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, TERRACE GLOBAL INC. AND 14588495 CANADA INC.

SIXTH REPORT OF THE MONITOR DATED JULY 14, 2023

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SIXTH REPORT OF THE MONITOR DATED JULY 14, 2023

INTRODUCTION

1. On October 20, 2022, The Flowr Corporation ("**Flowr**"), The Flowr Canada Holdings ULC ("**Flowr Holdings**"), The Flowr Group (Okanagan) Inc. ("**Flowr Okanagan**") and Terrace Global Inc. (collectively, 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 by the Amended and Restated Initial Order granted on October 28, 2022 (as amended, 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 (the "**Stay Period**");

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 provided by 1000343100 Ontario Inc.

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**").

4. On November 3, 2022, the Court granted an order that, among other things, authorized Flowr Holdings, as vendor (the "**Vendor**"), and Flowr Okanagan to enter into a stalking horse purchase agreement dated October 31, 2022 (the "**Stalking Horse Purchase Agreement**") with 1000343100 Ontario Inc., as purchaser (in such capacity, the "**Stalking Horse Bidder**").

5. The Monitor's third report, dated December 13, 2022, described in detail the conduct and results of the SISP, which concluded with an amended and restated Stalking Horse Purchase Agreement dated December 1, 2022 (the "**Sale Agreement**") between the Vendor, Flowr Okanagan and Avant Brands K1 Inc. (formerly, the Stalking Horse Bidder) (the "**Purchaser**"). The Sale Agreement contemplated a sale of all of the issued and outstanding common shares of Flowr Okanagan following the implementation of a Pre-Closing Reorganization (i.e., a reverse vesting structure as described in detail in Exhibit "A" to the Sale Agreement), achieving a transfer of substantially all of the Applicants' assets and operations to the Purchaser (the "**Transaction**").

6. On December 16, 2022, the Court granted an order, which was subsequently amended and restated on January 30, 2023 (as amended, the "**Approval and Vesting Order**"). The Approval and Vesting Order, among other things:

a) approved the Sale Agreement, including certain steps with respect to the Pre-Closing Reorganization;

b) extended the Stay Period to February 26, 2023;

c) added 14588495 Canada Inc. ("**ResidualCo**") as an Applicant upon closing of the Transaction, and removed Flowr Okanagan as an Applicant, with the result that the remaining Applicants in these proceedings are Flowr, Flowr Holdings, Terrace Global Inc. and ResidualCo (collectively, the "**Remaining Applicants**"); and

d) authorized an expansion of the Monitor's powers following the completion of the Transaction, as further described herein.

7. On February 2, 2023, the Transaction was successfully closed in accordance with the terms of the Sale Agreement. The purchase price of the Transaction (the "**Purchase Price**") was the sum of $5,115,000 plus the amount of the Closing DIP Loan (to the extent not repaid) and the Assumed Liabilities (both as defined in the Sale Agreement).

8. The Sale Agreement permitted the payment of $1.1 million of the Purchase Price in the form of free-trading common shares of Avant Brands Inc. (ticker symbol, AVNT.TO) (the "**Avant Shares**"). In connection with the Closing, the Applicants received 6,337,117 Avant Shares that were calculated at a 15% discount to the volume weighted average price per Avant Share on the Toronto Stock Exchange for the 10 consecutive trading days preceding the Closing. The Avant Shares are currently held by Flowr Holdings.

9. In addition, certain KERP participants elected to receive their KERP payments in the form of Avant Shares, resulting in the direct issuance of Avant Shares with a cash equivalent value of $165,000 to these individuals.

