Contracts and for greater certainty, includes those contracts and agreements which are listed on Schedule "**B**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

"**Excluded Liabilities**" has the meaning set out in Section 2.2(a).

"**Excluded Liabilities Promissory Note**" has the meaning set out in Section 4.2.

"**Excluded Liabilities Assumption Agreement**" has the meaning set out in Section 4.2.

"**Filing Date**" means October 20, 2022.

"**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

"**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act*.

"**Health Canada Approval**" means the approval issued by Health Canada in connection with the change of control contemplated by the Transaction.

"***Income Tax Act***" means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

"**Initial Order**" has the meaning set out in the recitals hereto.

"**Interim Period**" means the period from the Effective Date to the Closing Time.

"**KERP**" means the Key Employee Retention Plan developed by the Flowr Group, with input from the Monitor, and approved by the Court pursuant to the Initial Order.

"**KERP Entitlement**" means the dollar amount of the retention bonus payable to applicable Employees in accordance with the terms and conditions of the KERP.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"**Monitor**" has the meaning set out in the recitals hereto.

"**Monitor's Certificate**" has the meaning set out in Section 9.2(k).

"**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"**Outside Date**" means 11:59 pm (Toronto time) on March 31, 2023 or such later date and time as the Company and the Purchaser may agree to in writing; provided that the Purchaser may by notice to the Vendor extend the "Outside Date" by 30-days at any time prior to the Outside Date provided any application for the approvals contemplated by Section 9.2(a) or any appeal therefrom remains outstanding.

"**Other Flowr Contracts**" means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which any Other Flowr Entity is a party or by which any Other Flowr Entity is bound or in which any such Other Flowr Entity has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

"**Other Flowr Entity**" means any of the Vendor, The Flowr Corporation, Terrace Global Inc., Holigen Holdings Limited, GreyCan Pty Ltd. and RPK Biopharma Unipessoal, LDA.

"**Parties**" has the meaning set out in the recitals hereto.

"**Party**" has the meaning set out in the recitals hereto.

"**Permits and Licenses**" means the orders, permits, licenses, Authorizations, approvals, registrations, consent, waiver or other evidence of authority issued to, granted to, conferred upon, or otherwise created for, the Company by any Governmental Authority, including: (i) those related to the Business, the Retained Assets, Transferred Assets and Assumed Contracts; (ii) the Excise License; and (iii) the Cannabis Licenses.

"**Permitted Encumbrances**" means those Encumbrances related to the Retained Assets and/or Transferred Assets set forth in Schedule "**E**" , as the same may be modified by the Purchaser prior to the granting of the Approval and Vesting Order in accordance with the terms hereof.

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"**Post-Closing Expenses**" has the meaning set out in Section 3.5.

"**Pre-Closing Reorganization**" means the transactions, acts or events described in Exhibit "**A**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof and the Approval and Vesting Order, which unless otherwise expressly provided therein are to occur immediately prior to the Closing Time.

"**Purchase Price**" has the meaning set out in Section 3.1.

"**Purchased Shares**" means all of the issued and outstanding shares of the Company.

"**ResidualCo**" means a corporation to be incorporated as a wholly-owned subsidiary of the Vendor to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

"**Retained Assets**" has the meaning set out in Section 4.1.

"**Retained Employee**" means any Employee that is not a Terminated Employee.

"**SISP**" means the sale and investment solicitation process, ~~to be~~ conducted pursuant to the sale and bidding procedures substantially in the form set out in Schedule "**G**" hereto.

~~"**SISP Order**" means an order of the Court, in form and substance acceptable to the Purchaser, approving the SISP.~~

~~"**Stalking Horse Approval Order**" means an order of the Court, in form and substance acceptable to the Purchaser, approving: (i) this Agreement as the Stalking Horse Bid in the SISP; and (ii) the Break Fee.~~

~~"**Stalking Horse Bid**" has the meaning set out in Section 5.1(a).~~

~~"**Successful Bid**" has the meaning set out in Section 5.1(e).~~

~~"**Successful Bidder**" has the meaning set out in Section 5.1(e)~~**Stalking Horse Agreement**" means the stalking horse purchase agreement dated as of the 31st day of October, 2022 among the Vendor, the Company and the Purchaser and approved by the Court on November 3, 2022.

"**Taxes**" means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

"**Terminated Employee**" means those Employees whose employment will be terminated prior to Closing pursuant to Section 9.2(f), as determined by the Purchaser by written notice to the Company at least ten (10) Business Days prior to the Closing Date.

"**Terminated Employee KERP Payments**" has the meaning set out in Section 5.2.

"**Transaction**" means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Shares.

"**Transferred Assets**" means those assets listed on Schedule "**D**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof, which are owned by Other Flowr Entities, but will be transferred to the Company prior to Closing as part of the Pre-Closing Reorganization and will constitute Retained Assets.

"**Wind-Down Costs**" has the meaning given to it in Section 5.2.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor, the Company or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to $, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A	-	Pre-Closing Reorganization

SCHEDULES

Schedule A	-	Excluded Assets
Schedule B	-	Excluded Contracts
Schedule C	-	Excluded Liabilities
Schedule D	-	Transferred Assets
Schedule E	-	Permitted Encumbrances
Schedule F	-	Permits and Licenses
Schedule G	-	SISP and Bidding Procedures
Schedule H	-	Assumed Liabilities
Schedule I	-	Assumed Contracts

The Parties acknowledge that as of the Effective Date, the Schedules (other than Schedules F and G) are not complete. Such Schedules are for the benefit of the Purchaser and may be amended or completed by the Purchaser, in its sole and absolute discretion, on or before the dates set out in such Schedules and on notice to the Vendor.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2
PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Purchased Shares

Subject to the terms and conditions of this Agreement, effective as of the Closing Time, the Vendor shall sell and transfer the Purchased Shares to the Purchaser, and the Purchaser shall purchase the Purchased Shares from the Vendor, free and clear of all Encumbrances.

