

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 WITH RESPECT TO
JTI-MACDONALD CORP.

FOURTEENTH REPORT OF THE MONITOR
March 22, 2023

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INTRODUCTION

1. On March 8, 2019, JTI-Macdonald Corp. (“**JTIM**” or the “**Applicant**”) filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Order of this Court granted on the same date (the “**Original Initial Order**”), Deloitte Restructuring Inc. was appointed as the Monitor in these proceedings (in such capacity, the “**Monitor**”). The proceedings commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. The CCAA Proceedings are being conducted in parallel with the CCAA proceedings of Imperial Tobacco Canada Limited and Imperial Tobacco Company Limited (collectively, “**ITL**”), and Rothmans, Benson & Hedges Inc. (“**RBH**”, together with JTIM and ITL, the “**CCAA Applicants**”). The stated objective of these parallel, unconsolidated CCAA proceedings is to provide the CCAA Applicants with an opportunity to identify and settle multi-billion dollar claims against each of them through a structured process.

3. In furtherance of the collective goal of resolving the numerous, substantial and complicated claims, the Honourable Warren K. Winkler, K.C. has been appointed as mediator (the “**Court-Appointed Mediator**”), with a mandate to oversee and coordinate a multiparty, comprehensive, confidential mediation among the CCAA Applicants and their key stakeholders (the “**Mediation**”).
4. As further set out in this Fourteenth Report of the Monitor (the “**Fourteenth Report**”), the Applicant has been working diligently and in good faith and is participating in the Mediation in the manner requested by the Court-Appointed Mediator in order to achieve a pan-Canadian resolution of the various claims asserted against it and the other CCAA Applicants. The Mediation itself, and the issues raised during the Mediation, are legally and factually complex. As a result, additional time is required for the Mediation process to continue beyond March 31, 2023, when the period for the stay of proceedings granted in the Original Initial Order, (as subsequently extended by further orders of the Court, the “**Stay Period**”), expires.
5. On March 17, 2023, JTIM brought a motion seeking an order extending the Stay Period through to September 29, 2023, which will enable it to continue to advance the CCAA Proceedings through the Mediation. Similar motions were brought by RBH on March 16, 2023 and ITL on March 17, 2023 also seeking orders extending the Stay Period to September 29, 2023.

6. On March 20, 2023, the Quebec Class Action Plaintiffs (“**QCAPs**”) filed motion materials with the Court opposing the proposed stay extension period to September 29, 2023 and advocating for a shorter stay extension period of three months to June 30, 2023.
7. For the reasons set out in this Fourteenth Report, the Monitor supports the requested extension of the Stay Period.

PURPOSE

8. The purpose of this Fourteenth Report is to provide the Court with information and updates on the following:
 - a) a brief summary of the CCAA Proceedings, including key orders and endorsements made to date;
 - b) the activities of JTIM and the Monitor from September 21, 2022, the date of the Twelfth Report of the Monitor filed in connection with the previous motion to extend the Stay Period (the “**Twelfth Report**”), to the date of this Fourteenth Report;
 - c) a comparison of actual cash flow results against forecast, for the first 26-week period of the 30-week cash flow statement (the “**Cash Flow Statement**”) that was included in the Twelfth Report. The Cash Flow Statement covered the 30-week period from September 5, 2022 to March 31, 2023, and the comparison contained herein is against the first 26 weeks ending March 3, 2023;

- d) JTIM's updated cash flow projection (the "**Revised Cash Flow Statement**") for the 30-week period from the week beginning March 6, 2023 to the week ending September 29, 2023 (the "**Revised Cash Flow Period**");
 - e) the Applicant's request for an Order to extend the Stay Period to September 29, 2023; and
 - f) the Monitor's recommendation in respect of the Applicant's request to extend the Stay Period.
9. This Fourteenth Report should be read in conjunction with the Affidavit of William Aziz, Chief Restructuring Officer of JTIM, sworn March 17, 2023, in support of the Applicant's motion for the extension of the Stay Period (the "**Aziz Affidavit**").

TERMS OF REFERENCE AND DISCLAIMER

10. In preparing this Fourteenth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by JTIM, and discussions with management and advisors of the Applicant ("**Management**") (collectively, the "**Information**").
11. 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 the Information in a manner that would wholly or partially comply with Canadian Generally Accepted Assurance Standards ("**Canadian GAAS**") pursuant to the *Chartered Professional Accountants Canada*

Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.

12. Some of the information referred to in this Fourteenth Report consists of financial projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
13. Future-oriented financial information referred to in this Fourteenth 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.
14. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars. Capitalized terms used herein and not otherwise defined have the meanings set forth in the Original Initial Order or prior reports of the Monitor.

HISTORY OF THE CCAA PROCEEDINGS

15. The Original Initial Order commencing the CCAA Proceedings and appointing the Monitor was granted on March 8, 2019. The Original Initial Order provided for the stay of

proceedings in respect of, among other parties, the Applicant, until and including April 5, 2019.