10. The cash portion of the Purchase Price was paid to the Monitor, in trust. A summary of the Purchase Price's application is below:

Category		Amount	Notes
Credit bid	$	2,198,486	Indebtedness under the DIP Facility, including accrued interest and fees
Cash equivalent value of Avant Shares		1,100,000	Held by Flowr Holdings
KERP amounts payable in Avant Shares		165,000	Additional Avant shares to fund certain KERP payments at participants' election
Balance of purchase price in cash		1,651,514	Received by the Monitor
	$	**5,115,000**	**Before Closing DIP Loan and Assumed Liabilities**
Plus		Closing DIP Loan	
Plus		Assumed Liabilities	
Equal to		**Purchase Price**	

11. On February 24, 2023, the Court granted an order extending the Stay Period to July 31, 2023 and approving the fees and disbursements of the Monitor and its counsel incurred up to February 10, 2023.

PURPOSE

12. The purpose of this sixth report of the Monitor (the "**Sixth Report**") is to provide information to the Court on:

a) post-Closing developments, including the activities of the Remaining Applicants and the Monitor during this period;

b) the Applicants' receipts and disbursements for the period from February 13, 2023 to July 2, 2023, as compared to the cash flow forecast appended as Appendix "C" to the Fifth Report of the Monitor dated February 21, 2023 (the "**Fifth Report**") (the "**February Cash Flow Forecast**");

c) the updated cash flow forecast for the period from July 3, 2023 to February 4, 2024; and

d) the Remaining Applicants' motion for an Order (the "**Proposed Order**"), inter alia, (i) authorizing the Monitor to make certain distributions from the Avant Shares and funds held by the Monitor, (ii) terminating the Subordinated Convertible Debenture Indenture dated April 27, 2020 (the "**Debenture Indenture**") between Flowr and Computershare Trust Company of Canada ("**Computershare**") and releasing and discharging all liabilities of Computershare thereunder; (iii) approving the activities and conduct of the Monitor described in the Sixth Report, and (iv) extending the Stay Period to and including January 31, 2024.

TERMS OF REFERENCE

13. In preparing this Sixth 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 Remaining Applicants, discussions with former management of the Remaining Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**").

14. 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 Sixth 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.

15. Future oriented financial information referred to in this Sixth 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.

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

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

18. 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**").

19. Capitalized terms not otherwise defined herein have the meanings attributed to them in the Sale Agreement.

20. 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.

POST-CLOSING ACTIVITIES

Overview

21. As described in the Fifth Report, the Applicants' officers and directors resigned immediately before the Closing. The Approval and Vesting Order authorized the Monitor to, among other things, take all steps it deems necessary and advisable, on behalf of, and in the name of the Remaining Applicants, to wind down the Remaining Applicants and complete the CCAA Proceedings.

22. After the Closing, under the supervision of the Monitor, the Remaining Applicants have relied on consultants and legal counsel, as well as the Purchaser's cooperation, to progress with an orderly wind-down.

23. Darren Karasiuk, the former CEO of Flowr, and Mike Willetts, former Interim CFO of Flowr, each continue to assist with the wind-down process as consultants. In addition, the Remaining Applicants retained one salaried employee until May 2023 to assist with accounting and tax matters. Since June 2023, the employee continues to assist with the wind-down process as a consultant.

Disbursements

24. Following the consummation of the Transaction, certain post-filing liabilities that were not assumed by the Purchaser remained with the Remaining Applicants. The Remaining

Applicants have since satisfied all such remaining post-filing obligations including by making certain necessary disbursements and, where necessary and with the consent of the Monitor, disclaiming certain agreements.

25. The Remaining Applicants have processed certain other disbursements relating to the CCAA Proceedings following Closing, including payroll, restructuring costs and general overhead expenses.

26. Since the date of the Fifth Report, the Monitor has transferred $150,000 from the funds held by it in trust (and received pursuant to the Transaction) to the Remaining Applicants to fund their cash deficit and their wind-down activities. During the post-Closing period, the Monitor has transferred $697,000 in the aggregate to the Remaining Applicants, which is comprised of (i) $150,000 described above, and (ii) $547,000 in respect of KERP payments that became payable in accordance with the Transaction, as set out in the Fifth Report.