2.2 Excluded Liabilities of the Company

(a) Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or the Purchased Shares or against, relating to or affecting any of the Retained Assets, or any Excluded Assets or Excluded Contracts, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule "**C**", (collectively, the "**Excluded Liabilities**") shall be excluded and will no longer be binding on the Company or the Purchased Shares or Transferred Assets, Retained Assets, Employees, Permits and Licenses, or Books and Records following the Closing Time.

(b) Subject to the Pre-Closing Reorganization and pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Approval and Vesting Order, and the Company, the Purchased Shares, the Retained Assets, the Transferred Assets, and the Company's undertakings, Business and properties shall be Discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Shares shall be ~~THREE~~FIVE MILLION ~~EIGHT~~ONE HUNDRED ~~AND EIGHTY-EIGHT~~FIFTEEN THOUSAND ~~EIGHT HUNDRED AND EIGHTY EIGHT CANADIAN~~ DOLLARS~~ AND EIGHTY-EIGHT CENTS~~ (CDN $~~3,888,888.88~~5,115,000) plus the Closing DIP Loan (if any) and the Assumed Liabilities, subject to adjustment as provided in this Agreement (the "**Purchase Price**"). The Purchase Price shall be paid to the Monitor as consideration for the Purchased Shares.

3.2 Satisfaction of Purchase Price

The Purchaser shall pay the Purchase Price to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in accordance with the following:

(a) Credit Bid. an amount equivalent to all amounts owing to the Purchaser under the DIP Term Sheet as of the Closing Time including any accrued and unpaid interest, expenses, fees and other amounts, (the "**Credit Bid Amount**") shall be treated as credited against (in satisfaction of that amount of) the Purchase Price and which the Purchaser shall cause the release thereof at Closing in favour of the Vendor and other borrowers under the DIP Term Sheet;

(b) Avant Shares. delivery of free trading Avant Common Shares with a cash equivalent value of $1,100,000 (the "**Avant Share Value**") based on the value set out below; and

(c) ~~(b)~~ Balance of Purchase Price. an amount equal to the Purchase Price less the Credit Bid Amount and the Avant Share Value in immediately available funds (the "**Cash Purchase Price**"); ~~and~~

(d) ~~(c)~~ Assumed Liabilities. an amount equal to the amount of the Assumed Liabilities which the Company shall retain on the Closing Date, in accordance with the Pre-Closing Reorganization, and which shall be satisfied by the Company performing the Assumed Liabilities.

For the purposes of section 3.2(b), the Avant Share Value shall be calculated at a 15% discount to the volume weighted average price per Avant Common Share on the Toronto Stock Exchange for the 10 consecutive trading days preceding the Closing Date. This results in Avant Common Shares with a gross share value of $1,294,117.65 to be issued based on the value of the 10-day VWAP of the Avant Common Shares trading on the TSX measured on the close of trading on the trading day prior to the date of this Agreement.

3.3 Monitor to hold Purchase Price

The Purchase Price shall be held by the Monitor for the benefit of the Vendor and ResidualCo, and any Claim against the Company or the Purchased Shares shall continue to exist solely as against ResidualCo from and after Closing.

3.4 Adjustments to Purchase Price~~.~~; KERP Entitlements

The Parties acknowledge and agree that a portion of the Purchase Price is intended to fund KERP Entitlements. Accordingly, a portion of the Purchase Price shall be satisfied, and the Cash Purchase Price shall be reduced, on a dollar for dollar basis, to account for: (a) any non-cash consideration which Employees (in each of their sole discretion) may elect, prior to Closing, to accept in lieu of their KERP Entitlement (provided that such adjustment to the Cash Purchase Price shall be equal to the amount of the Employee's KERP Entitlement that is no longer payable in cash); and (b) the Terminated Employee KERP Payments, if any. There shall be no other adjustments or reductions to the Cash Purchase Price and, for certainty, any amount of the Closing DIP Loan (if any) that is not utilized for Terminated Employee KERP Payments shall increase the Purchase Price and the Credit Bid Amount in each case by that amount such that the Cash Purchase Price is not reduced.

3.5 Adjustments to Purchase Price and Credit Bid; Closing DIP Loan

The Parties acknowledge and agree that certain of the Wind-Down Costs may be incurred after Closing, but before the termination of the CCAA Proceedings (the "**Post-Closing Expenses**"). The Purchaser and the Monitor shall agree on any estimated amount of Closing DIP Loan required to fund the Post-Closing

Expenses, and the Purchaser covenants and agrees to fund the agreed on Post-Closing Expenses under the Closing DIP Loan, by electing at its option to either: (i) continue to make advances under the Closing DIP Loan after Closing; or (ii) advance funds to the Monitor at Closing in an amount determined by the Monitor and the Purchaser, and supported by the cash flow forecast approved by the Monitor and the Purchaser. The Monitor shall continue to report on cash flow variances to the Purchaser in accordance with the DIP Term Sheet and provide a final reconciliation at the completion of the CCAA Proceedings. For greater certainty, it is acknowledged that any funds advanced by the Purchaser to fund the Post-Closing Expenses are not an asset of the Vendor, the Company or any of the other Applicants and shall not form part of any estate of the Applicants. Upon completion of the activities covered by the Wind-Down Costs and in any event no later than termination of the CCAA Proceedings, any funds advanced under the Closing DIP Loan but not used to fund the Post-Closing Expenses, shall be promptly returned to the Purchaser without deduction.

In either case, the Purchase Price and the Credit Bid shall be adjusted upwards by an amount equal to the actual Post-Closing Expenses incurred and funded by the Closing DIP Loan from and after the Closing.