16. Since then, further orders and endorsements have been issued in the CCAA Proceedings. The following provides a summary of select orders and endorsements of the Court that are material to these proceedings:

- a) on March 19, 2019, the Court issued an endorsement (the “**March 19 Endorsement**”) suspending the payment of: (i) principal and interest, in respect of certain secured indebtedness, and (ii) royalties owing by the Applicant to JTI-Macdonald TM Corp. in respect of certain licensed trademarks;
- b) on April 5, 2019, the Original Initial Order was amended and restated to, among other things, (i) clarify that certain Court-ordered charges do not apply to cash collateral provided by the Applicant to certain third parties, and (ii) appoint the Court-Appointed Mediator;
- c) the Second Amended and Restated Initial Order was issued by the Court on April 25, 2019;
- d) on April 26 and 29, 2019, the Court: (i) dismissed the motion of Her Majesty the Queen in Right of Ontario (“**Ontario**”) to lift the stay of proceedings to allow the Ontario health care cost recovery action to proceed, and (ii) granted certain relief with respect to the Second Amended Fresh as Amended Statement of Claim of Ontario;

- e) on May 14, 2019, the Court granted an unopposed Order that required the Monitor to provide counsel to the QCAPs and to such other parties on the Service List, on written request, certain details regarding the restructuring fees incurred during the CCAA Proceedings (the “**Fee Disclosure Order**”);
- f) on May 24, 2019, the Court issued an endorsement approving a communication and confidentiality protocol between the Court and the Court-Appointed Mediator;
- g) on June 26, 2019, the Court: (i) granted an Order that, among other things, permitted the Applicant to deposit additional cash collateral with a third party, and (ii) issued an endorsement referring certain matters raised by the QCAPs to the Court-Appointed Mediator;
- h) on December 9, 2019, the Court granted an Order appointing representative counsel to represent certain individuals that may be able to assert claims against the CCAA Applicants arising from alleged “tobacco related wrongs”, to the extent such individuals are not otherwise members of a certified class action;
- i) on April 6, 2021, the Court issued an endorsement declining the request of the Ontario Flue-Cured Tobacco Board (the “**Growers**”) to lift the stay of proceedings in respect of the Growers’ claims against the CCAA Applicants. The Growers subsequently filed motion materials on June 27, 2021 regarding declarations with respect to the nature of the Growers’ claim. This motion was adjourned *sine die* by the Court on July 29, 2021; and

- j) on February 14, 2023, the Court issued an endorsement setting out a schedule in respect of a motion (the “**Leave Motion**”) by the Heart & Stroke Foundation of Canada (“**HSF**”) seeking leave to bring a motion (the “**HSF Motion**”) to appoint Tyr LLP as representative counsel for “Future Tobacco Harm Stakeholders” who are described in the Leave Motion as individuals who, after the commencement of the CCAA Proceedings “will purchase or use tobacco products, or will be exposed to their use”. The Court has scheduled a hearing on April 14, 2023 in respect of the Leave Motion. The Monitor issued its Thirteenth Report in relation to the Leave Motion on March 14, 2023.
17. During the CCAA Proceedings, the Stay Period has been extended numerous times by further order, most recently up to and including March 31, 2023.
18. Copies of all orders and endorsements granted in the CCAA Proceedings are posted on the Monitor’s website, accessible at: <https://www.insolvencies.deloitte.ca/en-ca/pages/JTIMacdonaldCorp.aspx> (the “**Monitor’s Website**”). The Monitor encourages interested stakeholders to review the Monitor’s Website for a complete history of the CCAA Proceedings, including orders and endorsements issued.

ACTIVITIES OF JTIM AND THE MONITOR SINCE THE TWELFTH REPORT

19. A summary of select activities of JTIM since the Twelfth Report are set out in the Aziz Affidavit at paragraph 13. Key activities are as follows:

- a) Correspondence with Health Canada to discuss proposed new packaging and labelling regulations which, if introduced, would require changes to all tobacco product packaging and would introduce health warnings on individual cigarette sticks;

- b) as initially reported in paragraph 20 i) of the Eleventh Report of the Monitor dated March 10, 2022 (the “**Eleventh Report**”), JTIM is in the process of divesting six lines of packaging machines that were made obsolete by the Plain Packaging Regulations. As set out in the Eleventh Report and the Twelfth Report, three of the lines were sold to the third-party original manufacturer of the equipment and one packaging line was sold to JT International Germany GmbH (“**JTI Germany**”). During the Reporting Period (defined below), JTIM executed agreements for the sale of the remaining two packaging lines to JTI Germany. Pursuant to paragraph 9 of the Second Amended and Restated Initial Order, the Monitor reviewed the business rationale and approved the JTI Germany transactions on the basis that the terms of the sale are consistent with the terms of sale of similar packaging lines to the third-party original manufacturer;

- c) JTIM is in the process of replacing leased vehicles commencing in April 2023 in accordance with its internal policies. For 2023, there is a planned replacement of 152 vehicles and the estimated annual lease cost for these vehicles is approximately \$1.2 million. The Monitor has reviewed the reasonableness of the proposed lease renewals and will review the individual lease agreements as required by the Second Amended and Restated Initial Order; and

d) termination of the licensing agreement for the Vantage trademark between Japan Tobacco Inc. and JTIM and entering into a replacement agreement between JT International S.A. (“**JTI-SA**”) and JTIM for the Vantage trademark to better align with the global licensing rights of the Japan Tobacco group’s international trademarks. The new trademark licence agreement is on the same terms as the previous license, with JTIM maintaining the same rights to the trademarks. Given the Court-ordered stay on intercompany royalty payments by JTIM in the March 19 Endorsement, Vantage royalty payments will continue to be suspended pending further order of the Court in the CCAA Proceedings notwithstanding the terms of the new agreement. Pursuant to Paragraph 9 of the Second Amended and Restated Initial Order, the Monitor approved the termination of the Trademark License Agreement between Japan Tobacco Inc. and JTIM effective December 31, 2021 and entering into the replacement Trademark Sub-License Agreement between JTI-SA and JTIM effective January 1, 2022.

