

**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.**

**FIFTEENTH REPORT OF THE MONITOR
September 20, 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 against the CCAA Applicants, the Honourable Warren K. Winkler, K.C. was 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 Fifteenth Report of the Monitor (the “**Fifteenth 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. Additional time is required beyond September 29, 2023, when the current 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, 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.

5. On September 13, 2023, JTIM brought a motion seeking an order extending the Stay Period through to March 29, 2024. Similar motions were brought by RBH and ITL on the same date also seeking orders extending the stay period in their CCAA proceedings to March 27, 2024 and March 29, 2024, respectively.
6. For the reasons set out in this Fifteenth Report, the Monitor supports the requested extension of the Stay Period. JTIM's day-to-day business and operations have continued in the ordinary course during the Court-supervised CCAA Proceedings and are expected to continue in the ordinary course through the period to March 29, 2024.

PURPOSE

7. The purpose of this Fifteenth 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 March 22, 2023, the date of the Fourteenth Report of the Monitor filed in connection with the previous motion to extend the Stay Period (the "**Fourteenth Report**"), to the date of this Fifteenth 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 Fourteenth Report. The Cash Flow Statement covered the 30-week period

from March 6, 2023 to September 29, 2023, and the comparison contained herein is against the first 26 weeks ending September 1, 2023;

- d) JTIM's updated cash flow projection (the "**Revised Cash Flow Statement**") for the 30-week period from the week beginning September 4, 2023 to the week ending March 29, 2024 (the "**Revised Cash Flow Period**");
 - e) the Applicant's request for an Order to extend the Stay Period to March 29, 2024; and
 - f) the Monitor's recommendation in respect of the relief the Applicant is seeking.
8. This Fifteenth Report should be read in conjunction with the Affidavit of William Aziz, Chief Restructuring Officer of JTIM, sworn September 13, 2023, in support of the Applicant's motion for the extension of the Stay Period (the "**Aziz Affidavit**").

TERMS OF REFERENCE AND DISCLAIMER

9. In preparing this Fifteenth 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**").
10. 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.

11. Some of the information referred to in this Fifteenth 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.
12. Future-oriented financial information referred to in this Fifteenth 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.
13. 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.

SUMMARY OF THE CCAA PROCEEDINGS

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

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

15. Since then, further Orders and endorsements have been issued in the CCAA Proceedings. A summary of select Orders and endorsements of the Court that are material to these proceedings are as follows:

- 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. (“**JTI-TM**”) 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 to among other things, adopt processes which, in his discretion, he considers appropriate to facilitate negotiation of a global settlement of the Tobacco Claims;
- c) the Second Amended and Restated Initial Order was issued by the Court on April 25, 2019 (the “**Second Amended and Restated Initial Order**”);
- 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 additional 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;

- j) on April 14, 2023, the Court heard the motion (the "**Leave Motion**") by the Heart & Stroke Foundation of Canada 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". With reasons issued on June 23, 2023, the Court dismissed the Leave Motion; and
 - k) on March 30, 2023, the Court ordered that the Stay Period be extended up to and including September 29, 2023.
16. During the CCAA Proceedings, the Stay Period has been extended numerous times by further Order, most recently up to and including September 29, 2023.
17. 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 the complete history of the CCAA Proceedings, including Orders and endorsements issued.

ACTIVITIES OF JTIM AND THE MONITOR SINCE THE FOURTEENTH REPORT

18. A summary of select activities of JTIM since the Fourteenth Report are set out in the Aziz Affidavit. Key activities that required Monitor approval during the period are as follows:
- a) To comply with new municipal storm water code requirements and to improve the safety and reliability of its shipping operations, JTIM is investing in a rainwater discharge system and modifications to the shipping area in the Montreal factory with costs of approximately \$2.1 million. Pursuant to paragraph 8(b) of the Second Amended and Restated Initial Order, the Monitor reviewed the business rationale and supporting documentation and approved this capital expenditure.
 - b) As part of global engineering and quality enhancement strategy, JTIM is investing in new foreign matter detection equipment for CRES (cut rolled expanded stems) with costs of approximately USD\$1.5 million. This type of equipment is installed in other JT International factories outside of Canada but had not yet been installed in the Montreal factory. Pursuant to paragraph 8(b) of the Second Amended and Restated Initial Order, the Monitor reviewed the business rationale and supporting documentation and approved this capital expenditure.
 - c) JTIM is upgrading the regular size 25-pack line in its Montreal factory to permit the manufacture of the 2-pack format of cigarettes in-house, replacing the existing third party co-packer. The estimated cost of this equipment and installation is \$5.1 million. Pursuant to paragraph 8(b) of the Second Amended and Restated Initial Order, the

Monitor reviewed the business rationale and supporting documentation and approved this capital expenditure.