ARTICLE 4
TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo

At Closing, the Company shall retain all of the assets owned by it on the Effective Date of this Agreement and any assets acquired by it up to and including Closing, including the Transferred Assets, the Company's equipment, its Assumed Contracts, Permits and Licences, Books and Records, Business and undertakings (the "**Retained Assets**"), excluding inventory sold or consumed in the ordinary course of Business in the Interim Period and amounts paid in the Interim Period in accordance with the Initial Order, the DIP Term Sheet and the approval of the Monitor. The Retained Assets shall not include: (i) the Excluded Assets; or (ii) the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Pre-Closing Reorganization, and same shall be vested in ResidualCo pursuant to the Approval and Vesting Order as evidenced by a bill of sale and assignment of contracts (the "**Excluded Assets Bill of Sale**"), all in consideration of an interest-free promissory note (the "**Excluded Assets Promissory Note**") issued by the Company to ResidualCo in an amount equal to the portion of the Cash Purchase Price that exceeds the Excluded Liabilities Promissory Note (as defined below), which Excluded Asset Promissory Note will be cancelled at Closing in accordance with the Approval and Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

On the Closing Date, the Excluded Liabilities shall be assumed by ResidualCo and the Company shall issue to ResidualCo an interest free promissory note (the "**Excluded Liabilities Promissory Note**") in an amount equal to a portion, to be agreed upon between the Parties, of the Cash Purchase Price in consideration for ResidualCo assuming the Excluded Liabilities, which Excluded Liabilities Promissory Note will be cancelled at Closing in accordance with the Approval and Vesting Order. In accordance with the Pre-Closing Reorganization and the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed by ResidualCo and evidenced by an assignment and assumption agreement in form and substance acceptable to the Purchaser and the Vendor (the "**Excluded Liabilities Assumption Agreement**"). Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Company shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Purchased Shares, the Company and the Retained Assets as of and from and after the Closing Time.

4.3 Tax Matters

Pursuant to the Approval and Vesting Order, at the Closing Time, all Taxes owed or owing or accrued due by the Company shall be transferred to, vested in and assumed by ResidualCo. Any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Closing Date, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo.

~~**ARTICLE 5**~~
~~**SISP, BIDDING PROCEDURES**~~

~~**5.1 SISP**~~

~~(a) The Vendor shall bring a motion for the SISP Order to be heard on or before November 1, 2022 and a motion for the Stalking Horse Approval Order to be heard on before November 4, 2022. The Stalking Horse Approval Order shall recognize the within offer by the Purchaser and the Purchase Price: (i) as a baseline or "stalking horse bid" in respect of the Purchased Shares (the "**Stalking Horse Bid**"); and (ii) as a deemed "Qualified Bid", with an attendant right on the part of the Purchaser to participate as a bidder in any Auction (as defined below). The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior bid can be obtained for the Purchased Shares with the Company having the Retained Assets, and that the within Stalking Horse Bid may be the Successful Bid for the Purchased Shares with the Company having the Retained Assets.~~

~~(b) In consideration for the Purchaser's expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to a break fee in the amount of $185,000 (inclusive of HST, if any) (the "**Break Fee**"), which Break Fee shall be payable to the Purchaser in the event that the Stalking Horse Bid is not the Successful Bid.~~

~~(c) The payment of the Break Fee shall be approved in the Stalking Horse Approval Order and shall, if payable pursuant to Section 5.1(b), be payable to the Purchaser, on behalf of the Vendor, within two (2) Business Days of the closing of the transaction contemplated by the Successful Bid.~~

~~(d) The Parties acknowledge and agree that the aggregate foregoing Break Fee amount represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of preparing and entering into, and not completing the Transactions contemplated by this Agreement, and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Shares and/or Retained Assets. For certainty, the Break Fee does not form part of the Purchase Price.~~

~~(e) In the event that one or more Persons submits a Qualified Bid (as defined in the SISP) on or before the Bid Deadline, the Vendor, in consultation with the Monitor, shall conduct an auction (the "**Auction**") for the determination and selection of a winning bid (the "**Successful Bid**" and the Person submitting such bid being the "**Successful Bidder**").~~

~~(f) Upon the selection of a Successful Bidder, there shall be a binding agreement of purchase and sale between the Successful Bidder and the Vendor. The Vendor shall forthwith bring a motion following the selection of the Successful Bidder for an order approving the agreement reached with the Successful Bidder and to vest the Purchased Shares in the Successful Bidder and, if granted, shall proceed with closing the transaction forthwith.~~

~~(g) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the Successful Bidder under the SISP, then upon selection of the other Successful Bid: (i) this Agreement shall be terminated (subject to Section 10.2 and the Purchaser's entitlement to the Break Fee); (ii) the Purchaser shall be entitled to the Break Fee; and (iii) neither Party hereto shall have any further Liability or obligation hereunder, except as expressly provided for in this Agreement.~~

~~(h) If no Qualified Bids are received by the Bid Deadline (other than the Stalking Horse Bid), the Vendor shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the Transaction contemplated hereby forthwith.~~

ARTICLE 5
FURTHER FUNDING

5.1 INTENTIONALLY DELETED

5.2 Further Funding

In the event that the Flowr Group has cash requirements in excess of the amounts available to them under the DIP Facility once fully drawn, then provided that~~: (a) the Stalking Horse Bidder is the Successful Bidder or no Qualified Bids (other than the Stalking Horse Bid) are received by the Bid Deadline; and (b)~~ the Company and/or Vendor are not then in default under the DIP Facility or their obligations under this Agreement, then the Purchaser shall advance, by way of a non-revolving debtor-in-possession loan facility (the "**Closing DIP Loan**") pursuant to the DIP Term Sheet, such further funding to the Flowr Group as is reasonably necessary to close the Transaction in accordance with the cash flow projections approved by the Monitor and the Purchaser, which the parties understand will include post-closing restructuring costs, orderly wind down costs including with respect to The Flowr Corporation and delisting same from the TSX Venture Exchange (if necessary), the costs to prepare and file the necessary tax returns and related matters in respect of the Canada Revenue Agency, costs to undertake a D&O claims process (if necessary), distribution and discharge of the Monitor and the CCAA Proceedings ("**Wind-Down Costs**") and fund such other costs and expenses of the Flowr Group as may be agreed to by the Purchaser, in writing. It shall be a condition of the Purchaser that the Closing DIP Loan be secured by the DIP Lender's Charge (as defined in the Initial Order). Without limiting the foregoing, the Parties acknowledge and agree that the Closing DIP Loan shall be used, as necessary, to fund the KERP Entitlements of Terminated Employees whose employment is terminated prior to Closing ("**Terminated Employee KERP Payments**").

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Vendor

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Vendor is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and, subject to obtaining of the Approval and Vesting Order in respect of the matters to be approved therein,

performance by the Vendor of this Agreement has been authorized by all necessary corporate action on the part of the Vendor.

