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**NOTICE OF MEETING
AND
MANAGEMENT INFORMATION CIRCULAR
FOR THE
SPECIAL MEETING OF SHAREHOLDERS OF
TERRACE GLOBAL INC.
TO BE HELD ON
December 16, 2020**

Dated as of November 13, 2020

The members of the Board of Directors of Terrace Global Inc.

UNANIMOUSLY recommend that Shareholders vote FOR the Arrangement Resolution

These materials are important and require your immediate attention. They require shareholders of Terrace Global Inc. to make an important decision. If you are in doubt as to how to make such decision, please contact your financial, legal or other professional advisor. This document does not constitute an offer or a solicitation of securities or proxies to any person in any jurisdiction in which such offer or solicitation is unlawful. If you have any questions or require more information with regard to the procedures for voting or have questions regarding the information contained in this document please contact Francisco Ortiz von Bismarck, Chief Executive Officer and director of Terrace, at fortizvonbismarck@terraceglobal.ca.



November 13, 2020

Dear Terrace Shareholder:

You are invited to attend a special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (“**Terrace Shares**”) in the capital of Terrace Global Inc. (“**Terrace**” or the “**Corporation**”) to be held at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1, at 9:00 a.m. (Toronto time) on Wednesday, December 16, 2020 and will be available by teleconference (listen-only) at 647-797-0071 (Toronto) or 1 833-600-1823 (toll free), conference room #: 676-747-889.

Proposed Arrangement

At the Meeting, Shareholders will be asked to consider and vote on a special resolution (the “**Arrangement Resolution**”) approving a statutory plan of arrangement pursuant to (Section 182 of the *Business Corporations Act* (Ontario), (the “**Arrangement**”) whereby, subject to the terms and conditions of an arrangement agreement entered into between Terrace and The Flowr Corporation (“**Flowr**”) on October 19, 2020 (the “**Arrangement Agreement**”), Flowr will, among other things, acquire all of the issued and outstanding Terrace Shares in exchange for common shares in the capital of Flowr (“**Flowr Shares**”).

The Consideration

If the Arrangement becomes effective, Shareholders will receive, for each Terrace Share held, 0.4973 of a Flowr Share (the “**Consideration**”), representing a premium of 47% based on the closing price for the Terrace Shares on October 19, 2020 (being the trading day prior to the announcement of the Arrangement) and a price of \$0.44 per Flowr Share (being the 30-day volume weighted average prices of the Flowr Shares on the day prior to the announcement of the Arrangement).

The Board Recommendation

The members of the Terrace Board have UNANIMOUSLY determined to recommend to the Shareholders that they vote FOR the Arrangement Resolution. The members of the Terrace Board have unanimously determined, after receiving legal and financial advice, including receipt of a fairness opinion from Hyperion Capital Inc. (“Hyperion”), as financial advisor to the Corporation, that the Arrangement is fair to the Shareholders and that each of the Arrangement and the entering into of the Arrangement Agreement is in the best interests of the Corporation, and the Terrace Board has authorized the submission of the Arrangement to the Shareholders for their approval at the Meeting. You are encouraged to read the section in the accompanying management information circular titled “*The Arrangement – Reasons for the Arrangement*” on page 28 to understand some of the considerations of the Terrace Board in making their recommendation that Shareholders vote FOR the Arrangement Resolution.

Benefits to Terrace Shareholders

In consultation with financial and legal advisors, the Terrace Board has determined that the Arrangement represents the best prospect for maximizing shareholder value. The Terrace Board considered a number of

benefits of the Arrangement to the Shareholders as further set out in the section entitled “*The Arrangement – Reasons for the Arrangement*” in the accompanying management information circular.

In order for the Arrangement to be effective, the Arrangement Resolution must be approved by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting. The Arrangement is also subject to certain other conditions, including the approval of the Ontario Superior Court of Justice (Commercial List), approval of the TSXV, and by a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) – See section “*MI 61-101*”, all as further described in the accompanying Notice of Special Meeting of Shareholders and management information circular (the “**Circular**”).

All of the directors and senior officers of the Corporation who hold Terrace Shares and certain Shareholders, holding an aggregate of 110,023,600 Terrace Shares, representing approximately 66% of the issued and outstanding Terrace Shares as of the record date for the Meeting, have entered into a voting support agreement with Flowr to, among other things, vote in favour of the Arrangement Resolution in accordance with the terms of the Voting Support Agreement.