- d) On August 1, 2023, the Government of Canada issued a timeline for cigarette manufacturers to print new health-related messages on product packages and individual cigarettes. The implementation deadlines applicable to manufacturers are:
- i. January 31, 2024 for new packaging messages;
 - ii. April 30, 2024 for health warning messages on individual King size cigarettes;
 - iii. January 31, 2025 for health warning messages on individual Regular size cigarettes, cigars and papers; and
 - iv. July 31, 2026 for new placement of health warning messages on an extended upper side-flap for cigarette packages.

To comply with this timeline, JTIM is investing in machinery and equipment with a cost of approximately USD\$1.9 million. Pursuant to paragraph 8(b) of the Second Amended and Restated Initial Order, the Monitor reviewed the business rationale and supporting documentation and approved this capital expenditure.

- e) The JT International companies are implementing a program to progressively improve production efficiency in their manufacturing plants. This program will require training and amendment to the responsibilities of certain machine operators and maintenance positions. Like other JT International plants, JTIM's Montreal plant is required to

implement this program as quickly as possible. In order to facilitate the immediate implementation of this program in Montreal, JTIM negotiated an arrangement with the Bakery, Confectionery, Tobacco and Milling Workers International Union, Local 235-T that includes a reasonable increase in the hourly compensation for these members. Pursuant to paragraph 7(a) of the Second Amended and Restated Initial Order, the Monitor reviewed the business rationale and supporting documentation and approved this amendment to the collective bargaining agreement.

19. In addition to the approval activities reported in the preceding paragraph, the Monitor has undertaken the following activities since the Fourteenth 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) reviewed the joint tax elections filed with the Canada Revenue Agency as described in paragraphs 31 to 36 of the Aziz Affidavit;
 - c) maintained and updated the Data Room with financial and other information relevant to the Mediation and CCAA Proceedings;
 - d) coordinated with the monitors of ITL and RBH (together with the Monitor, the "**Monitors**") and their respective counsel on the Mediation, the 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;

- e) attended the Mediation and confidential meetings in relation thereto;
- f) communicated with the Court with respect to certain procedural matters;
- g) attended the Leave Motion;
- h) communicated with third-party stakeholders regarding the status of the CCAA Proceedings and facilitated responses to information requests from creditors and claimants;
- i) 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;
- j) provided fee disclosure, in accordance with and subject to, the terms of the Fee Disclosure Order, to those parties that have requested same; and
- k) maintained and updated the Monitor's Website for these CCAA Proceedings.

CASH FLOW STATEMENT AND RESULTS RELATIVE TO FORECAST

20. Summarized in the following table are JTIM's actual cash receipts and disbursements for the 26-week period ended September 1, 2023 (the "**Reporting Period**"), as compared to the corresponding weeks in the Cash Flow Statement included in the Fourteenth Report.

JTI-Macdonald Corp.				
Summary of Actual versus Forecast Cash Flows				
For the 26-week period ended September 1, 2023				
\$CAD '000, unaudited	<i>Notes</i>	Actual	Forecast	Variance
Receipts				
Sales	<i>a</i>	746,931	758,994	(12,063)
Intercompany Receipts	<i>b</i>	148,434	167,590	(19,156)
Tax Refunds		8,323	6,928	1,395
Other Receipts		25,955	24,220	1,735
Total Receipts		929,643	957,732	(28,089)
Disbursements				
General Expenses	<i>c</i>	(38,436)	(44,200)	5,764
Payroll and Benefits		(35,006)	(35,547)	541
Pension		(5,260)	(5,244)	(16)
Promotions, Marketing and Distribution Support		(61,700)	(63,467)	1,767
Leaf		(6,538)	(6,638)	100
Capital Expenditures and Leases		(3,862)	(7,283)	3,421
Professional Fees		(890)	(122)	(768)
Restructuring Costs		(3,823)	(2,600)	(1,223)
Domestic and Import Duty	<i>d</i>	(289,506)	(319,303)	29,797
GST and HST	<i>e</i>	(39,623)	(44,385)	4,762
Intercompany Disbursements	<i>f</i>	(207,523)	(220,866)	13,343
Intercompany Royalties		-	-	-
Intercompany Interest		-	-	-
Intercompany Principal		-	-	-
Income Tax Instalments and PTT		(50,246)	(50,700)	454
Total Disbursements		(742,413)	(800,355)	57,942
Cashflow Surplus/Deficit (-)		187,230	157,377	29,853
Opening Cash Balance		1,057,458	1,057,458	-
FX Adjustment		(948)	-	(948)
Closing Cash Balance		1,243,740	1,214,835	28,905
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		1,231,840	1,202,935	28,905