20. The Monitor has undertaken the following other activities since the Twelfth Report:

- a) attended calls, virtual and in-person meetings with Management regarding business operations, interim financial results and compilation of financial and other information for inclusion in the Monitor’s secure data room (the “**Data Room**”);
- b) maintained and updated the Data Room with financial and other information relevant to the Mediation and CCAA Proceedings;
- c) coordinated with the monitors of ITL and RBH (together with the Monitor, the “**Monitors**”) and their respective counsel on the Mediation, population of financial

and other information in the Data Room and the data rooms created for ITL and RBH, and addressed other procedural and Mediation aspects of the three CCAA proceedings;

- d) attended the Mediation and confidential meetings in relation thereto;
- e) communicated with the Court with respect to certain procedural matters;
- f) communicated with the Court regarding the Leave Motion;
- g) communicated with third-party stakeholders regarding the status of the CCAA Proceedings and facilitated responses to information requests from creditors;
- h) monitored receipts from, and payments to, related parties of JTIM, in respect of goods and services provided. The Monitor confirms that it is not aware of any deviation from standard payment terms in connection with the various related party contracts, other than as required by the March 19 Endorsement;
- i) provided fee disclosure, in accordance with and subject to, the terms of the Fee Disclosure Order, to those parties that have requested same; and
- j) maintained and updated the Monitor's Website for these CCAA Proceedings.

CASH FLOW STATEMENT AND RESULTS RELATIVE TO FORECAST

21. Summarized in the following table are JTIM's actual cash receipts and disbursements for the 26-week period ended March 3, 2023 (the "**Reporting Period**"), as compared to the corresponding weeks in the Cash Flow Statement included in the Twelfth Report.

JTI-Macdonald Corp.				
Summary of Actual versus Forecast Cash Flows				
For the 26-week period ended March 3, 2023				
\$CAD '000, unaudited	<i>Notes</i>	Actual	Forecast	Variance
Receipts				
Sales	<i>a</i>	651,490	671,587	(20,097)
Intercompany Receipts		144,892	147,423	(2,531)
Tax Refunds		16,988	14,140	2,848
Other Receipts	<i>b</i>	20,110	11,355	8,755
Total Receipts		833,480	844,505	(11,025)
Disbursements				
General Expenses	<i>c</i>	(41,321)	(54,350)	13,029
Payroll and Benefits		(41,614)	(41,176)	(438)
Pension		(7,690)	(7,688)	(2)
Promotions, Marketing and Distribution Support	<i>d</i>	(81,970)	(64,280)	(17,690)
Leaf		(3,083)	(4,253)	1,170
Capital Expenditures and Leases		(3,975)	(5,528)	1,553
Professional Fees		(699)	(387)	(312)
Restructuring Costs		(2,207)	(3,250)	1,043
Domestic and Import Duty	<i>e</i>	(262,851)	(278,555)	15,704
GST and HST		(40,006)	(43,484)	3,478
Intercompany Disbursements		(198,542)	(200,192)	1,650
Intercompany Royalties		-	-	-
Intercompany Interest		-	-	-
Intercompany Principal		-	-	-
Income Tax Instalments and PTT	<i>f</i>	(60,058)	(47,856)	(12,202)
Total Disbursements		(744,016)	(750,999)	6,983
Cashflow Surplus/Deficit (-)		89,464	93,506	(4,042)
Opening Cash Balance		969,808	969,808	-
FX Adjustment		(1,814)	-	(1,814)
Closing Cash Balance		1,057,458	1,063,314	(5,856)
Cash Collateral pledged to Citibank				
Opening Balance		11,900	11,900	-
Cash Collateral Deposit / (Withdrawal)		-	-	-
Closing Balance		11,900	11,900	-
Closing Cash net of Cash Collateral		1,045,558	1,051,414	(5,856)

22. JTIM's actual net cash flow for the Reporting Period was \$89.5 million, compared to forecast net cash flow of \$93.5 million, resulting in an unfavourable variance of \$4.0 million. Major variances, identified by the Notes in the table above, are as follows:
- a) an unfavourable variance of \$20.1 million in third-party sales receipts is a permanent difference due to lower than expected sales volume during the Reporting Period as a result of overall secular decline in the industry, which was partially offset by price increases and higher collected provincial tobacco taxes due to higher sales volume to retailers than forecasted during the period;
 - b) a favourable variance of \$8.8 million in other receipts is a permanent difference due to higher than expected interest rate yields on cash and term deposits;
 - c) a favourable variance of \$13.0 million in general expenses is a combination of permanent differences from decreased sales volume and timing differences;
 - d) an unfavourable variance of \$17.7 million in marketing and distribution support disbursements is a combination of permanent differences from JTIM's increased expenditures on trade marketing activities in an effort to increase sales and the reversal of timing differences from prior periods;
 - e) a favourable variance of \$15.7 million in domestic and import duty payments is primarily a permanent difference due to lower than expected production volumes;
and

- f) an unfavourable variance of \$12.2 million in income tax installments and provincial tobacco tax payments is primarily a permanent difference due to higher than expected taxable income and higher sales volume to retailers than forecasted during the period.
23. JTIM's closing cash balance as of March 3, 2023, net of pledged cash collateral, was \$1.0 billion.