The accompanying Circular describes the Arrangement and includes certain additional information to assist you in considering how to vote on the Arrangement Resolution. This information is important and you are urged to read this information carefully and, if you require assistance, to consult your financial, legal, tax and other professional advisors.

Your vote is important regardless of the number of Terrace Shares you own. Even if you are a registered Shareholder and plan to attend the Meeting in person, we encourage you to take the time now to follow the instructions on the enclosed form of proxy so that your Terrace Shares can be voted at the Meeting in accordance with your instructions. We encourage you to use the internet voting option to ensure your vote is received prior to the voting deadline. Alternatively, you can complete, sign, date and return the enclosed form of proxy by mail or facsimile. If you hold your Terrace Shares through a broker, trustee, financial institution or other intermediary, you are a non-registered Shareholder and you will receive instructions from such intermediary, or on the intermediary’s behalf, as to how to vote your Terrace Shares. We encourage non-registered Shareholders to carefully follow such instructions so that your Terrace Shares can be voted at the Meeting.

If you are a registered Shareholder, we also encourage you to complete, sign, date and return the enclosed Letter of Transmittal (printed on YELLOW paper) along with the share certificate(s) representing your Terrace Shares so that, if the proposed Arrangement is approved, the consideration for your Terrace Shares can be sent to you at the correct address as soon as possible following the implementation of the Arrangement. Only registered Shareholders will receive a Letter of Transmittal. Non-registered Shareholders will receive instructions from their intermediaries as to how to receive payment for their Terrace Shares following the implementation of the Arrangement.

Subject to obtaining court approval and satisfying certain other conditions to the Arrangement, including the approval of Shareholders, it is expected that the Arrangement will be completed on or about December 22, 2020, subject to the receipt of any required regulatory approvals and the satisfaction of all other conditions to closing.

Due to the ongoing concerns related to the spread of the coronavirus (COVID-19) and in order to protect the health and safety of Shareholders, employees, other stakeholders and the community,

Shareholders are strongly encouraged to listen to the Meeting via teleconference instead of attending the Meeting in person and to vote on the matters before the Meeting by proxy, appointing the person designated by management in the proxy form or voting instruction form.

We ask that Shareholders review and follow the instructions of any provincial, regional or other health authorities holding jurisdiction over the areas you must travel through to attend the Meeting. Please do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled outside of Canada within the 14 days immediately prior to the Meeting. All Shareholders are strongly encouraged to vote by submitting their completed form of proxy (or voting instruction form) prior to the Meeting by one of the means described in the Circular accompanying this notice.

The Corporation reserves the right to take any additional pre-cautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak and in order to ensure compliance with federal, provincial, and local laws and orders, including without limitation: (i) holding the Meeting virtually or by providing a webcast of the Meeting; (ii) hosting the Meeting solely by means of remote communication; (iii) changing the Meeting date and/or changing the means of holding the Meeting; (iv) denying access to persons who exhibit cold or flu-like symptoms, or who have, or have been in close contact with someone who has, travelled outside of Canada within the 14 days immediately prior to the Meeting; and (v) such other measures as may be recommended by public health authorities in connection with gatherings of persons such as the Meeting. Should any such changes to the Meeting format occur, Terrace will announce any and all of these changes by way of news release, which will be filed under Terrace's profile on SEDAR at www.sedar.com. It is strongly recommended that you check the Terrace's profile on SEDAR prior to the Meeting for the most current information. In the event of any changes to the Meeting format due to the COVID-19 outbreak, Terrace will not prepare or mail amended materials in respect of the Meeting.

The accompanying Circular contains a detailed description of the Arrangement and other information relating to Terrace and Flowr. We urge you to carefully consider all of the information in the Circular, including the documents incorporated by reference therein. If you require assistance, please consult your financial, legal or other professional advisors.

Shareholders that have any questions or need help voting should contact Francisco Ortiz von Bismarck, Chief Executive Officer and director of Terrace, at fortizvonbismarck@terraceglobal.ca.

