

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
JTI-MACDONALD CORP.**

**TWENTY-THIRD REPORT OF THE MONITOR
January 22, 2025**

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 (“**Deloitte**” or 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 settle the almost \$1 trillion dollars of claims alleged 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, confidential mediation among the CCAA Applicants and their key stakeholders (the “**Mediation**”).
4. On October 5, 2023, Chief Justice Geoffrey B. Morawetz issued an endorsement (the “**October 5 Endorsement**”) stating that “I am directing the three Monitors, to work in conjunction with the Honorable Warren K. Winkler, Court-appointed Mediator, to develop Plans of Compromise or Arrangement. The Monitors and the Court-appointed Mediator are also directed to keep this Court updated as to their progress”.
5. As directed, on October 17, 2024, the Court-Appointed Mediator, the Monitor, FTI Consulting Canada Inc., in its capacity as court-appointed monitor of ITL (the “**ITL Monitor**”), and Ernst & Young Inc., in its capacity as court-appointed monitor of RBH (the “**RBH Monitor**”) filed plans of compromise and arrangement in respect of each of the CCAA Applicants as amended and restated as of December 5, 2024 (collectively, the “**CCAA Plans**” and in respect of JTIM, the “**JTIM CCAA Plan**”) under the CCAA.
6. On October 31, 2024, the Court issued the following orders:
 - a) A claims procedure order which, *inter alia*, established the procedure pursuant to which Claimants including Putative Miscellaneous Claimants obtained the right to attend the meeting of Affected Creditors (the “**Meeting**”) and vote on the JTIM CCAA Plan; and

- b) A meeting order that, *inter alia*, accepted the filing of the JTIM CCAA Plan, approved the meeting materials, and directed the Monitor as to the conduct of the Meeting (the “**Meeting Order**”).
7. JTIM and its affiliate, JTI-Macdonald TM Corp. (“**JTI-TM**”) objected to the motion for the Meeting Order and the filing of the JTIM CCAA Plan. The Court deferred its objections to the Sanction Hearing (as defined below) for consideration, and the issues they raised remain unresolved as of the date of this twenty-third report (the “**Report**”).
8. On December 12, 2024, the Monitor held the Meeting, and the Affected Creditors voted to approve the JTIM CCAA Plan by the Required Majority.
9. On December 23, 2024, the Court issued an order (the “**Sanction Protocol Order**”) which, *inter alia*, set a date for a court hearing to approve and sanction the CCAA Plans commencing on January 29, 2025 (the “**Sanction Hearing**”).
10. On January 15, 2025, the Monitor brought a motion seeking an order sanctioning the JTIM CCAA Plan, subject to the Court’s consideration of matters set out in paragraph 66 of the Twenty-Second Report of the Monitor, and an order appointing Deloitte as the CCAA Plan Administrator.
11. 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 on January 31, 2025.

12. On January 15, 2025, JTIM brought a motion seeking an order extending the Stay Period to March 31, 2025. Similar motions were brought by RBH and ITL on the same date. The RBH motion seeks an order extending the stay period in its CCAA proceedings to February 28, 2025. The Imperial motion seeks an order extending the stay period in its CCAA proceedings to the Effective Time.
13. In the proposed Sanction Order sought by the Monitor in its Motion Record dated January 15, 2025, the Monitor has requested an extension of the Stay Period up to the Effective Time.
14. For the reasons set out in this Report, the Monitor supports JTIM's requested extension of the Stay Period to March 31, 2025 or up to the Effective Time, as the Court may direct.
15. Further information regarding the CCAA Proceedings have been provided in prior reports of the Monitor.
16. All Court materials filed and orders issued in these CCAA Proceedings are available on the Monitor's website at: www.insolvencies.deloitte.ca/en-ca/JTIM (the "**Monitor's Website**").