Tax Matters

27. At the time of Closing, the Remaining Applicants had multiple Canada Revenue Agency ("**CRA**") audit requests relating to their payroll tax accounts, harmonized sales tax ("**HST**"), and excise tax. With the Monitor's assistance, the Remaining Applicants have engaged in several discussions with CRA to address those audit requests.

28. As of the date of this Report, the Remaining Applicants have supplied all information that has been requested by the CRA auditor and CRA has closed all of the audit requests. The Remaining Applicants do not have any outstanding payroll tax, HST or excise tax (the latter was addressed as part of the Transaction).

29. The Remaining Applicants are working with their external tax accountant on completing corporate tax returns for the fiscal year ending December 31, 2022 and the stub period ending February 1, 2023, due to the deemed year-end triggered by the Transaction. To facilitate this process, the Remaining Applicants have updated their books and records to capture the impact of the Transaction.

30. The Remaining Applicants, with the Monitor's assistance, intend to resolve the remaining tax matters during the proposed Stay Period extension.

31. In June 2023, CRA paid to the Remaining Applicants certain HST refunds that had previously been withheld in respect of the post-filing period. The Monitor has agreed that the HST refunds shall be utilized to repay the Closing DIP Loan.

Discussions with Stakeholders

32. The Monitor has engaged in regular discussions with the Purchaser's advisors to address remaining matters under the Sale Agreement.

33. The Monitor's counsel has also communicated with Computershare, the Trustee under the Debenture Indenture, as agent for the principal secured Debenture Holders (as defined below), to discuss the distribution of the Avant Shares and available cash held by the Monitor, after establishing any required reserves pursuant to the Proposed Order.

34. Occasionally, the Monitor has responded to inquiries from other creditors and shareholders on the status of the CCAA Proceedings.

THE REMAINING APPLICANTS' RECEIPTS AND DISBURSEMENTS

35. A summary of the Remaining Applicants' actual receipts and disbursements during the period from February 13, 2023 to July 2, 2023 (the "**Reporting Period**") as compared to the February Cash Flow Forecast (the "**Variance Analysis**") is attached hereto as **Appendix "A"**.

36. The Variance Analysis takes into account the post-Closing transactions attributable to the Remaining Applicants.

37. As of July 2, 2023:

a. the Remaining Applicants held approximately $114,000 in cash;

b. Flowr Holdings continues to hold the Avant Shares;

c. the Monitor held approximately $880,000, in trust, on behalf of the Applicants; and

d. the Monitor held approximately $721,000, as escrow agent, pending the resolution of a tax matter relating to the Transaction. These funds are held in escrow at the request of Purchaser in respect of the Transaction. Under the terms of the governing escrow agreement, these funds will not become property of the Remaining Applicants.

THE REMAINING APPLICANTS' CASHFLOW FORECAST

38. The Remaining Applicants, with the assistance of the Monitor, have further updated the cash flow forecast (the "**Updated Cash Flow Forecast**") for the period from July 3, 2023 to February 4, 2024 (the "**Forecast Period**"). A copy of the Updated Cash Flow Forecast is attached hereto as **Appendix "B"**.

39. The Updated Cash Flow Forecast projects that the Remaining Applicants' funds are sufficient to fund wind-down activities during the proposed extension of the Stay Period.

PROPOSED DISTRIBUTIONS

40. The Proposed Order contemplates the following distributions (the "**Distributions**"):

a. from the Avant Shares held by Flowr Holdings, a distribution of all such shares to the Debenture Holders on a *pro rata* basis up to the amount of their indebtedness; and

b. from the funds held by the Monitor in trust for the Applicants, subject to any reserve established by the Monitor in its sole discretion to ensure sufficient funds are available to address any priority claims including without limitation, the Charges granted under the Initial Order (the "**Reserve**"), a cash distribution to the Debenture Holders on a *pro rata* basis (based upon their registered Debenture holdings as of the Filing Date as provided by Computershare) up to the amount of their indebtedness.