Sincerely,

On behalf of the Board of Directors of Terrace,

(Signed) "Francisco Ortiz von Bismarck"

Francisco Ortiz von Bismarck, Chief Executive Officer and Director

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TERRACE GLOBAL INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Terrace Shares**”) of Terrace Global Inc. (“**Terrace**” or the “**Corporation**”) will be held at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1, at 9:00 a.m. (Toronto time), on Wednesday, December 16, 2020, and will be available by teleconference (listen-only) at 647-797-0071 (Toronto) or 1-833-600-1823 (toll free), conference room #: 676-747-889, for the following purposes:

1. to consider and, if deemed advisable, to pass, with or without variation, pursuant to an interim order of the Ontario Superior Court of Justice (Commercial List) dated November 13, 2020 (the “**Interim Order**”), a special resolution (the “**Arrangement Resolution**”), the full text of which is set forth in Appendix B to the accompanying management information circular (the “**Circular**”), approving a plan of arrangement (the “**Arrangement**”) under Section 182 of the *Business Corporations Act* (Ontario) (the “**OBCA**”) whereby, among other things: (i) non-dissenting Shareholders will receive, in respect of each Terrace Share held, 0.4973 of a common share in the capital of The Flowr Corporation (“**Flowr**”); and (ii) Flowr will acquire all of the issued and outstanding Terrace Shares; and
2. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Particulars of the foregoing matters are set forth in the Circular. The board of directors of Terrace has fixed the close of business on November 9, 2020 as the record date for the determination of the Shareholders entitled to receive notice of, and to vote at, the Meeting. Only Shareholders whose names have been entered in the register of shareholders as of the close of business on November 9, 2020 will be entitled to receive notice of, and to vote at, the Meeting and any adjournments or postponements thereof.

Shareholders are entitled to vote at the Meeting either in person or by proxy, as described in the Circular under the heading “General Proxy Information”. Only registered Shareholders of the Corporation, or the persons appointed as their proxies, are entitled to vote at the Meeting. For information with respect to Shareholders who own their Terrace Shares through an intermediary, see “General Proxy Information – Non-Registered Shareholders” in the accompanying Circular.

Whether or not you are able to attend the Meeting in person, you are encouraged to provide voting instructions on the enclosed form of proxy as soon as possible. The Corporation’s transfer agent, Computershare Investor Services Inc., must receive your proxy no later than December 14, 2020 at 9 a.m. (Toronto time), or, if the Meeting is adjourned or postponed, no later than 48 hours (excluding Saturdays, Sundays and holidays in the Province of Ontario) before any adjourned or postponed Meeting. You must send your proxy to the Corporation’s transfer agent by either using the envelope provided or by mailing the proxy to the Proxy Department of Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1. You may vote by phone at 1-866-732-8683, by facsimile at 866-249-7775, or electronically on the internet at www.investorvote.com. You will need your 13 digit control number located on the form of proxy. If you wish to vote by facsimile or on the internet, you must do so no later than December 14, 2020 at 9:00 a.m. (Toronto time). If you vote using any other method, your proxy must be received by Computershare Investor Services Inc. no later than December 14, 2020 at 9:00 a.m. (Toronto time).

Due to the ongoing concerns related to the spread of the coronavirus (COVID-19) and in order to protect the health and safety of Shareholders, employees, other stakeholders and the community,

Shareholders are strongly encouraged to listen to the Meeting via teleconference instead of attending the Meeting in person and to vote on the matters before the Meeting by proxy, appointing the person designated by management in the proxy form or voting instruction form.

We ask that Shareholders review and follow the instructions of any provincial, regional or other health authorities holding jurisdiction over the areas you must travel through to attend the Meeting. Please do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled outside of Canada within the 14 days immediately prior to the Meeting. All Shareholders are strongly encouraged to vote by submitting their completed form of proxy (or voting instruction form) prior to the Meeting by one of the means described in the Circular accompanying this notice.

The Corporation reserves the right to take any additional pre-cautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak and in order to ensure compliance with federal, provincial, and local laws and orders, including without limitation: (i) holding the Meeting virtually or by providing a webcast of the Meeting; (ii) hosting the Meeting solely by means of remote communication; (iii) changing the Meeting date and/or changing the means of holding the Meeting; (iv) denying access to persons who exhibit cold or flu-like symptoms, or who have, or have been in close contact with someone who has, travelled outside of Canada within the 14 days immediately prior to the Meeting; and (v) such other measures as may be recommended by public health authorities in connection with gatherings of persons such as the Meeting. Should any such changes to the Meeting format occur, Terrace will announce any and all of these changes by way of news release, which will be filed under Terrace's profile on SEDAR at www.sedar.com. It is strongly recommended that you check the Terrace's profile on SEDAR prior to the Meeting for the most current information. In the event of any changes to the Meeting format due to the COVID-19 outbreak, Terrace will not prepare or mail amended materials in respect of the Meeting.