PURPOSE

17. The purpose of this Report is to provide the Court with information and updates on the following:

- a) the activities of JTIM and the Monitor from October 25, 2024, the date of the Supplement to the Seventeenth Report of the Monitor (the “**Supplemental Report**”), to the date of this Report;
 - b) a comparison of actual cash flow results against forecast for the first 13 weeks of the 26-week cash flow statement (the “**Cash Flow Statement**”) that was included in the Supplemental Report;
 - c) JTIM’s updated cash flow projection (the “**Revised Cash Flow Statement**”) that covers the 13-week period from the week beginning January 6, 2025, to the week ending April 4, 2025 (the “**Revised Cash Flow Period**”);
 - d) the Monitor’s recommendation in respect of JTIM’s request for an order to extend the Stay Period up to and including March 31, 2025.
18. This Report should be read in conjunction with the Affidavit of William E. Aziz, Chief Restructuring Officer of JTIM, sworn January 15, 2025, in support of the Applicant’s motion for the extension of the Stay Period (the “**Aziz Affidavit**”).

TERMS OF REFERENCE AND DISCLAIMER

19. In preparing this 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**”).

20. 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 *CPA Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.
21. Some of the information referred to in this Report consists of financial projections. An examination or review of the financial forecasts and projections, as outlined in the *CPA Canada Handbook*, has not been performed.
22. Future-oriented financial information referred to in this 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.
23. 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, prior reports of the Monitor, or the JTIM CCAA Plan.

ACTIVITIES OF JTIM AND THE MONITOR SINCE THE DATE OF THE SUPPLEMENTAL REPORT

24. A summary of select activities of JTIM since the Supplemental Report are set out in paragraph 17 of the Aziz Affidavit.

25. In addition to the activities reported in the Eighteenth Report, Nineteenth Report, Twentieth Report, Twenty-First Report, and the Twenty Second Report, the Monitor has undertaken the following since the Supplemental Report:
 - a) attended calls and 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 the CCAA Proceedings;

 - c) coordinated with the ITL Monitor and the RBH Monitor and their respective counsel on the Mediation, the CCAA Plans, 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;

 - d) responding to meeting invitations from the Mediator;

 - e) communicated with the Court with respect to certain procedural matters;

- f) communicated with third-party stakeholders regarding the status of the CCAA Proceedings and facilitated responses to information requests from creditors and claimants;
- g) 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 the restrictions as required by the March 2019 Endorsement or as approved by the Monitor;
- h) provided fee disclosure, in accordance with and subject to, the terms of the Fee Disclosure Order, to those parties that have requested such disclosure; and
- i) maintained and updated the Monitor's Website for these CCAA Proceedings.

CASH FLOW STATEMENT AND RESULTS RELATIVE TO FORECAST

26. Summarized in the following table are JTIM's actual cash receipts and disbursements for the 13-week period ended January 3, 2025 (the "**Reporting Period**"), as compared to the corresponding weeks in the Cash Flow Statement included in the Supplemental Report.

JTI-Macdonald Corp.				
Summary of Actual versus Forecast Cash Flows				
For the 13-week period ended January 3, 2025				
SCAD '000, unaudited	Notes	Actual	Forecast	Variance
Receipts				
Sales	<i>a</i>	298,532	304,266	(5,734)
Intercompany Receipts	<i>b</i>	93,600	86,754	6,846
Tax Refunds		6,346	5,795	551
Other Receipts		18,542	15,777	2,765
Total Receipts		417,020	412,592	4,428
Disbursements				
General Expenses		(21,563)	(20,585)	(978)
Payroll and Benefits		(18,095)	(19,462)	1,367
Pension		(2,201)	(2,186)	(15)
Promotions, Marketing and Distribution Support	<i>c</i>	(38,455)	(32,720)	(5,735)
Leaf		-	(54)	54
Capital Expenditures and Leases		(3,065)	(5,696)	2,631
Professional Fees		(500)	(325)	(175)
Restructuring Costs		(4,166)	(2,600)	(1,566)
Domestic and Import Duty		(159,615)	(161,699)	2,084
GST and HST		(17,182)	(16,580)	(602)
Intercompany Disbursements		(101,796)	(99,424)	(2,372)
Income Tax Instalments and PTT		(32,150)	(34,131)	1,981
Total Disbursements		(398,788)	(395,462)	(3,326)
Cashflow Surplus/Deficit (-)		18,232	17,130	1,102
Opening Cash Balance		1,533,150	1,533,150	-
FX Adjustment		(503)	-	(503)
Closing Cash Balance		1,550,879	1,550,280	599
Cash Collateral pledged to Citibank				
Opening Balance		11,000	11,000	-
Cash Collateral Deposit / (Withdrawal)		-	-	-
Closing Balance		11,000	11,000	-
Closing Cash net of Cash Collateral		1,539,879	1,539,280	599