(c) No Conflict. The execution, delivery and performance by the Vendor of this Agreement does not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Vendor, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the Flowr Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Vendor and constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending against the Vendor or, to the knowledge of the Vendor, threatened, with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Vendor from fulfilling any of its obligations set forth in this Agreement, and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.

(f) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Health Canada Approval, the Vendor does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

(g) Residency. The Vendor is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.

(h) Title to Purchased Shares. The Vendor is the sole registered and beneficial owner of the Purchased Shares, with good and valid title thereto, and the Vendor will transfer good and valid title to the Purchased Shares to the Purchaser, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Vesting Order. There are no issued and outstanding shares or other securities of the Company other than the Purchased Shares, nor are there any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person and which are convertible into or exchangeable for shares or any other securities of the Company.

(i) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Vendor or the Company of any of the Purchased Shares or the Retained Assets.

6.2 Representations and Warranties in respect of the Company

The Vendor and the Company hereby represent and warrant to and in favour of the Purchaser as of the date hereof and as of the Closing Time, and acknowledge that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Company is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and, subject to obtaining the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.

(c) No Conflict. The execution, delivery and performance by the Company of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Company, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the Flowr Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

(e) Authorized and Issued Capital. The authorized capital of the Company consists of an unlimited number of Class A Voting Participating Common Shares, Class B Voting Participating Common Shares and Class C Voting Participating Common Shares, of which 550,000 Class A Voting Participating Shares, 250,000 Class B Voting Participating Shares and 200,000 Class C Voting Participating Shares are issued and outstanding. The Purchased Shares: (i) constitute all of the issued and outstanding securities in the capital of the Company; (ii) have all been duly authorized and validly issued as fully paid and non-assessable; (iii) have been issued by the Company in compliance with all Applicable Laws; and (iv) are registered in the name of, and are legally and beneficially owned by, the Vendor. None of the Purchased Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights. The Company is a private issuer (as such term is defined in Section 2.4 of National Instrument 45-106).

(f) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Company of any of the Purchased Shares, any Retained Assets or for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Company. The Company has good and valid title to the Retained Assets free and clear of all Encumbrances (other than Permitted Encumbrances).

(g) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Company from fulfilling any of its obligations set forth in this Agreement and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.

(h) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Health Canada Approval, the Company does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

(i) Cannabis Licenses. The Cannabis Licenses and the Excise License are in full force and effect. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or the creation of any Encumbrance in respect of, the Cannabis Licenses or the Excise License. In addition, subject to obtaining the Health Canada Approval, there are no terms, conditions, or other restrictions imposed on the Cannabis Licenses or the Excise License that would delay, restrict, or prevent the Company or the Vendor from fulfilling any of their obligations set forth in this Agreement.

(j) Compliance with Laws. The Company is conducting and has conducted the Business in compliance with all Applicable Laws in all material respects.

(k) Assumed Contracts. The list and copies of Contracts and Other Flowr Contracts provided by the Company and Vendor pursuant to Section 7.4(b), are correct and complete in all material respects, inclusive of all amendments, modifications and supplements thereto.

6.3 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that, the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Business Corporations Act* (Ontario) as of the date hereof and may, as of the Closing Time be continued under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.

(c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

6.4 As is, Where is

The representations and warranties of the Company shall survive the Closing Time on the Closing Date provided, however, that the Purchaser's recourse for any breach or inaccuracy of such representations and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever.

ARTICLE 7
COVENANTS

7.1 Closing Date

(a) The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

(b) Without limiting the foregoing, the Parties shall assist with submissions, share information and make any other efforts required to obtain any approval (including the Health Canada Approval) or Permits and Licences from any Governmental Authority necessary to effect the Closing.

(c) Each of the Parties shall, as promptly as possible, make, or cause to be made, all filings and submissions (including with respect to the Cannabis Licences), as applicable, required under any Applicable Law to effect the Closing.

(d) The Vendor and the Company shall cause such individuals as the Purchaser may determine in its sole discretion to be appointed or assigned to be as of the Closing Time: (i) a director or officer of the Company; (ii) another individual who exercises direct control over the Company; (iii) directors or officers of any corporation that exercises direct control over the Company; or (iv) the responsible person, the head of security, or the master grower, and their alternates, as those terms are defined in the *Cannabis Regulations* (Canada).

7.2 Motion for Approval and Vesting Order

As soon as practicable after the ~~selection~~date of this Agreement ~~as the Successful Bid in the SISP~~ and in any event by no later than December 9, 2022, the Vendor shall serve and file with the Court a motion for the issuance of the Approval and Vesting Order, seeking relief that will, *inter alia*, approve this Agreement and the Transaction, and ~~release~~grant the ~~officers and directors of the Company, its advisors, the Monitor and the Monitor's counsel~~releases contemplated thereby. The Vendor shall use its best efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Vendor in its efforts to obtain the issuance and entry of the Approval and Vesting Order.

7.3 Interim Period

During the Interim Period, except as otherwise expressly contemplated or permitted by this Agreement (including the Approval and Vesting Order and the Pre-Closing Reorganization), the Vendor and Company shall, unless consented to by the Purchaser under the DIP Term Sheet, comply with the DIP Term Sheet and continue to maintain the Business, operations of the Company and Retained Assets and cause the Other Flowr Entities to maintain the Transferred Assets in substantially the same manner as conducted on the Effective Date and in material compliance with all Applicable Laws, Permits and Licences.

7.4 Access During Interim Period

(a) During the Interim Period, the Vendor and the Company shall give, or cause to be given, to the Purchaser, and its representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize themselves with the Business and the Retained Assets. Without limiting the generality of the foregoing: (a) the Purchaser and its representatives shall be permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement and to the Employees; and (b) the Purchaser and its Representatives shall be permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities and the Vendor's and Company's customers and contractual counterparties. Such investigations, inspections, surveys and tests shall be carried out at the Purchaser's sole and exclusive risk and cost, during normal business hours, and without undue interference with the Company's operations and the Vendor and the Company shall co-operate reasonably in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

(b) in order to consider, analyze and complete or modify Schedules "**D**" (Transferred Assets) and "**I**" (Assumed Contracts) in accordance with the terms of this Agreement, the Company and Vendor undertake to provide to the Purchaser, promptly and in any event ~~within 20 days of the date hereof~~no later than November 20, 2022, true and complete copies of: (a) all Contracts and Other Flowr Contracts; (b) a list of inventory, property, plant & equipment and any other material assets owned by all Other Flowr Entities; (c) a list of all employees employed by the Company and Other Flowr Entities; and (d) a list of any outstanding legal proceeding against the Company and Other Flowr Entities.