If you are a non-registered Shareholder (for example, if you hold Terrace Shares in an account with a broker or another intermediary), you should follow the voting procedures described in the form of proxy or voting instruction form provided by your broker or intermediary or call your broker or intermediary for information as to how you can vote your Terrace Shares. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, each non-registered Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting. Note that the deadlines set by your broker or intermediary for submitting your form of proxy or voting instruction form may be earlier than the dates described above, and non-registered Shareholders wishing to vote by facsimile or on the internet must do so no later than December 14, 2020 at 9:00 a.m. (Toronto time).

Shareholders should follow the instructions on the forms they receive and if they have any questions contact their intermediaries.

Late proxies may be accepted or rejected by the Chairman of the Meeting at his or her sole discretion. The Chairman is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion, without notice.

Registered Shareholders have the right to dissent with respect to the Arrangement Resolution. To exercise such right of dissent, (a) a written notice of dissent with respect to the Arrangement Resolution from the registered Shareholder must be received by Terrace at Terrace Global Inc. c/o Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, ON, Canada, M5H 2V1, Attention: Jeff Hergott, by 5:00 p.m. (Toronto time) on December 14, 2020 or, in the case of any adjournment or

postponement of the Meeting, the date which is two business days prior to the date of the Meeting; and (b) the registered Shareholder must have otherwise complied with the dissent procedures in the Interim Order. A Shareholder's right to dissent is more particularly described in the Circular and the text of Section 185 of the OBCA set forth in Appendix F to the Circular and the Interim Order is set forth in Appendix D. Please refer to the Circular under the heading "*Dissenting Shareholders' Rights*" for a description of the right to dissent in respect of the Arrangement.

Failure to comply with the strict requirements set forth in Section 185 of the OBCA (as modified by the Interim Order and the Plan of Arrangement) with respect to the Arrangement may result in the loss of any right to dissent. Persons who are beneficial owners of Terrace Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of Terrace Shares are entitled to dissent. Accordingly, a beneficial owner of Terrace Shares desiring to exercise the right to dissent must make arrangements for the Terrace Shares beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Corporation or, alternatively, make arrangements for the registered holder of such Terrace Shares to dissent on behalf of the holder.

DATED this 13th day of November, 2020.

BY ORDER OF THE BOARD

(Signed) "Francisco Ortiz von Bismarck"

Francisco Ortiz von Bismarck, Chief Executive Officer and Director

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TERRACE GLOBAL INC.

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “Circular”) and accompanying form of proxy are furnished in connection with the solicitation of proxies by the management of Terrace Global Inc. (“Terrace” or the “Corporation”) for use at the special meeting (the “Meeting”) of holders (the “Shareholders”) of common shares in the capital of Terrace (“Terrace Shares”) to be held on Wednesday, December 16, 2020 at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1, at 9:00 a.m. (Toronto time), and will be available by teleconference (listen-only) at 647-797-0071 (Toronto) or 1 833-600-1823 (toll free), conference room #: 676-747-889, and at any adjournment or postponement thereof, for the purposes set forth in the accompanying notice of special meeting (the “Notice of Meeting”).

All summaries of, and references to, the Plan of Arrangement, the Arrangement Resolution, the Arrangement Agreement, the Fairness Opinion in this Circular are qualified in their entirety by reference to the complete text of these documents, each of which is either included as an appendix to this Circular or filed under the Corporation’s profile on SEDAR at www.sedar.com.

Shareholders are urged to carefully read the full text of these documents and the Circular.

GENERAL MATTERS

Defined Terms

In this Circular, unless otherwise indicated or the context otherwise requires, terms defined in Appendix A – *Glossary of Terms* shall have the meanings attributed thereto. Words importing the singular include the plural and vice versa and words importing gender include all genders.

Information Contained in this Circular

The information contained in this Circular, unless otherwise indicated, is given as of November 13, 2020.