27. JTIM's actual net cash flow for the Reporting Period was \$18.2 million, compared to forecast net cash flow of \$17.1 million, resulting in a favourable variance of \$1.1 million. Major variances identified by the notes in the table above are as follows:
- a) an unfavourable variance of \$5.7 million in sales receipts is a permanent difference due to lower-than-expected sales volume which includes lower PTT collection;
 - b) a favourable variance of \$6.8 million in intercompany receipts is a timing difference that in part reversed the unfavourable timing difference from the previous reporting period, and in part will reverse during the Revised Cash Flow Period; and,
 - c) an unfavourable variance of \$5.7 million in marketing expenses is a timing difference that will reverse in the future.
28. JTIM's closing cash balance as of January 3, 2025, net of pledged cash collateral, was \$1.5 billion.

APPLICANT'S REVISED CASH FLOW STATEMENT

29. The Applicant has prepared the Revised Cash Flow Statement for the purpose of projecting the estimated results of the Applicant's planned operations and other activities during the Revised Cash Flow Period assuming operations continue in the ordinary course consistent with the Reporting Period. A copy of the Revised Cash Flow Statement with accompanying notes is attached as **Appendix "A"** and is summarized below for the 13-week period ending April 4, 2025:

JTI-Macdonald Corp.	
13-week Revised Cash Flow Statement	
\$CAD '000, unaudited	
	13-week Total to April 4, 2025
Receipts	
Sales	315,154
Intercompany Receipts	106,541
Tax Refunds	8,086
Other Receipts	14,797
Total Receipts	444,578
Disbursement	
General Expenses	(20,585)
Payroll and Benefits	(26,149)
Pension	(4,151)
Promotions, Marketing and Distribution Support	(27,353)
Leaf	(3,849)
Capital Expenditures	(1,060)
Professional Fees	(325)
Restructuring Costs	(5,200)
Domestic and Import Duty	(129,484)
GST and HST	(15,217)
Intercompany Disbursements	(105,244)
Intercompany Royalties	-
Intercompany Interest	-
Intercompany Principal	-
Income Tax Instalments and PTT	(34,663)
Total Disbursements	(373,280)
Cashflow Surplus/Deficit (-)	71,297
Opening Cash Balance	1,550,879
FX adjustment	-
Closing Cash Balance	1,622,176
Cash Collateral pledged to Citibank	
Opening Balance	11,000
Cash Collateral Deposit / (Withdrawal)	-
Closing Balance	11,000
Closing Cash net of Cash Collateral	1,611,176

30. 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. 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 Report (the “**Revised Assumptions**”). The Monitor highlights that the Revised Cash Flow Statement has been prepared assuming the continued operation of the JTIM business consistent with its recent operations during the CCAA Proceedings. On December 23, 2024, the Court issued the Sanction Protocol Order, which among other things, set a court hearing to approve and sanction the JTIM CCAA Plan commencing on January 29, 2025. If the JTIM CCAA Plan is implemented during the Revised Cash Flow Period, the cash receipts and disbursements presented herein will be materially altered, including but not limited to, the payment of the Upfront Contribution pursuant to the JTIM CCAA Plan.
31. JTIM’s opening cash balance on January 3, 2025, net of pledged cash collateral, was \$1.5 billion. The cash flow surplus for the period to April 4, 2025 is forecast to be \$71.3 million, resulting in a closing cash balance on April 4, 2025, net of pledged cash collateral, of \$1.6 billion. Accordingly, the Applicant is forecast to have sufficient liquidity during the proposed extension of the Stay Period.
32. The Monitor has reviewed the Revised Cash Flow Statement to the standard required of a court-appointed monitor under 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.