21. JTIM's actual net cash flow for the Reporting Period was \$187.2 million, compared to forecast net cash flow of \$157.4 million, resulting in a favourable variance of \$29.8 million.

Major variances identified by the Notes in the table above are as follows:

- a) an unfavourable variance of \$12.1 million in third-party sales receipts is a permanent difference due to lower than expected sales volume which was partially offset by price increases;
- b) an unfavourable variance of \$19.1 million in intercompany receipts is a combination of permanent differences related to finished goods sales having been lower than expected with respect to sales volume and timing differences due to production scheduling;
- c) a favourable variance of \$5.7 million in general expenses is a combination of permanent differences from decreased sales volume and timing differences;
- d) a favourable variance of \$29.8 million in domestic and import duty payments is a combination of permanent differences due to lower than expected production volumes and timing difference due to production scheduling;
- e) a favourable variance of \$4.8 million in GST and HST payments is primarily a permanent difference due to lower than expected sales volume; and

- f) a favourable variance of \$13.3 million in intercompany disbursements is a combination of permanent differences in finished goods purchases due to lower than expected sales volume and timing differences related to production scheduling.
22. JTIM's closing cash balance as of September 1, 2023, net of pledged cash collateral, was \$1.2 billion. Pursuant to the March 19 Endorsement, JTIM continued to suspend payment of principal and interest on its secured indebtedness, and royalties payable to JTI-TM. According to paragraph 31 of the Aziz Affidavit, JTIM has accrued over \$465 million of interest payable to JTI-TM, and over \$64 million of royalties payable and interest on unpaid royalties payable to JTI-TM since the suspension of such intercompany payments.

APPLICANT'S REVISED CASH FLOW STATEMENT

23. 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 March 29, 2024:

JTI-Macdonald Corp.		
30-week Revised Cash Flow Statement		
SCAD '000, unaudited		
	Notes	30-week Total to March 29, 2024
Receipts		
Sales	1	808,914
Intercompany Receipts	2	171,748
Tax Refunds	3	9,429
Other Receipts	4	33,293
Total Receipts		1,023,384
Disbursement		
General Expenses	5	(56,400)
Payroll and Benefits	6	(50,142)
Pension	7	(8,366)
Promotions and Marketing	8	(81,956)
Leaf	9	(7,244)
Capital Expenditures	10	(6,618)
Professional Fees	11	(900)
Restructuring Costs	12	(3,900)
Domestic and Import Duty	13	(309,439)
GST and HST	14	(46,526)
Intercompany Disbursements	15	(238,522)
Intercompany Royalties	16	-
Intercompany Interest	17	-
Intercompany Principal	17	-
Income Tax Instalments and PTT	18	(80,240)
Total Disbursements		(890,253)
Cashflow Surplus/Deficit (-)		133,131
Opening Cash Balance		1,243,740
FX adjustment		-
Closing Cash Balance		1,376,871
Cash Collateral pledged to Citibank	19	
Opening Balance		11,900
Cash Collateral Deposit / (Withdrawal)		(900)
Closing Balance		11,000
Closing Cash net of Cash Collateral		1,365,871

24. 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 Fifteenth Report (the "**Revised Assumptions**").
25. JTIM's opening cash balance, net of pledged cash collateral, on September 4, 2023 was \$1.2 billion. The cash flow surplus for the Revised Cash Flow Period is forecast to be \$133 million, resulting in a closing cash balance, net of pledged cash collateral, of \$1.4 billion on March 29, 2024. Accordingly, the Applicant is forecast to have sufficient liquidity during the proposed extension of the Stay Period.
26. 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.
27. 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 the 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.