APPLICANT'S REVISED CASH FLOW STATEMENT

24. The Applicant has prepared the Revised Cash Flow Statement for the purposes of projecting the estimated results of the Applicant's planned operations and other activities during the Revised Cash Flow Period. A copy of the Revised Cash Flow Statement with accompanying notes is attached as **Appendix "A"** and is summarized below for the 30-week period ending September 29, 2023:

JTI-Macdonald Corp.		
30-week Revised Cash Flow Statement		
\$CAD '000, unaudited		
For the week beginning	Notes	30-week Total to September 29, 2023
Receipts		
Sales	1	879,910
Intercompany Receipts	2	178,199
Tax Refunds	3	8,248
Other Receipts	4	25,141
Total Receipts		1,091,498
Disbursements		
General Expenses	5	(51,000)
Payroll and Benefits	6	(40,785)
Pension	7	(6,090)
Promotions and Marketing	8	(73,206)
Leaf	9	(7,972)
Capital Expenditures	10	(9,602)
Professional Fees	11	(135)
Restructuring Costs	12	(3,000)
Domestic and Import Duty	13	(344,258)
GST and HST	14	(53,288)
Intercompany Disbursements	15	(257,995)
Intercompany Royalties	16	-
Intercompany Interest	17	-
Intercompany Principal	17	-
Income Tax Instalments and PTT	18	(59,150)
Total Disbursements		(906,481)
Cashflow Surplus/Deficit (-)		185,017
Opening Cash Balance		1,057,458
FX adjustment		-
Closing Cash Balance		1,242,475
Cash Collateral pledged to Citibank	19	
Opening Balance		11,900
Cash Collateral Deposit / (Withdrawal)		-
Closing Balance		11,900
Closing Cash net of Cash Collateral		1,230,575

25. The Revised Cash Flow Statement is presented on a weekly basis during the Revised Cash Flow Period and represents Management's best estimate of the projected cash flows during the Revised Cash Flow Period. The Revised Cash Flow Statement has been prepared by Management using the assumptions set out in the notes to the Revised Cash Flow Statement included in Appendix "A" to this Fourteenth Report (the "**Revised Assumptions**").
26. JTIM's opening cash balance, net of pledged cash collateral, on March 6, 2023 was \$1.0 billion. The cash flow surplus for the Revised Cash Flow Period is forecast to be \$185 million, resulting in a closing cash balance, net of pledged cash collateral, of \$1.2 billion on September 29, 2023. Accordingly, the Applicant has sufficient liquidity during the proposed extension of the Stay Period.
27. The Monitor has reviewed the Revised Cash Flow Statement to the standard required of a Court-appointed monitor by Section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court based on the monitor's findings. The Canadian Association of Insolvency and Restructuring Professionals' ("**CAIRP**") Standards of Professional Practice include a standard for a monitor fulfilling its statutory responsibilities under the CCAA in respect of its report on the cash flow statement.
28. In accordance with the CCAA and CAIRP's standards, the Monitor's review of the Revised Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Revised Cash Flow Statement and Revised Assumptions. Since the Revised 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 Revised Cash Flow Statement. The Monitor also reviewed the support provided by Management for the Revised Assumptions and the preparation and presentation of the Revised Cash Flow Statement.

29. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material aspects, that:
- a) the Revised Assumptions are not consistent with the purpose of the Revised Cash Flow Statement;
 - b) as of the date of this Fourteenth Report, the Revised Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Revised Cash Flow Statement, given the Revised Assumptions; or
 - c) the Revised Cash Flow Statement does not reflect the Revised Assumptions.
30. Since the Revised Cash Flow Statement is based on the Revised Assumptions regarding future events, actual results will vary from the information presented even if the Revised Assumptions occur and the variations could be material. Accordingly, the Monitor expresses no assurance as to whether the Revised Cash Flow Statement will be achieved. In addition, the Monitor expresses no opinion or other form of assurance with respect to the accuracy of the financial information presented in the Revised Cash Flow Statement or the Information relied upon by the Monitor in preparing this Fourteenth Report.

31. The Revised Cash Flow Statement has been prepared solely for the purposes described above, and readers of this Fourteenth Report are cautioned that it may not be appropriate for other purposes.

STAY EXTENSION

32. The current Stay Period expires on March 31, 2023. The Applicant is seeking the extension of the Stay Period up to and including September 29, 2023, in order for the Applicant, with the assistance of the Monitor, to:
- a) preserve the *status quo* and continue to maintain the stability of operations;
 - b) seek a collective solution for the benefit of all stakeholders in respect of the claims asserted against the Applicant and the other CCAA Applicants including through advancing the Mediation led by the Court-Appointed Mediator; and
 - c) determine next steps in respect of the CCAA Proceedings.
33. In the Monitor's view, progress has been made in the Mediation since the last Stay Period extension hearing on September 28, 2022. The CCAA Applicants have actively participated in the Mediation and continued to provide the Monitors with access to Management and information to populate separate data rooms to advance mediated discussions with key stakeholders. The Applicant has responded to stakeholder questions and requests for additional information.