33. 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.
34. 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 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.
35. 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 Report.

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

STAY EXTENSION AND RECOMMENDATION

37. The current Stay Period expires on January 31, 2025. The extension of the current Stay Period is necessary to allow the Applicant and the Monitor to take all actions that may be necessary following the Sanction Hearing to further the CCAA Proceedings.
38. The Applicant has requested an extension of the Stay Period up to and including March 31, 2025. The proposed Sanction Order contains a provision for the extension of the Stay Period up to the Effective Time.
39. The Monitor is of the view that an extension of the Stay Period up to and including March 31, 2025 or up to the Effective Time is appropriate in the circumstances, and the Monitor will abide by the Court's direction in this regard.
40. It is the Monitor's view that the Applicant has acted in accordance with the Second Amended and Restated Initial Order and is working with due diligence and in good faith.

As described above, the Applicant's Revised Cash Flow Statement projects that the Applicant will have sufficient liquidity and generate positive cash flow during the Revised Cash Flow Period.

41. Accordingly, the Monitor recommends an extension of the Stay Period up to and including March 31, 2025 or up to the Effective Time, as the Court may direct.

All of which is respectfully submitted this 22nd day of January 2025.

**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 "Philip J. Reynolds". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Per:
Philip J. Reynolds, LIT
Senior Vice-President

APPENDIX "A"

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

For the week beginning	Notes	6-Jan-25	13-Jan-25	20-Jan-25	27-Jan-25	3-Feb-25	10-Feb-25	17-Feb-25	24-Feb-25	3-Mar-25	10-Mar-25	17-Mar-25	24-Mar-25	31-Mar-25	13-week Total to April 4, 2025
Receipts															
Sales	1	20,957	25,334	22,250	22,075	22,822	23,289	24,197	31,323	21,145	25,448	25,759	31,683	18,872	315,154
Intercompany Receipts	2	5,935	8,798	-	751	5,791	6,624	6,671	6,636	7,562	7,562	7,954	35,767	6,492	106,541
Tax Refunds	3	6,600	-	-	-	-	1,486	-	-	-	-	-	-	-	8,086
Other Receipts	4	-	3,979	-	-	2,104	169	2,036	-	1,974	-	-	-	4,535	14,797
Total Receipts		33,492	38,111	22,250	22,827	30,716	31,567	32,904	37,959	30,681	33,010	33,713	67,450	29,898	444,578
Disbursement															
General Expenses	5	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(1,583)	(20,585)
Payroll and Benefits	6	(2,050)	(518)	(2,432)	(870)	(2,050)	(350)	(9,146)	(870)	(2,050)	(350)	(2,544)	(870)	(2,050)	(26,149)
Pension	7	(245)	-	(517)	-	(235)	-	(2,167)	-	(235)	-	(517)	-	(235)	(4,151)
Promotions and Marketing	8	(1,144)	(1,144)	(1,144)	(1,144)	(2,721)	(2,721)	(2,721)	(2,721)	(2,670)	(2,670)	(2,670)	(2,670)	(1,213)	(27,353)
Leaf	9	-	-	-	-	-	-	-	-	(2,331)	-	-	-	(1,517)	(3,849)
Capital Expenditures	10	(81)	(81)	(81)	(81)	(54)	(54)	(54)	(54)	(106)	(106)	(106)	(106)	(97)	(1,060)
Professional Fees	11	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(325)
Restructuring Costs	12	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(5,200)
Domestic and Import Duty	13	-	-	-	(37,440)	-	-	-	(47,937)	-	-	-	(44,107)	-	(129,484)
GST and HST	14	-	-	-	(4,873)	-	-	-	(5,151)	-	-	-	(5,193)	-	(15,217)
Intercompany Disbursements	15	(7,352)	(5,717)	(3,499)	(13,724)	(8,749)	(8,966)	(9,754)	(1,917)	(737)	(11,528)	(11,479)	(13,136)	(8,687)	(105,244)
Intercompany Royalties	16	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Interest	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Principal	17	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax Instalments and PTT	18	-	(1,477)	(3,636)	(5,450)	-	(3,300)	(3,300)	(5,450)	-	(3,300)	(3,300)	(5,450)	-	(34,663)
Total Disbursements		(12,880)	(10,945)	(13,317)	(65,590)	(15,818)	(17,400)	(29,151)	(66,109)	(10,138)	(19,962)	(22,624)	(73,540)	(15,807)	(373,280)
Cashflow Surplus/Deficit (-)		20,612	27,166	8,933	(42,763)	14,898	14,168	3,753	(28,150)	20,543	13,048	11,089	(6,090)	14,091	71,297
Opening Cash Balance		1,550,879	1,571,491	1,598,657	1,607,590	1,564,826	1,579,725	1,593,892	1,597,646	1,569,496	1,590,039	1,603,087	1,614,175	1,608,085	1,550,879
FX adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Balance		1,571,491	1,598,657	1,607,590	1,564,826	1,579,725	1,593,892	1,597,646	1,569,496	1,590,039	1,603,087	1,614,175	1,608,085	1,622,176	1,622,176
Cash Collateral pledged to Citibank															
Opening Balance	19	11,000	11,000	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	11,000	11,000
Closing Cash net of Cash Collateral		1,560,491	1,587,657	1,596,590	1,553,826	1,568,725	1,582,892	1,586,646	1,558,496	1,579,039	1,592,087	1,603,175	1,597,085	1,611,176	1,611,176