28. 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 Fifteenth 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.
29. 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 Fifteenth Report.

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

STAY EXTENSION

31. The current Stay Period expires on September 29, 2023. The Applicant is seeking the extension of the Stay Period up to and including March 29, 2024, 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.

32. In the Monitor's view, progress has been made since the last Stay Period extension hearing on March 28, 2023. 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.

33. Since the Fourteenth 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.
34. 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. In the Monitor's view, the Applicant has acted and continues to act in good faith and with due diligence in the CCAA Proceedings.
35. In the Monitor's view, the Applicant's request for an extension of the Stay Period until March 29, 2024 is reasonable and appropriate in the circumstances.

RECOMMENDATION

36. The Monitor supports the relief sought by the Applicant in its motion to extend the Stay Period to March 29, 2024 and respectfully recommends that the Court grant the requested relief.

All of which is respectfully submitted this 20th day of September, 2023

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

A handwritten signature in cursive script, appearing to read "Philip Reynolds".

Per:
Philip Reynolds, LIT
Senior Vice-President

APPENDIX “A”

JTI-Macdonald Corp.
30-week Revised Cash Flow Statement
SCAD '000, unaudited

	Notes	4-Sep-23	11-Sep-23	18-Sep-23	25-Sep-23	2-Oct-23	9-Oct-23	16-Oct-23	23-Oct-23	30-Oct-23	6-Nov-23	13-Nov-23	20-Nov-23
For the week beginning													
Receipts													
Sales	1	27,529	29,307	28,885	28,757	30,930	22,659	32,259	20,429	22,887	30,026	28,720	27,926
Intercompany Receipts	2	2,704	2,642	2,674	2,642	5,955	5,882	5,914	6,142	5,008	5,016	4,976	5,008
Tax Refunds	3	1,000	347	-	-	1,000	347	-	-	1,000	347	-	-
Other Receipts	4	-	-	-	-	2,485	-	7,549	900	2,594	-	-	-
Total Receipts		31,233	32,295	31,559	31,399	40,370	28,888	45,722	27,471	31,489	35,389	33,696	32,934
Disbursement													
General Expenses	5	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(1,700)	(1,700)	(1,700)	(1,700)
Payroll and Benefits	6	(1,858)	(458)	(2,300)	(633)	(1,858)	(458)	(1,858)	(1,017)	(2,033)	(458)	(1,858)	(1,329)
Pension	7	(230)	-	(637)	-	(230)	-	(637)	-	(230)	-	(170)	(467)
Promotions and Marketing	8	(2,871)	(2,871)	(2,871)	(2,871)	(3,677)	(3,677)	(3,677)	(3,677)	(2,171)	(2,171)	(2,171)	(2,171)
Leaf	9	(630)	-	-	-	-	-	-	-	-	(306)	-	-
Capital Expenditures	10	(284)	(284)	(284)	(284)	(358)	(358)	(358)	(358)	(139)	(139)	(139)	(139)
Professional Fees	11	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Restructuring Costs	12	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)
Domestic and Import Duty	13	-	-	-	(19,549)	-	-	-	-	(42,938)	-	-	-
GST and HST	14	-	-	-	(8,134)	-	-	-	-	(6,273)	-	-	-
Intercompany Disbursements	15	(9,721)	(8,409)	(8,409)	(9,485)	(4,272)	(3,858)	(3,858)	(4,934)	(6,375)	(7,163)	(6,375)	(6,375)
Intercompany Royalties	16	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	(2,000)	(1,700)	-	(4,860)	-	(2,000)	(1,700)	-	(4,860)	(2,000)	(1,700)	-
Total Disbursements		(19,855)	(15,982)	(16,761)	(48,075)	(12,655)	(12,611)	(14,347)	(12,245)	(66,879)	(14,098)	(14,273)	(12,340)
Cashflow Surplus/Deficit (-)		11,378	16,313	14,797	(16,676)	27,715	16,277	31,374	15,226	(35,390)	21,291	19,422	20,594
Opening Cash Balance		1,243,740	1,255,118	1,271,431	1,286,228	1,269,552	1,297,267	1,313,544	1,344,919	1,360,144	1,324,754	1,346,045	1,365,468
FX adjustment		-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance		1,255,118	1,271,431	1,286,228	1,269,552	1,297,267	1,313,544	1,344,919	1,360,144	1,324,754	1,346,045	1,365,468	1,386,061
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)		-	-	-	-	-	-	-	-	-	-	-	(900)
Closing Balance		11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,000
Closing Cash net of Cash Collateral		1,243,218	1,259,531	1,274,328	1,257,652	1,285,367	1,301,644	1,333,019	1,348,244	1,312,854	1,334,145	1,353,568	1,375,061