34. Since the Twelfth Report, the Court-Appointed Mediator, with the assistance of the Monitors, continues to conduct meetings in the Mediation and engage in discussions with the CCAA Applicants and claimants. The Mediation is confidential. However, the Monitor confirms that the parties continue to advance the Mediation to facilitate a global settlement of the various claims asserted against the CCAA Applicants.
35. Extending the Stay Period until September 29, 2023 will allow the Applicant to continue operating in the normal course while participating in the Mediation and pursuing a global settlement. In the Monitor's view, the Applicant's request for an extension of the Stay Period until September 29, 2023 is reasonable and appropriate in the circumstances.
36. As described above, the Revised Cash Flow Statement projects that the Applicant will have sufficient liquidity to operate in the normal course during the Revised Cash Flow Period.
37. In the Monitor's view, the Applicant has acted and continues to act in good faith and with due diligence in the CCAA Proceedings.

RECOMMENDATION

38. The Monitor supports the relief sought by the Applicant in its motion to extend the Stay Period to September 29, 2023 and respectfully recommends that the Court grant the requested relief.

All of which is respectfully submitted this 22nd day of March, 2023

**Deloitte Restructuring Inc.,
Solely in its capacity as Court-appointed Monitor
of JTIM and not in its personal capacity**

A handwritten signature in blue ink, appearing to read "Phil Reynolds". The signature is fluid and cursive, with a long, sweeping underline that extends downwards and to the right.

Per:
Phil Reynolds, LIT
Senior Vice-President

APPENDIX “A”

JTI-Macdonald Corp.
30-week Revised Cash Flow Statement
\$CAD '000, unaudited

For the week beginning	Notes	6-Mar-23	13-Mar-23	20-Mar-23	27-Mar-23	3-Apr-23	10-Apr-23	17-Apr-23	24-Apr-23	1-May-23	8-May-23	15-May-23	22-May-23
Receipts													
Sales	1	26,308	28,351	30,271	34,261	26,098	25,051	20,338	18,902	23,595	27,792	33,396	25,726
Intercompany Receipts	2	8,386	8,386	8,860	8,781	8,915	6,755	6,995	7,878	4,739	4,696	4,779	4,696
Tax Refunds	3	328	-	-	-	992	328	-	-	992	328	-	-
Other Receipts	4	-	-	-	-	1,977	5,765	-	-	2,073	-	-	-
Total Receipts		35,022	36,738	39,132	43,042	37,983	37,899	27,333	26,780	31,399	32,816	38,174	30,423
Disbursements													
General Expenses	5	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Payroll and Benefits	6	(1,855)	(455)	(2,679)	(630)	(1,855)	(455)	(2,217)	(630)	(1,855)	(455)	(1,855)	(915)
Pension	7	-	(165)	(517)	(165)	(50)	(165)	(467)	(165)	(50)	(165)	(467)	(165)
Promotions and Marketing	8	(1,592)	(1,592)	(1,592)	(1,592)	(2,303)	(2,303)	(2,303)	(2,303)	(2,240)	(2,240)	(2,240)	(2,240)
Leaf	9	(40)	-	-	-	(6,558)	-	-	-	-	-	-	-
Capital Expenditures	10	(32)	(32)	(32)	(32)	(157)	(157)	(157)	(157)	(169)	(169)	(169)	(169)
Professional Fees	11	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(4)	(4)	(4)	(4)
Restructuring Costs	12	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Domestic and Import Duty	13	-	-	-	(48,973)	-	-	-	(54,861)	-	-	-	-
GST and HST	14	-	-	-	(6,640)	-	-	-	(6,873)	-	-	-	-
Intercompany Disbursements	15	(6,645)	(6,077)	(6,077)	(7,204)	(9,984)	(9,257)	(9,257)	(10,384)	(8,376)	(7,458)	(7,458)	(7,458)
Intercompany Royalties	16	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	(2,328)	(1,372)	-	(4,750)	(2,328)	(1,372)	-	(4,750)	-	(2,328)	(1,372)	-
Total Disbursements		(14,296)	(11,497)	(12,701)	(71,790)	(25,039)	(15,513)	(16,204)	(81,927)	(14,493)	(14,619)	(15,364)	(12,751)
Cashflow Surplus/Deficit (-)		20,726	25,241	26,431	(28,749)	12,944	22,386	11,129	(55,147)	16,906	18,198	22,810	17,672
Opening Cash Balance		1,057,458	1,078,184	1,103,425	1,129,856	1,101,107	1,114,051	1,136,437	1,147,565	1,092,418	1,109,324	1,127,522	1,150,332
FX adjustment		-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance		1,078,184	1,103,425	1,129,856	1,101,107	1,114,051	1,136,437	1,147,565	1,092,418	1,109,324	1,127,522	1,150,332	1,168,004
Cash Collateral pledged to Citibank	19												
Opening Balance		11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900
Cash Collateral Deposit / (Withdrawal)		-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900
Closing Cash net of Cash Collateral		1,066,284	1,091,525	1,117,956	1,089,207	1,102,151	1,124,537	1,135,665	1,080,518	1,097,424	1,115,622	1,138,432	1,156,104