No broker, dealer, salesperson or other person has been authorized by the Corporation to give any information (including any representations) in connection with the matters to be considered at the Meeting other than the information contained in this Circular and, if given or made, such information or representation must not be relied upon and should not be considered to have been authorized by the Corporation. This Circular does not constitute an offer to buy, or a solicitation of an offer to acquire, any securities, or a solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or is unlawful. Information contained in this Circular should not be construed as legal, tax or financial advice, and Shareholders should consult their own professional advisors concerning the consequences of the Arrangement in their own circumstances. For greater certainty, to the extent that any information provided on the Terrace website at www.terraceglobal.ca or the Flowr website at www.flowr.ca is inconsistent with this Circular, the information provided in this Circular should be relied on. Neither the delivery of this Circular nor any distribution of securities referred to herein will, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

THIS CIRCULAR AND THE TRANSACTIONS CONTEMPLATED BY THE ARRANGEMENT AGREEMENT AND THE PLAN OF ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY NOR HAS ANY

SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTIONS OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Information Contained in this Circular Regarding Flowr

Certain information included or incorporated by reference in this Circular pertaining to Flowr, including, but not limited to, information pertaining to Flowr in Appendix H – *Additional Information Concerning Flowr* and in Appendix I – *Information Concerning the Combined Company*, has been furnished by Flowr, or is derived from Flowr’s publicly available documents and should be read together with, and is qualified by, the documents filed by Flowr with the securities regulatory authorities in Canada. With respect to this information, the Terrace Board has relied exclusively upon Flowr, without independent verification by the Corporation. Although the Corporation does not have any knowledge that would indicate that such information is untrue or incomplete, neither the Corporation nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by Flowr to disclose events or information that may affect the completeness or accuracy of such information but which are unknown to the Corporation.

For further information regarding Flowr, please refer to Flowr’s filings with the securities regulatory authorities which may be obtained under Flowr’s profile on SEDAR at www.sedar.com. See also Appendix H – *Additional Information Concerning Flowr* and Appendix I – *Information Concerning the Combined Company*.

Information Contained in this Circular Regarding the Combined Company

The information contained in this Circular, including Appendix I – *Information Concerning the Combined Company*, concerning the Combined Company on a post-Arrangement basis contains significant amounts of forward-looking information. Readers are cautioned that actual results may vary. See “*Cautionary Statement Regarding Forward-Looking Information*”.

Financial Information

Unless otherwise indicated, all financial information referred to in this Circular was prepared in accordance with IFRS.

Currency

Unless otherwise indicated, all references to “\$” or “dollars” set forth in this Circular are to Canadian dollars.

NOTICE TO SECURITYHOLDERS IN THE UNITED STATES

THE ARRANGEMENT AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The following discussion is only a general overview of certain requirements of U.S. Securities Laws relating to the Arrangement that may be applicable to Shareholders, Terrace Optionholders and Terrace Warrantholders. Each Terrace securityholder is urged to consult such person's professional advisors to determine the U.S. conditions and restrictions applicable to trades in the Flowr Shares issuable pursuant to the Arrangement.

Exemption from U.S. Registration

The Flowr Shares, the Replacement Options and the Replacement Warrants to be issued to Shareholders, Terrace Optionholders and Terrace Warrantholders, respectively under the Arrangement have not been and will not be registered under the U.S. Securities Act, and are being issued in reliance upon the Section 3(a)(10) Exemption and exemptions provided in respect of the securities laws of the states of the United States in which U.S. Shareholders reside. The Section 3(a)(10) Exemption exempts from registration a security that is issued in exchange for one or more bona fide outstanding securities, or partly in such exchange and partly for cash, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court of competent jurisdiction or by a Governmental Entity expressly authorized by law to grant such approval. The Court is authorized to conduct a hearing at which the substantive and procedural fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 13, 2020, and, subject to the approval of the Arrangement by the Shareholders, a hearing for a Final Order approving the Arrangement is currently anticipated to take place on December 18, 2020 in Toronto, Ontario. All Shareholders, Terrace Optionholders, Terrace Warrantholders and Terrace Subscription Receiptholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. Accordingly, the Final Order of the Court will, if granted, constitute the basis for the Section 3(a)(10) Exemption with respect to the securities to be issued under the Arrangement. See “*The Arrangement – Court Approval of the Arrangement and Completion of the Arrangement*”.