JTI-Macdonald Corp.
30-week Revised Cash Flow Statement
SCAD '000, unaudited

	Notes	27-Nov-23	4-Dec-23	11-Dec-23	18-Dec-23	25-Dec-23	1-Jan-24	8-Jan-24	15-Jan-24	22-Jan-24	29-Jan-24	5-Feb-24	12-Feb-24
For the week beginning													
Receipts													
Sales	1	28,239	30,429	36,585	65,659	-	24,706	18,373	36,517	13,387	13,350	21,243	24,418
Intercompany Receipts	2	4,976	6,688	6,616	6,648	6,616	7,256	7,184	7,184	7,216	7,476	5,538	5,498
Tax Refunds	3	-	1,000	347	-	-	1,000	347	-	-	-	1,000	347
Other Receipts	4	1,672	1,031	-	-	-	2,812	-	7,525	828	2,921	-	-
Total Receipts		34,887	39,149	43,548	72,307	6,616	35,774	25,904	51,225	21,431	23,747	27,781	30,263
Disbursement													
General Expenses	5	(1,700)	(2,100)	(2,100)	(2,100)	(2,100)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,900)	(1,900)
Payroll and Benefits	6	(2,033)	(458)	(1,858)	(1,444)	(2,033)	(458)	(1,858)	(458)	(2,435)	(633)	(1,858)	(458)
Pension	7	(170)	(60)	(170)	(467)	(170)	(60)	(170)	(567)	(170)	(60)	(170)	-
Promotions and Marketing	8	(2,171)	(7,940)	(7,940)	(7,940)	(7,940)	(92)	(92)	(92)	(92)	(92)	(1,433)	(1,433)
Leaf	9	-	(2,777)	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	10	(139)	(258)	(258)	(258)	(258)	(255)	(255)	(255)	(255)	(255)	(171)	(171)
Professional Fees	11	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Restructuring Costs	12	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)	(130)
Domestic and Import Duty	13	(48,400)	-	-	-	(65,341)	-	-	-	-	(43,972)	-	-
GST and HST	14	(7,247)	-	-	-	(6,330)	-	-	-	-	(6,994)	-	-
Intercompany Disbursements	15	(7,450)	(11,880)	(11,369)	(11,369)	(12,458)	(8,099)	(7,571)	(7,571)	(9,330)	(7,571)	(8,121)	(7,374)
Intercompany Royalties	16	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	(4,860)	(2,000)	(1,700)	-	(4,860)	-	(2,000)	(1,700)	-	(6,100)	(2,000)	(1,700)
Total Disbursements		(74,331)	(27,632)	(25,554)	(23,737)	(101,649)	(10,623)	(13,606)	(12,302)	(13,942)	(67,336)	(15,813)	(13,196)
Cashflow Surplus/Deficit (-)		(39,444)	11,517	17,994	48,571	(95,033)	25,150	12,298	38,923	7,489	(43,590)	11,968	17,067
Opening Cash Balance		1,386,061	1,346,617	1,358,134	1,376,128	1,424,699	1,329,666	1,354,816	1,367,114	1,406,037	1,413,526	1,369,936	1,381,904
FX adjustment		-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance		1,346,617	1,358,134	1,376,128	1,424,699	1,329,666	1,354,816	1,367,114	1,406,037	1,413,526	1,369,936	1,381,904	1,398,971
Cash Collateral pledged to Citibank	19												
Opening Balance		11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Cash Collateral Deposit / (Withdrawal)		-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance		11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Closing Cash net of Cash Collateral		1,335,617	1,347,134	1,365,128	1,413,699	1,318,666	1,343,816	1,356,114	1,395,037	1,402,526	1,358,936	1,370,904	1,387,971