41. The Avant Shares are intended to be distributed immediately.

42. The funds held by the Monitor will be distributed subject to the determination of the Reserve by the Monitor. The Reserve shall be established and maintained by the Monitor and is intended to cover the Remaining Applicants' post-filing obligations and the costs of completing the wind-down of the Remaining Applicants (including related professional fees). The Reserve shall be held by the Monitor in a segregated interest-bearing account. Any unused portion of the Reserve will be distributed to the Debenture Holders at the completion of the CCAA Proceedings. The precise quantum of the Reserve remains to be determined by the Monitor.

43. The Debenture Holders are the Remaining Applicants' principal secured creditors. As set out in the Fifth Report, the Monitor obtained legal opinions (the "**Security Opinions**") that confirmed the validity and enforceability of the Debenture Holders' security.

44. Based on the Updated Cash Flow Forecast, the Debenture Holders will not be repaid in full pursuant to the Distributions and will suffer a shortfall. Other secured creditors are anticipated to have nil recoveries.

45. In reliance on the Security Opinions, the Monitor is of the view that the Distributions provided for under the Proposed Order, which authorize the Monitor to make the distributions subject to the Reserve, are fair, reasonable and appropriate in the circumstances. The Monitor further believes that the Reserve structure is reasonable and necessary to ensure all stakeholder interests are addressed and the CCAA Proceedings can proceed to an orderly completion.

DEBENTURE INDENTURE AND COMPUTERSHARE

46. Prior to the commencement of these CCAA Proceedings, Flower issued approximately $5 million principal of convertible debentures (the "**Debentures**") to certain debenture holders (the "**Debenture Holders**") pursuant to the Debenture Indenture. Computershare acts as the Trustee under the Debenture Indenture.

47. Pursuant to the Reverse Vesting Order, upon closing of the Transaction, the Applicants' obligations under the Debentures were transferred to and vested in ResidualCo. Any recoveries to the Debenture Holders will be governed by the Proposed Order.

48. As a result, Computershare has requested that the Remaining Applicants and the Monitor seek an Order from the Court terminating the Debenture Indenture in order to permanently discharge and release Computershare from any duties and liabilities in acting in its capacity as Trustee thereunder. This relief will also prevent unnecessary ongoing costs accruing to ResidualCo in respect of the Debenture Indenture. Accordingly, the Monitor supports the requested relief.

STAY EXTENSION

49. The Stay Period is currently set to expire on July 31, 2023. The Proposed Oder extends the Stay Period to and including January 31, 2024.

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

a) it allows the Remaining Applicants to address post-Closing matters and carry out their wind-down activities;

b) it allows time for the outstanding tax matters to be completed;

c) the Remaining Applicants have acted and continue to act in good faith and with due diligence in the CCAA Proceedings; and

d) based on the Updated Cash Flow Forecast, the Monitor believes that the Remaining Applicants will have sufficient liquidity to fund wind-down activities through the proposed extension of the Stay Period to January 31, 2024.

51. For the foregoing reasons, the Monitor supports the Remaining Applicants' request to extend the Stay Period to January 31, 2024.

CONCLUSIONS AND RECOMMENDATIONS

52. For the reasons stated herein, the Monitor supports the relief sought by the Remaining Applicants and recommends that the Court grant the Proposed Order and the relief sought therein.

All of which is respectfully submitted this 14th day of July 2023.

ERNST & YOUNG INC., in its capacity as Monitor of the Remaining 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”

VARIANCE ANALYSIS

The Flowr Corporation and Certain Affiliated CCAA Filing Entities (collectively the “Applicants”)
Cash Flow Variance Analysis for the Period February 13, 2023 to July 2, 2023
$CDN in Thousands