The Section 3(a)(10) Exemption will not be available for the issuance of any Flowr Shares that are issuable upon exercise of the Replacement Options or the Flowr Shares issuable upon exercise of the Replacement Warrants. Therefore, the Flowr Shares issuable upon the exercise of the Replacement Options or the exercise of the Replacement Warrants will be “restricted securities” within the meaning of Rule 144, and may be issued only pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws or following registration under such laws. Flowr has no present intention to file a registration statement relating to the issuance of the Flowr Shares issuable upon exercise of the Replacement Options or the Replacement Warrants, and no assurance can be made that Flowr will file, or have taken effective steps to file, such registration statements in the future. Prior to the issuance of Flowr Shares pursuant to any such exercise, Flowr may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Flowr to the effect that the issuance of such Flowr Shares does not require registration under the U.S. Securities Act or applicable state securities laws.

All of the Flowr Shares to be received by Shareholders pursuant to the Arrangement will be freely tradable for purposes of the U.S. Securities Act, except for Flowr Shares received by any Shareholder who is, or within the 90 days immediately before such resale will be an “affiliate” (as defined in Rule 144) of Flowr.

The summary presented in this Circular does not cover resales of any Flowr Shares received by any person upon completion of the Arrangement, and no person is authorized to make any use of this Circular in connection with any resale.

See “*Securities Law Matters – U.S. Securities Laws*” and “*The Arrangement Agreement - Stock Exchange Matters*”.

Canadian Circular

The solicitation of proxies hereby for the Meeting is not subject to the requirements of Section 14(a) of the U.S. Exchange Act. Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate law and Canadian Securities Laws. Shareholders in the United States should be aware that such requirements are different from those applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act. Information included in this Circular or incorporated by reference herein concerning the business of Flowr has been prepared in accordance with the requirements of Canadian Securities Laws, which differ from the requirements of U.S. Securities Laws. As at the date hereof, Flowr and the Corporation are “foreign private issuers” within the meaning of Rule 3b-4 under the U.S. Exchange Act, although there can be no assurance that Flowr and the Corporation will remain “foreign private issuers” within the meaning of Rule 3b-4 under the U.S. Exchange Act in the future.

IFRS Accounting Principles

Financial statements included or incorporated by reference in this Circular have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, which differs from United States generally accepted accounting principles in certain material respects, and thus they may not be comparable to financial statements of U.S. companies.

Tax Matters

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations to Shareholders. Shareholders resident or subject to tax in any jurisdiction outside of Canada (“Foreign Tax Jurisdiction”) should be aware that the Arrangement may have tax consequences to such Shareholder in one or more Foreign Tax Jurisdictions. No tax advice or opinion whatsoever is provided in this Circular to Shareholders with respect to tax considerations involving Foreign Tax Jurisdictions. Shareholders that are resident or subject to tax in any Foreign Tax Jurisdiction are urged to consult their own independent tax advisors with respect to the relevant tax implications of the Arrangement and for advice regarding the specific federal, provincial, state, local and foreign tax considerations applicable to them, including, without limitation, any associated filing requirements, in such jurisdictions.

Enforcement of Civil Liabilities

The enforcement by securityholders of civil liabilities under U.S. federal securities laws may be affected adversely by the fact that each of the Corporation and Flowr are incorporated or organized outside the United States, that some or all of their respective directors and officers and the experts named in this Circular are not residents of the United States and that all or a substantial portion of their respective assets and the assets of said persons may be located outside the United States. As a result, securityholders in the United States may be unable to effect service of process within the United States upon the Corporation or Flowr, their respective officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States. In addition, securityholders in the United States should not assume that the courts of Canada: (i) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States; or (ii) would enforce, in original actions, liabilities against such persons predicated upon

civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Circular and the documents incorporated into this Circular by reference contain “forward-looking statements” and “forward-looking information” within the meaning of Securities Laws (forward-looking statements and forward-looking information being collectively referred to as “**forward-looking information**”) that are based on expectations, estimates and projections as at the date of this Circular or the dates of the documents incorporated by reference, as applicable. This forward-looking information includes, but is not limited to, statements and information concerning: the Arrangement; covenants of Flowr and the Corporation; the anticipated timing for completion of the Arrangement; the anticipated benefits of the Arrangement to the parties and Shareholders; the likelihood of the Arrangement being completed; the principal steps of the Arrangement; statements made in, and based upon, the Fairness Opinion; statements relating to the business and future activities of the Corporation and Flowr after the date of this Circular and prior to the Effective Time and after the Effective Time; Shareholder and Court approval of the Arrangement and the expected timing thereof; regulatory approval of the Arrangement and satisfaction or waiver of other conditions in the Arrangement Agreement; and other statements that are not historical facts. To the extent any forward-looking information constitutes future-oriented financial information or financial outlook, as those terms are defined under applicable Canadian Securities Laws, such statements are being provided to describe the current anticipated effect of the Arrangement, and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking information. This forward-looking information is based on the beliefs of the Corporation’s management, as well as on assumptions and other factors, which management believes to be reasonable based on information available at the time such information was given. However, there can be no assurance that the forward-looking information will prove to be accurate. In respect of forward-looking information concerning the anticipated benefits of the Arrangement and the anticipated timing for completion of the Arrangement, the Corporation has provided such in reliance on certain assumptions that it believes are reasonable as of the time of this Circular, including assumptions as to the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, Court and Shareholder approval; the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement; and other expectations and assumptions concerning the Arrangement. The anticipated dates provided may change for a number of reasons, including the inability to secure the necessary regulatory, Court and Shareholder approval in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement. Accordingly, readers should not place undue reliance on the forward-looking statements in this Circular.

By its nature, forward-looking information, including future-oriented financial information or financial outlook, is based on assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied herein to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information, including, without limitation: the Arrangement Agreement may be terminated in certain circumstances; the conditions to the completion of the Arrangement may not be

satisfied or waived, including that Dissent Rights may be exercised with respect to more than 5.0% of the Terrace Shares; general economic conditions; industry conditions; currency fluctuations; competition from other industry participants; and stock market volatility. This list is not exhaustive of the factors that may affect any of the forward-looking information contained herein.

Forward-looking information is information about the future and is inherently uncertain. There can be no assurance that the forward-looking information will prove to be accurate. Actual results could differ materially from those reflected in the forward-looking information as a result of, among other things, the matters set out or incorporated by reference in this Circular generally and economic and business factors, some of which may be beyond the control of the Corporation. Some of the more important risks and uncertainties that could affect forward-looking information are described further under the heading “*Risk Factors Relating to the Arrangement*”. Additional risks are discussed under the heading “*Additional Information Concerning Flowr – Risk Factors*” in Appendix H to this Circular and in the documents incorporated by reference herein. The Corporation expressly disclaims any intention or obligation to update or revise any information contained in this Circular (including forward-looking information) except as required by applicable Laws, and Shareholders should not assume that any lack of update to information contained in this Circular means that there has been no change in that information since the date of this Circular and should not place undue reliance on forward-looking information.

SUMMARY

The following is a summary of certain information contained in this Circular. This summary is not intended to be complete and is provided for convenience only. It should be read together with the more detailed information contained elsewhere in the Circular, including the appendices hereto. Capitalized terms have the meanings ascribed to such terms in the Glossary of Terms in Appendix A. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.

The Meeting, Record Date and Business of the Meeting

Date, Place and Time of Meeting

The Meeting will be held at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1, at 9:00 a.m. (Toronto time), on Wednesday, December 16, 2020 and will be available by teleconference (listen-only) at 647-797-0071 (Toronto) or 1 833-600-1823 (toll free), conference room #: 676-747-889.

Record Date

The Terrace Board has fixed the close of business on November 9, 2020 as the record date for the determination of the Shareholders entitled to receive notice of, and vote at, the Meeting. Only Shareholders whose names have been entered in the register of shareholders as of the close of business on November 9, 2020 will be entitled to receive notice of, and to vote at, the Meeting and at any adjournment thereof.

Business of the Meeting

At the Meeting, Shareholders will be asked to consider and, if thought advisable, approve, with or without variation, the Arrangement Resolution approving the Arrangement, as more particularly described herein. See “*The Arrangement*”.