JTI-Macdonald Corp.
30-week Revised Cash Flow Statement
SCAD '000, unaudited

For the week beginning	Notes	19-Feb-24	26-Feb-24	4-Mar-24	11-Mar-24	18-Mar-24	25-Mar-24	30-week Total to March 29, 2024
Receipts								
Sales	1	26,811	25,748	25,795	24,373	28,720	34,245	808,914
Intercompany Receipts	2	5,530	5,498	6,805	6,733	6,993	6,733	171,748
Tax Refunds	3	-	-	1,000	347	-	-	9,429
Other Receipts	4	-	1,933	1,045	-	-	-	33,293
Total Receipts		32,341	33,179	34,645	31,453	35,713	40,978	1,023,384
Disbursement								
General Expenses	5	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)	(56,400)
Payroll and Benefits	6	(11,875)	(633)	(1,858)	(458)	(2,759)	(458)	(50,142)
Pension	7	(2,567)	-	(230)	-	(737)	-	(8,366)
Promotions and Marketing	8	(1,433)	(1,433)	(1,741)	(1,741)	(1,741)	(1,741)	(81,956)
Leaf	9	-	-	(3,530)	-	-	-	(7,244)
Capital Expenditures	10	(171)	(171)	(90)	(90)	(90)	(90)	(6,618)
Professional Fees	11	(30)	(30)	(30)	(30)	(30)	(30)	(900)
Restructuring Costs	12	(130)	(130)	(130)	(130)	(130)	(130)	(3,900)
Domestic and Import Duty	13	-	(41,942)	-	-	-	(47,299)	(309,439)
GST and HST	14	-	(6,289)	-	-	-	(5,259)	(46,526)
Intercompany Disbursements	15	(7,374)	(9,328)	(7,990)	(7,596)	(7,596)	(9,240)	(238,522)
Intercompany Royalties	16	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	-	(22,700)	(2,000)	(1,700)	-	(6,100)	(80,240)
Total Disbursements		(25,479)	(84,555)	(19,499)	(13,646)	(14,983)	(72,247)	(890,253)
Cashflow Surplus/Deficit (-)		6,862	(51,376)	15,145	17,807	20,730	(31,269)	133,131
Opening Cash Balance		1,398,971	1,405,833	1,354,457	1,369,603	1,387,410	1,408,140	1,243,740
FX adjustment		-	-	-	-	-	-	-
Closing Cash Balance		1,405,833	1,354,457	1,369,603	1,387,410	1,408,140	1,376,871	1,376,871
Cash Collateral pledged to Citibank	19							
Opening Balance		11,000	11,000	11,000	11,000	11,000	11,000	11,900
Cash Collateral Deposit / (Withdrawal)		-	-	-	-	-	-	(900)
Closing Balance		11,000	11,000	11,000	11,000	11,000	11,000	11,000
Closing Cash net of Cash Collateral		1,394,833	1,343,457	1,358,603	1,376,410	1,397,140	1,365,871	1,365,871

**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 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 Revised 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\$1.35 = 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 ("**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 require rework or destruction.

4. Other Receipts

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

DISBURSEMENTS

5. General Expenses

These projected disbursements include payments related to 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 all 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.

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 the 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 or 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 the 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 tobacco products and related services provided by JT International entities such as JTI-SA, 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 (v) regional services provided by JTI (US) Holding Inc., and (vi) 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 since the suspension to June 30, 2023 is approximately \$64 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 including default interest since the suspension to June 30, 2023 is approximately \$465 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. JTIM is transitioning its corporate credit card program from Citibank to Bank of America at the end of September 2023. Bank of America will not require any cash collateral from JTIM for these new corporate credit cards. Once all of the outstanding balances from the Citibank corporate credit cards have been paid, Citibank will release the existing cash collateral of \$900,000 to JTIM’s general operating bank account.



September 14, 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,

A handwritten signature in blue ink that reads "Robert McMaster". The signature is written in a cursive style and is positioned above a solid black horizontal line.

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

**FIFTEENTH REPORT OF THE MONITOR
September 20, 2023**

BLAKE, CASSELS & GRAYDON LLP

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