JTI-Macdonald Corp.
30-week Revised Cash Flow Statement
\$CAD '000, unaudited

For the week beginning	Notes	29-May-23	5-Jun-23	12-Jun-23	19-Jun-23	26-Jun-23	3-Jul-23	10-Jul-23	17-Jul-23	24-Jul-23	31-Jul-23	7-Aug-23	14-Aug-23
Receipts													
Sales	1	26,982	36,238	31,838	40,903	32,924	24,485	25,060	24,983	25,474	28,333	33,861	34,882
Intercompany Receipts	2	4,696	6,866	6,863	6,866	6,823	6,523	7,680	6,523	6,740	4,882	4,793	4,835
Tax Refunds	3	-	992	328	-	-	992	328	-	-	992	328	-
Other Receipts	4	2,130	-	-	-	-	2,231	6,216	-	-	2,330	-	-
Total Receipts		33,808	44,097	39,030	47,769	39,747	34,231	39,285	31,506	32,214	36,536	38,982	39,717
Disbursements													
General Expenses	5	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Payroll and Benefits	6	(2,030)	(455)	(1,855)	(926)	(3,230)	(455)	(1,855)	(1,166)	(1,855)	(630)	(1,855)	(455)
Pension	7	-	(215)	-	(632)	-	(215)	-	(632)	-	(215)	-	(632)
Promotions and Marketing	8	(2,240)	(3,144)	(3,144)	(3,144)	(3,144)	(3,253)	(3,253)	(3,253)	(3,253)	(2,220)	(2,220)	(2,220)
Leaf	9	-	(40)	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	10	(169)	(652)	(652)	(652)	(652)	(275)	(275)	(275)	(275)	(394)	(394)	(394)
Professional Fees	11	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Restructuring Costs	12	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Domestic and Import Duty	13	(55,583)	-	-	-	(56,190)	-	-	-	(52,327)	-	-	-
GST and HST	14	(5,134)	-	-	-	(9,027)	-	-	-	(8,507)	-	-	-
Intercompany Disbursements	15	(8,585)	(9,078)	(8,527)	(8,527)	(9,654)	(10,439)	(9,902)	(9,902)	(11,029)	(7,528)	(8,351)	(7,528)
Intercompany Royalties	16	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	(4,750)	(2,328)	(1,372)	-	(4,750)	(2,328)	(1,372)	-	(4,750)	-	(2,328)	(1,372)
Total Disbursements		(80,295)	(17,718)	(17,355)	(15,686)	(88,453)	(18,770)	(18,462)	(17,033)	(83,801)	(12,793)	(16,954)	(14,406)
Cashflow Surplus/Deficit (-)		(46,487)	26,379	21,674	32,083	(48,706)	15,461	20,822	14,473	(51,587)	23,743	22,028	25,311
Opening Cash Balance		1,168,004	1,121,517	1,147,896	1,169,570	1,201,654	1,152,948	1,168,409	1,189,231	1,203,704	1,152,117	1,175,860	1,197,889
FX adjustment		-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance		1,121,517	1,147,896	1,169,570	1,201,654	1,152,948	1,168,409	1,189,231	1,203,704	1,152,117	1,175,860	1,197,889	1,223,200
Cash Collateral pledged to Citibank													
Opening Balance	19	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900
Cash Collateral Deposit / (Withdrawal)		-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900
Closing Cash net of Cash Collateral		1,109,617	1,135,996	1,157,670	1,189,754	1,141,048	1,156,509	1,177,331	1,191,804	1,140,217	1,163,960	1,185,989	1,211,300

JTI-Macdonald Corp.
30-week Revised Cash Flow Statement
\$CAD '000, unaudited

For the week beginning	Notes	21-Aug-23	28-Aug-23	4-Sep-23	11-Sep-23	18-Sep-23	25-Sep-23	30-week Total to September 29, 2023
Receipts								
Sales	1	33,633	39,310	29,011	30,956	30,514	30,436	879,910
Intercompany Receipts	2	4,793	4,836	2,642	2,642	2,684	2,642	178,199
Tax Refunds	3	-	-	992	328	-	-	8,248
Other Receipts	4	-	1,498	921	-	-	-	25,141
Total Receipts		38,426	45,644	33,565	33,926	33,198	33,077	1,091,498
Disbursements								
General Expenses	5	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(51,000)
Payroll and Benefits	6	(2,294)	(630)	(1,855)	(455)	(2,297)	(630)	(40,785)
Pension	7	-	(165)	(50)	(165)	(467)	(165)	(6,090)
Promotions and Marketing	8	(2,220)	(2,220)	(2,435)	(2,435)	(2,435)	(2,435)	(73,206)
Leaf	9	-	-	(1,334)	-	-	-	(7,972)
Capital Expenditures	10	(394)	(394)	(580)	(580)	(580)	(580)	(9,602)
Professional Fees	11	(5)	(5)	(3)	(3)	(3)	(3)	(135)
Restructuring Costs	12	(100)	(100)	(100)	(100)	(100)	(100)	(3,000)
Domestic and Import Duty	13	-	(51,368)	-	-	-	(24,955)	(344,258)
GST and HST	14	-	(8,204)	-	-	-	(8,903)	(53,288)
Intercompany Disbursements	15	(7,528)	(8,655)	(9,882)	(8,706)	(8,706)	(9,834)	(257,995)
Intercompany Royalties	16	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	-	(4,750)	(2,328)	(1,372)	-	(4,750)	(59,150)
Total Disbursements		(14,242)	(78,192)	(20,267)	(15,516)	(16,288)	(54,055)	(906,481)
Cashflow Surplus/Deficit (-)		24,184	(32,548)	13,298	18,409	16,910	(20,977)	185,017
Opening Cash Balance		1,223,200	1,247,383	1,214,835	1,228,133	1,246,543	1,263,453	1,057,458
FX adjustment		-	-	-	-	-	-	-
Closing Cash Balance		1,247,383	1,214,835	1,228,133	1,246,543	1,263,453	1,242,475	1,242,475
Cash Collateral pledged to Citibank	19							
Opening Balance		11,900	11,900	11,900	11,900	11,900	11,900	11,900
Cash Collateral Deposit / (Withdrawal)		-	-	-	-	-	-	-
Closing Balance		11,900	11,900	11,900	11,900	11,900	11,900	11,900
Closing Cash net of Cash Collateral		1,235,483	1,202,935	1,216,233	1,234,643	1,251,553	1,230,575	1,230,575