**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 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.

The Monitor highlights that the Revised Cash Flow Statement has been prepared assuming the continued operation of the JTIM business consistent with its recent operations during the CCAA Proceedings. On December 23, 2024, the Court issued the Sanction Protocol Order, which among other things, set a court hearing to approve and sanction the JTIM CCAA Plan commencing on January 29, 2025. If the JTIM CCAA Plan is implemented during the Revised Cash Flow Period, the cash receipts and disbursements presented herein will be materially altered, including but not limited to, the payment of the Upfront Contribution pursuant to the JTIM CCAA Plan.

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, except as noted below. 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 during the Revised Cash Flow Period also include severance costs related to the elimination of the third shift at JTIM's Montreal plant effective June 2024.

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.

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 Italia s.r.l. (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.

17. Intercompany Interest and Principal

This disbursement represents monthly interest payments on the \$1.2 billion secured convertible debentures owed 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 \$7.6 million continues to be accrued monthly. Additionally, default interest is accruing on interest and principal payments due and unpaid.

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 \$11.0 million was pledged to Citibank pursuant to agreements dated in 2017 and 2019 to allow for continued cash management services provided by Citibank.



January 13, 2025

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 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 OF **JTI-MACDONALD CORP.**

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

TWENTY-THIRD REPORT OF THE MONITOR
Dated January 22, 2025

BLAKE, CASSELS & GRAYDON LLP
199 Bay Street
Suite 4000, Commerce Court West
Toronto, Ontario M5L 1A9

Pamela Huff, LSO #27344V
Tel: 416-863-2958
Email: pamela.huff@blakes.com

Linc Rogers, LSO #43562N
Tel: 416-863-4168
Email: linc.rogers@blakes.com

Jake Harris, LSO #85481T
Tel: 416-863-2523
Email: jake.harris@blakes.com

*Lawyers for the Deloitte Restructuring Inc. in its
capacity as Monitor of JTI-Macdonald Corp.*