	Actual	Forecast	Variance	Note
Receipts				
Other receipts	157	-	157	*1*
Transfers from Monitor's trust account	150	300	(150)	*2*
Total Receipts	**307**	**300**	**7**	
Disbursements				
Payroll and Benefits	(61)	(54)	(7)	
Operating Expenses	(76)	(130)	54	*3*
Other SG&A and taxes	(215)	(153)	(62)	*4*
Restructuring Costs	(369)	(419)	50	*5*
Total Disbursements	**(721)**	**(756)**	**36**	
Net cash receipts/(disbursements)	**$ (414)**	**$ (456)**	**$ 43**	
Cash Balance				
Beginning Balance	$ 528	$ 528	-	
Net cash receipts/(disbursements)	(414)	(456)	43	
Closing DIP draws/(repayment)	-	-	-	
Ending Cash Balance	**$ 114**	**$ 72**	**$ 43**	
Monitor Trust Account - Sale Proceeds				
Opening Balance	$ 1,022	$ 1,022	$ -	
Sale transaction proceeds	-	-	-	
Interest Income	7	-	7	
Transfers to Applicants	(150)	(300)	150	*2*
Closing Balance	**$ 879**	**$ 722**	**$ 157**	
Monitor Trust Account - Excise Escrow				
Opening Balance	$ 715	$ 715	$ -	
Interest Income	$ 6	-	6	
Receipt of Funds	-	-	-	
Closing Balance	**$ 721**	**$ 715**	**$ 6**	*6*
Closing DIP Facility				
Opening Balance	$ 500	$ 500	$ -	
Closing DIP draws/(repayment)	-	-	-	
Closing Balance	**$ 500**	**$ 500**	**$ -**	

In the Matter of the CCAA of The Flowr Corporation, The Flowr Canada Holdings ULC, Terrace Global Inc., and 14588495 Canada Inc. (collectively, the "Remaining Applicants")

Cash flow variance analysis for the period February 13 to July 2, 2023

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 Fifth Report of the Monitor dated February 21, 2023.

The Applicants closed a sale transaction in respect of substantially all of their operations and assets on February 2, 2023 (the "**Sale Transaction**"). After February 2, 2023, Flowr Okanagan ceased to be an Applicant.

1. **Other Receipts**
   This variance is related to the collection of certain HST refunds in respect of the post-filing period that were released by the CRA.

2. **Monitor Trust Account – Sale Proceeds**
   This variance is a timing difference expected to reverse in the coming weeks.

3. **Operating Expenses**
   This positive variance is a permanent difference as a result of lower post-sale AP disbursements than initially forecast.

4. **Other SG&A and Taxes**
   The variance represents a permanent difference due to higher than forecast general and administrative costs.

5. **Restructuring Costs**
   The variance represents a timing difference related to the timing of professional fee payments.

6. **Monitor Trust Account – Excise Escrow**
   The Monitor is holding $710,000 plus interest related to excise tax in a separate Monitor trust account pursuant to an arrangement between the Applicants and the purchaser pending the resolution of excise tax matters.

APPENDIX “B”

UPDATED CASH FLOW FORECAST

The Flowr Corporation and Certain Affiliated CCAA Filing Entities (collectively, the “Applicants”)
Cash Flow Forecast for the Period July 3, 2023 to February 4, 2024
$CDN in Thousands