7.5 Insurance Matters

Until Closing, the Vendor and the Company shall keep in full force and effect all existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice of the Vendor and the Company in the ordinary course of business.

ARTICLE 8
CLOSING ARRANGEMENTS

8.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

8.2 Pre-Closing Reorganization

(a) Subject to the other terms of this Agreement, the Company shall effect the Pre-Closing Reorganization on the terms and using the steps set out at Exhibit "**A**"; *provided that* the Purchaser and Company shall cooperate to ensure that the Pre-Closing Reorganization is completed in a tax efficient manner, including by revising the steps thereof as required by the Purchaser; and *provided further* that the Purchaser shall be entitled to require, as a part of the Pre-Closing Reorganization, that the Transferred Assets be transferred to and vested in the Company free and clear of all Encumbrances (other than Permitted Encumbrances) pursuant to the Approval and Vesting Order provided that such Transferred Assets have been identified by the Purchaser at least 8 days prior to the hearing for such Approval and Vesting Order.

(b) The Purchaser and the Vendor shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

(c) In addition to the foregoing, the Parties agree that this Agreement and the Pre-Closing Reorganization may be amended prior to Closing to account for the acquisition of the tax losses in The Flowr Corporation, there having been no bids received for or in respect of The Flowr Corporation in the SISP.

8.3 Vendor Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

(a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;

(b) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable stock transfer powers duly executed in blank, in either case, by the Vendor;

(c) confirmation, in form and substance satisfactory to the Purchaser, that all applicable Governmental Authorities have approved the change of control contemplated by the Transaction such that the Permits and Licenses, including the Cannabis Licenses, will be valid and in good standing immediately following the Closing;

(d) a certificate of an officer of the Vendor dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true

in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor and the Company have performed in all material respects the covenants to be performed by them prior to the Closing Time;

(e) the Organizational Documents of the Company and the corporate Books and Records;

(f) a side letter addressed to the Purchaser and further to which any applicable Other Flowr Entities making the representations and warranties contemplated by Section 9.2(l); and

(g) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

8.4 Company Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Monitor the following:

(a) the Excluded Asset Promissory Note;

(b) the Excluded Liability Assumption Agreement, signed by the Company and ResidualCo;

(c) the Excluded Asset Bill of Sale, signed by the Company and ResidualCo; and

(d) the Excluded Liabilities Promissory Note.

8.5 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor and the Company (or to the Monitor, as applicable), the following:

(a) the Avant Common Shares contemplated by Section 3.2(b);

(b) ~~(a)~~ the Cash Purchase Price;

(c) ~~(b)~~ a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(d) ~~(c)~~ such other agreements, documents and instruments as may be reasonably required by the Vendor and the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 9
CONDITIONS OF CLOSING

9.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

(a) Approval and Vesting Order. The Court shall have issued and entered the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside,

or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably.

(b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and

(c) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 9.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

9.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Regulatory Approval. The Purchaser shall have obtained the Health Canada Approval, in a form satisfactory to the Purchaser, acting reasonably.

(b) Pre-Closing Reorganization. The Pre-Closing Reorganization shall have been completed in the order and in the timeframes contemplated hereunder.

(c) Company's Deliverables. The Vendor and the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 8.3.

(d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 6.1 and Section 6.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(e) No Breach of Covenants. The Company and the Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Company and the Vendor on or before the Closing Date.

(f) Company Employees. The Company shall have terminated the employment of any employees identified by the Purchaser in its sole discretion to be Terminated Employees and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law, shall be Excluded Liabilities or shall be Discharged pursuant to the Approval and Vesting Order. Notwithstanding the foregoing, Terminated Employees that are subject to the KERP shall be entitled to receive their KERP Entitlements, and nothing in this Agreement shall limit or terminate such entitlement, which will be funded, as necessary, in accordance with Section 5.2.

(g) ResidualCo. Pursuant to the Approval and Vesting Order: (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged; (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price; and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.

(h) Partial Termination of CCAA Proceeding. Upon Closing, the CCAA Proceeding shall have been terminated in respect of the Company, its Business and property, as set out in the Approval and Vesting Order, but, for greater certainty, shall continue in respect of ResidualCo, the Vendor and the rest of the Flowr Group.

(i) Disclaimer of Excluded Contracts. The Company shall have sent notices of disclaimer for all known Excluded Contracts and other agreements, and such known Excluded Contracts shall form part of the Excluded Assets.

(j) Permits and Licenses. The Permits and Licenses, including the Cannabis Licenses and Excise License, shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied and such Permits and Licenses shall remain in good standing immediately following and notwithstanding Closing and no Governmental Authority whose consent is not required to the Transaction shall have objected to the completion of the Transaction or indicated that such Permits and Licenses will not remain in full force and effect following completion of the Transaction.

(k) Monitor's Certificate. The Monitor shall have provided an executed certificate of the Monitor substantially in the form attached to the Approval and Vesting Order (the "**Monitor's Certificate**") confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

(l) Representations as to Transferred Assets/by Other Flowr Entities. To the extent any assets, properties or undertakings of an Other Flowr Entity have been designated as a Transferred Asset hereunder, such Other Flowr Entity shall have provided to the Purchaser those representations and warranties set out in Sections 6.1(a) through (i) as modified for such Other Flowr Entit(ies) and Transferred Asset(s) *mutatis mutandis,* which representations and warranties (except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement) shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 9.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement.

9.3 Conditions Precedent in favour of the Vendor and the Company

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.