**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 JTI-MACDONALD CORP.**

("JTIM" or the "Applicant")

Notes to the Applicant's Unaudited Revised Cash Flow Statement

Disclaimer

In preparing this cash flow projection (the "**Revised Cash Flow Statement**"), the Applicant has relied upon unaudited interim financial information and the major assumptions listed below. The Revised Cash Flow Statement includes estimates concerning the operations of the Applicant with consideration given to the impact of continuing operations under the *Companies' Creditors Arrangement Act*, as amended (the "**CCAA**"). The Revised Cash Flow Statement is based on assumptions about future events and the actual results achieved during the forecast period will vary from the Cash Flow Statement, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. Parties using the Revised Cash Flow Statement for reasons other than to assess the cash flows of the Applicant during the forecast period are cautioned that it may not be appropriate for their purposes.

Overview

The Revised Cash Flow Statement reflects cash flows from JTIM. The Applicant, with the assistance of the Monitor, has prepared the Revised Cash Flow Statement based primarily on historical results and JTIM's current expectations derived from their annual budgeting process. Consistent with the Applicant's budgeting process, the Revised Cash Flow Statement is presented in thousands of Canadian Dollars. Receipts and disbursements denominated in U.S. Dollars have been converted into Canadian Dollars using an exchange rate of **CDN\$1.30 = USD\$1.00**.

Major Assumptions

RECEIPTS

1. Sales

Receipts from JTIM's trade sales are estimated based on a weekly forecast of collections from existing accounts and projected sales from JTIM's annual plan, which includes assumptions surrounding future pricing and volumes. JTIM collects payment from most of its customers via direct debit once product is shipped. The vast majority of JTIM's customers are tobacco wholesalers. JTIM sells smaller volumes directly to retail accounts.

2. Intercompany Receipts

JTIM is owned indirectly by Japan Tobacco Inc. ("**JT**"), a publicly listed company in Japan. Certain employees of JTIM, located at either the Mississauga head office or Montreal factory locations, perform services for non-Canadian entities.

A charge for time spent is applied to the related party corporation benefiting from the services. The charge is based on time spent by the employees based on an annual submission that the employee provides. The fee rate is based on the cost of each employee to JTIM, plus a 5% mark-up.

JTIM provides other related-party international tobacco companies outside of Japan (collectively "**JT International**") with skilled personnel (i.e. expatriates working abroad), and is reimbursed the costs of such employees.

JTIM performs contract manufacturing for non-Canadian branded cigarettes at the Montreal manufacturing facility for JT International SA ("**JTI-SA**"). JTIM also sells factory by-products to JTI-SA.

JTIM exports Canadian brand cigarettes to other JT International entities for sale.

3. Tax Refunds

The projected tax refunds relate to the collection of QST refunds in Quebec, and excise tax refunds for product that requires rework or destruction.

4. Other Receipts

Other receipts relate to interest income earned from short-term investments and interest-bearing savings accounts.

DISBURSEMENTS

5. General Expenses

These projected disbursements include payments related for non-tobacco materials, service-related activities, utilities, office leases, vehicles used by sales representatives and miscellaneous information technology requirements.

6. Payroll and Benefits

These projected disbursements include payroll and benefit costs for all salaried and hourly plant employees. The forecast amounts are based on historic run rates. Hourly plant employees are paid weekly and salaried employees are paid bi-weekly. Payroll disbursements include employee source deductions, employee and employer portions of CPP/QPP and EI and other payroll-related taxes, and reflect the terms of the collective bargaining agreement signed in July 2021. Payroll and benefit costs also include severance costs related to the global transformation project, which will be fully paid by December 31, 2023.

7. Pension

These projected disbursements represent payments to JTIM's registered employees plan, registered executive employees plan and the executive supplemental benefit plan. The pension amounts forecast in the cash flow include all current amounts. No special obligation payments are expected during the forecast period.