Month Ending	Notes	July 2023	Aug 2023	Sept 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Total
Receipts									
Transfers from Monitor's trust account	2	$ 150	$ 150	$ -	$ 150	$ -	$ 50	$ -	$ 500
Total Receipts		**150**	**150**	**-**	**150**	**-**	**50**	**-**	**500**
Disbursements									
Other SG&A and Taxes	3	(57)	(35)	(30)	(29)	(29)	(29)	(7)	(216)
Restructuring Costs	4	(38)	(42)	(42)	(42)	(32)	(32)	(12)	(240)
Repayment of Closing DIP	5	-	(157)	-	-	-	-	-	(157)
Total Disbursements		**(95)**	**(234)**	**(72)**	**(71)**	**(61)**	**(61)**	**(19)**	**(613)**
Net cash receipts/(disbursements)		**$ 55**	**$ (84)**	**$ (72)**	**$ 79**	**$ (61)**	**$ (11)**	**$ (19)**	**$ (113)**
Cash Balance									
Beginning Balance	*1*	$ 114	$ 169	$ 85	$ 13	$ 92	$ 31	$ 20	$ 114
Net Cash Receipts/(disbursements)		55	(84)	(72)	79	(61)	(11)	(19)	(113)
DIP draws/(repayment)		-	-	-	-	-	-	-	-
Ending Cash Balance		**$ 169**	**$ 85**	**$ 13**	**$ 92**	**$ 31**	**$ 20**	**$ 1**	**$ 1**
Monitor Trust Account - Sale Proceeds									
Opening Balance	*2*	$ 879	$ 732	$ 585	$ 588	$ 441	$ 444	$ -	$ 879
Interest Income		3	3	3	3	3	3	-	18
Distribution to Creditors		-	-	-	-	-	(397)	-	(397)
Transfers to Applicants		(150)	(150)	-	(150)	-	(50)	-	(500)
Closing Balance		**$ 732**	**$ 585**	**$ 588**	**$ 441**	**$ 444**	**$ -**	**$ -**	**$ 0**
Closing DIP Facility									
Opening Balance		$ 500	$ 500	$ 343	$ 343	$ 343	$ 343	$ 343	$ 500
Closing DIP draws/(repayment)	5	-	(157)	-	-	-	-	-	(157)
Closing Balance		**$ 500**	**$ 343**	**$ 343**	**$ 343**	**$ 343**	**$ 343**	**$ 343**	**$ 343**

In the Matter of the CCAA of The Flowr Corporation, The Flowr Canada Holdings ULC, Terrace Global Inc., and 14588495 Canada Inc. (collectively, the "Remaining Applicants")

Notes to the Unaudited Cash Flow Forecast of the Remaining Applicants

Disclaimer:

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), the Remaining Applicants with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the monitor of the Remaining Applicants (the "**Monitor**") have relied upon unaudited financial information and the Remaining 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 Remaining 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 Remaining Applicants and other employees of the Remaining 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 Remaining 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 Remaining 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 Remaining Applicants during the Cash Flow Forecast period. The Remaining Applicants, with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the monitor of the Remaining 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 Remaining Applicants closed a sale transaction in respect of substantially all of their operations and assets on February 2, 2023 (the "**Sale Transaction**"). As a result, the cash flow forecast does not include the operating results of Flowr Okanagan.

Assumptions:

1. **Opening Balance**
   Represents the opening cash balance in the Remaining Applicants' accounts as at July 3, 2023.

2. **Monitor Trust Account**
   Represents the projected opening cash balance in the Monitor's trust account as at July 3, 2023. During the forecast period, the Monitor anticipates funding the Remaining Applicants' using available funds to remit ongoing disbursements. In addition, the Monitor holds in trust $710,000 plus interest received from the Purchaser, according to an arrangement between the Vendor and the Purchaser, pending the resolution of certain tax matters

3. **Other Selling, General & Administrative Expense and Taxes ("Other SG&A")**
   This includes primarily consulting fees, insurance payments, HST and Excise duty payables, and other general and administrative costs.

4. **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. This also includes certain costs related to the windup of the Applicants' business. Included in this forecast are expenses related to the wind down of the Applicants, costs to remit a distribution to creditors, professional fees and other windup activities.

5. **Repayment of Closing DIP**
   Pursuant to an agreement with the Purchaser, the post-filing HST refunds will be used to repay the Closing DIP.

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

SIXTH REPORT OF THE MONITOR
July 14, 2023

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

Puya Fesharaki (LSO# 70588L)
Tel: (416) 304-7979 / Email: pfesharaki@tgf.ca

Marco Gaspar (LSO# 84199A)
Tel: (416) 306-5825 / Email: mgaspar@tgf.ca

Lawyers for the Court-appointed Monitor, Ernst & Young Inc.