(b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 6.3 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

(c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

(d) Monitor's Certificate. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 9.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 9.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

ARTICLE 10
TERMINATION

10.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

(a) by the mutual written agreement of the Vendor (with the consent of the Monitor) and the Purchaser; or

(b) by the Vendor (with the consent of the Monitor) or the Purchaser upon written notice to the other Parties if: (i) the Closing has not occurred on or prior to the Outside Date; or (ii) the Approval and Vesting Order is not obtained on or before December 16, 2022 (subject to availability of the Court); provided in each case that the failure to close or obtain such order, as applicable, by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1~~ or 5.1(g)~~, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of~~: (a)~~ Section 10.2~~; and (b) Section **Error! Reference source not found.** with respect to the Purchaser's entitlement to the Break Free~~.

ARTICLE 11
GENERAL

11.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for the Vendor (or any trustee in bankruptcy of the estate of the Vendor) to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Vendor, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

11.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

(a) in the case of the Purchaser, as follows:

1000343100 ONTARIO INC.

Attention: Stephen Arbib & Norton Singhavon
Email: sarbib@menain.com; ns@avantbrands.ca

with a copy to:

Norton Rose Fulbright Canada LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, Ontario M5K 1E7

Attention: Eric Reither & Jennifer Stam
Email: eric.reither@nortonrosefulbright.com;
jennifer.stam@nortonrosefulbright.com

and to:

Cassels, Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON, M5H 3C2

Attention: Jane Dietrich & Jeremy Bornstein
Email: jdietrich@cassels.com; jbornstein@cassels.com

(b) in the case of the Vendor or the Company, as follows:

The Flowr Canada Holdings ULC
60 Adelaide Street East
Toronto, Ontario M5C 3E4

Attention: Darren Karasiuk
Email: dkarasiuk@flowr.ca

with a copy to:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, ON M5H 4A9

Attention: Kyla Mahar
Email: kmahar@millerthomson.com

(c) in each case, with a further copy to the Monitor as follows:

Ernst & Young Inc.
P.O. Box 1, 100 Adelaide Street West
Toronto, Ontario M5H 0B3

Attention: Alex Morrison
Email: alex.f.morrison@parthenon.ey.com

with a copy to:

Thornton Grout Finnigan LLP
Suite 3200, 100 Wellington Street West
P.O. Box 329, Toronto-Dominion Centre
Toronto, ON M5K 1K7

Attention: Rebecca Kennedy & Rachel Nicholson
Email: rkennedy@tgf.ca; rnicholson@tgf.ca

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

11.3 Public Announcements

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the CCAA Proceedings, other than any information which the Purchaser advises the Vendor in writing as being confidential, and this Agreement may be posted on the Monitor's website maintained in connection with the CCAA Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Vendor or any of its Affiliates under Applicable Laws or stock exchange rules, the Vendor shall not issue (prior to or after the Closing) any press release or make any public statement or public communication with respect to this Agreement or the Transactions contemplated hereby without the prior consent of the other Parties, which shall not be unreasonably withheld or delayed.

11.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

11.5 Survival

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

11.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo, provided that no consent, waiver or agreement of ResidualCo shall be required for any amendment of this Agreement.

11.7 Entire Agreement

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term Sheet. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

11.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term Sheet.

11.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Ontario therefrom.

11.10 Assignment

(a) This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, in whole or in part, without the prior written consent of the Vendor, the Company, ResidualCo or the Monitor, provided that: (x) (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor, the Company and the Monitor; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder; and (y) the Purchaser may assign the benefits of this Agreement to a lender or lenders as security for obligations owed to it or them, all without the consent of (but upon notice to) the Vendor, the Company and the Monitor.

(b) Except as specifically contemplated herein as it relates to ResidualCo, this Agreement may not be assigned by the Vendor or the Company without the Consent of the Purchaser.

11.11 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

11.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

11.13 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

11.14 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, the executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

11.15 Monitor's Capacity

In addition to all of the protections granted to the Monitor under the CCAA or any order of the Court in this CCAA Proceeding, the Vendor, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

[*Signature Page Follows*]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

AVANT BRANDS K1 INC. (FORMERLY 1000343100 ONTARIO INC.)

By: _____
Name:
Title:

By: _____
Name:
Title:
I/We have authority to bind the Corporation

THE FLOWR CANADA HOLDINGS ULC

By: _____
Name:
Title:
I have authority to bind the Corporation.

THE FLOWR GROUP (OKANAGAN) INC.

By: _____
Name:
Title:
I have authority to bind the Corporation.

EXHIBIT "A"
PRE-CLOSING REORGANIZATION

1. The Transferred Assets shall be transferred to the Company.

2. ResidualCo shall be incorporated by the Vendor with nominal consideration for common shares and shall be added to the CCAA Proceeding as an Applicant, but shall take no other steps or actions in respect thereof.

3. The Excluded Assets and Excluded Liabilities shall be transferred to, and vested in, ResidualCo pursuant to the Approval and Vesting Order.

SCHEDULE "A"
EXCLUDED ASSETS

1. Inventory sold in the ordinary course of Business in the Interim Period.

2. Excluded Contracts.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "B"
EXCLUDED CONTRACTS

~~The following is a non-exhaustive list of the Excluded~~*All Contracts~~:1.~~

~~[**Note: Balance of schedule to be completed prior to Closing**~~ that are not Assumed Contracts.~~]~~

SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time.

2. Any and all Liabilities pertaining to the administration of the CCAA Proceedings including, without limitation, under any court-ordered charge granted therein.

3. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.

4. All Liabilities to Terminated Employees whose employment with the Company is terminated on or before Closing, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law.

5. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the negotiation, execution or delivery of this Agreement or the consummation of the Transaction.

6. Any and all Liabilities that are not Assumed Liabilities.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "D"
TRANSFERRED ASSETS

1. Intellectual property rights of the Vendor used by or currently being developed for use in the business of the Company, including any and all rights, trademarks, service marks, brand names, logos, design rights and similar designations relating to the "Flowr" brand.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "E"
PERMITTED ENCUMBRANCES

Nil.