8. Promotions, Marketing and Distribution Support

These projected disbursements relate to the various marketing and promotional initiatives, such as inventory support programs and brand support programs, some of which were deferred from 2021 and 2022 due to Covid-19. JTIM also plans to conduct more trade marketing activities to drive sales in the forecast period given the easing of Covid-19 restrictions across Canada.

9. Leaf

These projected disbursements represent payments to third party suppliers of tobacco leaf. Third party purchases are used in circumstances where JTI-SA does not have a specific grade of tobacco available at the time required to meet the plant's tobacco blend requirements to reduce disruptions in the production process.

10. Capital Expenditures

These capital expenditures include investments in building, equipment and process improvements at JTIM's Quebec manufacturing facility, and IT software and hardware purchases.

11. Professional Fees

These projected disbursements include payments to JTIM's legal advisors for corporate matters.

12. Restructuring Costs

These projected disbursements include payments to JTIM's legal advisors for specialist restructuring advice, the fees and costs of the Monitor and its counsel, the fees and costs of the Chief Restructuring Officer, the fees and costs of the Court-Appointed Mediator and his advisors, and the fees and costs of representative counsel appointed by the Court on December 9, 2019.

13. Domestic and Import Duty

These projected disbursements relate to payments to Canada Revenue Agency ("CRA") with respect to tobacco products produced under the *Excise Act*, 2001 and customs duty and GST on imported leaf and other raw materials, spare parts and machinery. Excise duty returns and

payments are due on the last day of the month following the reporting period. Import duty payments are paid once a month on a rolling basis with the 21st being the end of the month.

14. GST and HST

These projected disbursements represent payments to CRA with respect to GST and HST. Historically, JTIM has always been in a monthly net payable position.

15. Intercompany Disbursements

These projected disbursements represent: (i) payments for goods and services provided by JT International entities such as tobacco products from JTI-SA, JTI (US) Holding Inc., JT International Canarias S.A.U., and Japan Tobacco International USA Inc., (ii) IT services provided by JTI-SA, (iii) global administrative services provided by JTI GBS Philippines Inc., and JTI GBS Poland Sp. z.o.o. (iv) employee arrangements provided by JTI Services Switzerland SA, and JT International AD Senta, and (v) global headquarter services provided by JT International Holding B.V.

16. Intercompany Royalties

JTI-Macdonald TM Corp. (“TM”) provides licenses to JTIM to use the trademarks to manufacture and sell goods bearing the trademarks in exchange for a monthly royalty payment. The intercompany royalty payments have been suspended pursuant to the Endorsement of Justice McEwen dated March 19, 2019. The amount of approximately \$1.1 million continues to be accrued monthly. Additionally, default interest is accruing on royalty payments due and unpaid. The balance owing for intercompany royalties and default interest as of December 31, 2022 is approximately \$54.8 million.

17. Intercompany Interest and Principal

This disbursement represents monthly interest payments on the \$1.2 billion secured convertible debentures by JTIM to TM. The intercompany interest and principal payments have been suspended pursuant to the Endorsement of Justice McEwen dated March 19, 2019. The interest amount of approximately \$7.7 million continues to be accrued monthly. Additionally, default interest is accruing on interest and principal payments due and unpaid. The balance owing for

intercompany interest payable as of December 31, 2022 including default interest is approximately \$407.2 million.

18. Income Tax Instalments and Provincial Tobacco Taxes

These projected disbursements represent corporate income tax instalments and payments of Provincial Tobacco Taxes (“PTT”) on direct retail sales.

19. Cash Collateral

Cash collateral of \$11.9 million was pledged to Citibank pursuant to agreements dated in 2016, 2017, and 2019 to allow for continued central travel account card services and cash management services provided by Citibank.



March 15, 2023

Deloitte Restructuring Inc.
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto, Ontario M5H 0A9
Canada

Attention: Warren Leung

Dear Sirs:

**Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow
Projections**

In connection with the CCAA proceedings in respect of JTI-Macdonald Corp. ("JTIM"), the management of JTIM ("**Management**") has prepared the attached Revised Cash Flow Statement and the assumptions on which the Revised Cash Flow Statement is based.

JTIM confirms that:

1. The Revised Cash Flow Statement and the underlying assumptions are the responsibility of JTIM;
2. All material information relevant to the Revised Cash Flow Statement and to the underlying assumptions has been made available to Deloitte Restructuring Inc., in its capacity as Monitor of JTIM;
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the Revised Cash Flow Statement are appropriate in the circumstances;
 - b. That the individual assumptions underlying the Revised Cash Flow Statement, taken as a whole, are appropriate in the circumstances; and
 - c. That all relevant assumptions have been properly presented in the Revised Cash Flow Statement or in the notes accompanying the Revised Cash Flow Statement.

4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of JTIM, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination;
5. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make JTIM's Management liable to fines and imprisonment in certain circumstances; and
6. The Revised Cash Flow Statement and assumptions have been reviewed and approved by JTIM's board of directors or Management has been duly authorized by JTIM's board of directors to prepare and approve the cash flow assumptions.

Yours truly,



Name: Robert McMaster

Title: Director, Taxation and Treasury

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 WITH RESPECT TO **JTI-MACDONALD CORP.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**FOURTEENTH REPORT OF THE MONITOR
March 22, 2023**

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