SCHEDULE "F"
CANNABIS LICENSES

Regulatory Authority	Authorization Type	Details	Licensee	Issuance Date	Expiry Date	Licence No.
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licences for Standard Cultivation, Standard Processing, Sale for Medical Purposes	Flowr Group (Okanagan) Inc.	08/10/2022	12/1/2023	LIC-DG4JA5DWP 1-2020-16
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licence for Research	Flowr Group (Okanagan) Inc.	09/2/2022	06/30/2026	LIC-AQ4YORB34 6-2021-3

SCHEDULE "G"
SISP AND BIDDING PROCEDURES

(attached)

SCHEDULE "H"
ASSUMED LIABILITIES

~~**[Note: Balance of schedule to be completed on or before November 25, 2022.]**~~

Post-filing liabilities for goods and services incurred by the Company and related to the Business based on a A/P listing provided by the Monitor to the Purchaser the day before Closing.

SCHEDULE "I"

ASSUMED CONTRACTS

The following is a comprehensive list of Assumed Contracts:

1. ~~The lease~~Lease dated December 1, 2016 among the Company, as tenant, and 0954717 B.C. Ltd., as landlord, in respect of the premises known municipally as 9590 McCarthy Road, Kelowna, British Columbia, as amended by that certain Lease Amending Agreement dated as of April 15, 2021 between 0954717 B.C. Ltd., as landlord, The Flowr Group (Okanagan) Inc., as tenant, and The Flowr Corporation.

2. Master Cannabis Supply Agreement dated June 16, 2021 between Ontario Cannabis Retail Corporation, doing business as the Ontario Cannabis Store (as Purchaser) and The Flowr Group (Okanagan) Inc. (as Supplier).

3. Licensed Producer Supply Agreement for Non-Medical Cannabis dated July 31, 2018 between Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Administrator of the Cannabis Distribution Act, SBC 2018, c 28 (as Province and Purchaser) and The Flowr Group (Okanagan) Inc. (as Licensed Producer).

4. Sale, Distribution and Marketing Agreement dated April 9, 2020 between The Flowr Group (Okanagan) Inc. and Rose Lifescience Inc., as amended by that certain Addendum to the Sale, Distribution and Marketing Agreement dated March 16, 2021, that certain Addendum to the Sale, Distribution and Marketing Agreement dated August 5, 2021, and that certain Amendment No. 3 to the Sale, Distribution and Marketing Agreement dated October 15, 2021.

5. 2022 Sublease dated October 17, 2022 between Connected Supply Chain Solutions and The Flowr Group (Okanagan) Inc.

6. Subject to Section 9.2(f), all Employee Contracts for Employees employed by the Company on the Closing Date.

[Note: Balance of schedule to be completed prior to Closing.]

Document comparison by Workshare Compare on Friday, December 9, 2022 3:36:39 PM

Input:	
Document 1 ID	iManage://MTDMSWSSC.MILLERTHOMSON.CORP/Legal/65871662/5
Description	#65871662v5<Legal> - Stalking Horse Purchase Agreement (October 31, 2022) - Execution Version
Document 2 ID	file://C:\Users\pcorney\AppData\Local\Temp\Workshare\wmtemp5494\Amended and Restated Purchase Agreement(CAN_DMS_149200961.11)69.docx
Description	Amended and Restated Purchase Agreement(CAN_DMS_149200961.11)69
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	76
Deletions	74
Moved from	1
Moved to	1
Style changes	0
Format changes	0

Total changes	152

Appendix “J”
Variance Analysis

The Flowr Corporation and Certain Affiliated CCAA Filing Entities (collectively the "Applicants")
Cash Flow Variance Analysis for the Period October 17, 2022 to December 4, 2022
$CDN in Thousands

	Actual	Forecast	Variance	Notes
Receipts				
Sales Collections	$ 1,110	$ 1,618	$ (508)	1
Other Receipts	132	210	(78)	2
Total Receipts	**1,242**	**1,828**	**(586)**	
Disbursements				
Payroll and Benefits	(619)	(735)	116	
Operating Expenses	(641)	(828)	187	3
Other SG&A and Taxes	(626)	(946)	319	4
Restructuring Costs	(444)	(724)	280	5
Total Disbursements	**(2,330)**	**(3,233)**	**902**	
Net cash receipts/(disbursements)	**$ (1,088)**	**$ (1,405)**	**$ 317**	
Cash Balance				
Beginning Balance	$ 820	$ 820	$ -	
Net cash receipts/(disbursements)	(1,088)	(1,405)	317	
DIP draws/(repayment)	1,000	1,000	-	
Ending Cash Balance	**$ 732**	**$ 415**	**$ 317**	
DIP Facility				
Opening Balance	$ -	$ -	$ -	
DIP draws/(repayment)	1,000	1,000	-	
Closing Balance	**$ 1,000**	**$ 1,000**	**$ -**	

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")

Cash flow variance analysis for the period October 17, 2022 to December 4, 2022

Disclaimer:

This variance analysis sets out the significant variances between the Applicants' actual receipts and disbursements compared to the cash flow forecast appended to the First Report of the Monitor dated October 27, 2022. For the purpose of this variance analysis, both the cash flow forecast and actual results are inclusive of transactions incurred between October 17 and October 19, 2022 (the "**Pre-CCAA Filing Period**").

1. **Sales Collections**
   The Applicants' collection of receipts during the forecast period was lower than anticipated. This timing difference is expected to reverse in the coming weeks.

2. **Other Receipts**
   The Applicants sold redundant equipment and collected sublease rent payments in the reporting period. Additionally, the collection of an insurance refund has been delayed. This timing difference is expected to reverse in the coming weeks.

3. **Operating Expenses**
   This variance is a timing difference and is expected to reverse in the coming weeks.

4. **Other SG&A and Taxes**
   The variance represents a timing difference related to the payment of certain excise tax remittances. This variance is expected to reverse in the coming weeks.

5. **Restructuring Costs**
   The variance is primarily due to the timing of professional fee payments and is expected to reverse in the coming weeks.

Appendix “K”
Updated Cash Flow Forecast

The Flowr Corporation and Certain Affiliated CCAA Filing Entities (collectively, the "Applicants")
Cash Flow Forecast for the Period December 5, 2022 to February 26, 2023
$CDN in Thousands

	Week	1 Forecast	2 Forecast	3 Forecast	4 Forecast	5 Forecast	6 Forecast	7 Forecast	8 Forecast	9 Forecast	10 Forecast	11 Forecast	12 Forecast	
	Ending	11-Dec-2022	18-Dec-2022	25-Dec-2022	1-Jan-2023	8-Jan-2023	15-Jan-2023	22-Jan-2023	29-Jan-2023	5-Feb-2023	12-Feb-2023	19-Feb-2023	26-Feb-2023	Total
	Notes													
Receipts														
Sales Collections	2	$ 153	$ 200	$ 20	$ 540	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 3,623
Other Receipts	3	-	30	250	28	-	126	-	-	-	-	-	-	566
Total Receipts		**153**	**230**	**270**	**568**	**200**	**326**	**200**	**200**	**200**	**200**	**200**	**200**	**4,189**
Disbursements														
Payroll and Benefits	4	(83)	(128)	(73)	(128)	(83)	(128)	(73)	(128)	(83)	(128)	(73)	(128)	(1,855)
Operating Expenses	5	(29)	(140)	-	(215)	(24)	(102)	-	(212)	(27)	(102)	-	(162)	(1,654)
Other SG&A and Taxes	6	(37)	(41)	(150)	(1,072)	(40)	-	(80)	(135)	(40)	-	(110)	(179)	(2,510)
Restructuring Costs	7	(52)	(195)	(190)	(140)	(25)	(100)	(25)	(75)	-	-	(100)	-	(1,346)
Transaction Closing & Windup Costs/Reserve	8	-	-	-	(10)	(45)	(40)	(40)	(90)	(135)	(110)	(100)	(75)	(645)
Total Disbursements		**(201)**	**(504)**	**(413)**	**(1,565)**	**(217)**	**(370)**	**(218)**	**(640)**	**(285)**	**(340)**	**(383)**	**(544)**	**(8,009)**
Net cash receipts/(disbursements)		**$ (48)**	**$ (274)**	**$ (143)**	**$ (997)**	**$ (17)**	**$ (44)**	**$ (18)**	**$ (440)**	**$ (85)**	**$ (140)**	**$ (183)**	**$ (344)**	**$ (3,820)**
Cash Balance														
Beginning Balance	1	$ 732	$ 684	$ 411	$ 768	$ 270	$ 253	$ 210	$ 692	$ 252	$ 667	$ 527	$ 344	$ 820
Net cash receipts/(disbursements)		(48)	(274)	(143)	(997)	(17)	(44)	(18)	(440)	(85)	(140)	(183)	(344)	(3,820)
DIP draws/(repayment)		-	-	500	500	-	-	-	-	-	-	-	-	2,000
Closing DIP draws/(repayment)		-	-	-	-	-	-	500	-	500	-	-	-	1,000
Ending Cash Balance		**$ 684**	**$ 411**	**$ 768**	**$ 270**	**$ 253**	**$ 210**	**$ 692**	**$ 252**	**$ 667**	**$ 527**	**$ 344**	**$ -**	**$ -**
DIP Facility														
Opening Balance		$ 1,000	$ 1,000	$ 1,000	$ 1,500	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ -
DIP draws/(repayment)	9	-	-	500	500	-	-	-	-	-	-	-	-	2,000
Closing Balance		**$ 1,000**	**$ 1,000**	**$ 1,500**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**	**$ 2,000**
Closing DIP Facility														
Opening Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500	$ 500	$ 1,000	$ 1,000	$ 1,000	$ -
Closing DIP draws/(repayment)	10	-	-	-	-	-	-	500	-	500	-	-	-	1,000
Closing Balance		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 500**	**$ 500**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**	**$ 1,000**

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 monitor of the Applicants (the "**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 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 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 Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The 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 Monitor's review, nothing has come to the Monitor's attention that causes the 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 monitor of the Applicants (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 contemplates the satisfaction of conditions and closing of the Transaction shortly after February 26, 2023.

Assumptions:

1. **Opening Balance**
   Represents the projected opening cash balance as at December 5, 2022.

2. **Sales Collections**
   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 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. Additionally, the Applicants expect to collect sublease receipts from tenants in the forecast period.

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 Cash Flow Forecast does not reflect the payment of Key Employee Retention Plan amounts to employees.

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 Monitor and its counsel in connection with the Applicants' restructuring proceedings.

8. **Transaction Closing & Windup Costs/Reserve**
   This includes certain costs related to the windup of the Applicants' business and closing costs to complete the contemplated transaction with the Successful Bidder. Included in this estimate are expenses related to the wind down of the Applicants' public entity, costs to remit a distribution to creditors, costs to complete a Directors and Officers claims process, professional fees and costs to engage former employees to complete tax returns and other windup activities. These costs are forecast to be funded by the Closing DIP facility. A portion of these disbursements would be funded to a reserve fund to complete the necessary closing and windup steps following February 26, 2023.

9. **Debt in Possession Facility ("DIP") Draws and Repayments**
   Reflects projected draws and repayments under the DIP facility.

10. **Closing Debt in Possession Facility ("Closing DIP") Draws and Repayments**
    Reflects projected draws and repayments under the Closing DIP facility. The Closing DIP facility is anticipated to be drawn on in order to fund the Transaction Closing & Windup Costs in addition to ordinary course of business operating costs.

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.: CV-22-00688966-00CL

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COMMERCIAL LIST

Proceedings commenced at Toronto

THIRD REPORT OF THE MONITOR
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Thornton Grout Finnigan LLP
Barristers and Solicitors
Toronto-Dominion Centre
100 Wellington Street West
Suite 3200, P.O. Box 329
Toronto, ON M5K 1K7
Fax: 416-304-1313

Rebecca Kennedy (LSO# 61146S)
Tel: (416) 304-0603 / Email: rkennedy@tgf.ca

Rachel Nicholson (LSO# 68348V)
Tel: (416) 304-1153 / Email: rnicholson@tgf.ca

Marco Gaspar (LSO# 84199A)
Tel: (416) 306-5825 / Email: mgaspar@tgf.ca

Lawyers for the Court-appointed Monitor, Ernst & Young Inc.