Purpose and Description of the Arrangement

The purpose of the Arrangement is for Flowr to acquire all of the issued and outstanding Terrace Shares. If the Arrangement Resolution is approved by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, and by a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under of the minority of the votes validly cast by Shareholders present in person or represented by proxy or determined by MI 61-101, and all of the other conditions to closing of the Arrangement are satisfied or waived (where permitted), the Arrangement will be implemented by way of a court-approved Plan of Arrangement under the OBCA. Pursuant to the Arrangement and the Plan of Arrangement, each outstanding Terrace Share (including Terrace Shares issued upon conversion of the Terrace Subscription Receipts under the Arrangement) (other than Terrace Shares held by Dissenting Shareholders) will be transferred to Flowr in exchange for 0.4973 of a Flowr Share. In addition, all Terrace Options and Terrace Warrants will be cancelled and exchanged for Replacement Options and Replacement Warrants, respectively, based on the terms of the Plan of Arrangement.

See “*The Arrangement – Purpose and Description of the Arrangement*”, “*The Arrangement Agreement*”, and “*Securities Laws Matters*”.

Background to the Arrangement

The provisions of the Arrangement Agreement are the result of arm's length negotiations conducted between representatives of the Corporation and Flowr. A summary of the material events leading up to the negotiation of the Arrangement Agreement and the material meetings, negotiations and discussions between the Corporation and Flowr that preceded the execution and public announcement of the Arrangement Agreement are included in this Circular under the heading "*The Arrangement – Background to the Arrangement*".

Fairness Opinion

Pursuant to an engagement letter dated September 15, 2020, Terrace retained Hyperion Capital Inc. ("**Hyperion**") to provide Terrace with various advisory services in connection with the Arrangement including, among other things, the provision of the Fairness Opinion.

On October 18, 2020, Hyperion delivered its oral opinion to the Terrace Board, that as of the date thereof and subject to the assumptions, limitations and qualifications stated therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders. This opinion was subsequently confirmed in writing as at October 19, 2020 by the Fairness Opinion.

Hyperion has not been asked to prepare and has not prepared a formal valuation or appraisal of the securities or assets of Terrace, Flowr or any of their affiliates, and the Fairness Opinion should not be construed as such. The Fairness Opinion is not, and should not be construed as, advice as to the price at which the securities of Terrace may trade at any time.

The terms of the engagement letter between Terrace and Hyperion provide that Hyperion will receive a fee for rendering the Fairness Opinion regardless of whether the Arrangement is completed and certain fees for its advisory services in connection with the Arrangement, which separate fees are contingent upon the successful completion of the Arrangement. Hyperion is also to be reimbursed for its reasonable out-of-pocket expenses. Furthermore, Terrace has agreed to indemnify Hyperion, in certain circumstances, against certain liabilities that might arise out of its engagement.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date thereof and the conditions and prospects, financial and otherwise, of Terrace and Flowr as publicly disclosed and as they have been represented to Hyperion. In Hyperion's analyses and in connection with preparing the Fairness Opinion, Hyperion made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed, matters considered and limitations on the scope of review undertaken, is attached as Appendix G to this Circular. The Fairness Opinion was provided to the Terrace Board for its exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without Hyperion's prior written consent. The Fairness Opinion addresses only the fairness from a financial point of view to the Shareholders of the Consideration to be received by the Shareholders and does not address any other aspect of the Arrangement. The Fairness Opinion does not address the relative merits of the Arrangement as compared to any other strategic alternatives that may be available to Terrace. The Fairness Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. The summary of the Fairness Opinion set forth in

this Circular is qualified in its entirety by reference to the full text of the Fairness Opinion. Shareholders are urged to read the Fairness Opinion carefully and in its entirety.

See “*The Arrangement – Fairness Opinion*”.

Recommendation of the Terrace Board

After careful consideration of, among other things, the Fairness Opinion, and consultation with its financial and legal advisors, the Terrace Board has unanimously determined that the Arrangement is in the best interests of the Corporation and that the Arrangement is fair to the Shareholders, and has authorized the submission of the Arrangement to the Shareholders for their approval at the Meeting. Accordingly, the Terrace Board has determined **UNANIMOUSLY** to recommend to the Shareholders that they vote **FOR** the Arrangement Resolution. See “*The Arrangement – Recommendation of the Terrace Board*”.

Reasons for the Arrangement

In the course of their evaluation of the Arrangement, the Terrace Board consulted with Terrace’s management team, legal counsel and financial advisors, reviewed a significant amount of information, and considered a number of factors including, among others, the following:

- ***Significant Premium to the Shareholders:*** The Consideration represents a premium of 47% based on the closing price of the Terrace Shares as of October 19, 2020. By receiving this premium, the Shareholders will receive an immediate benefit while being able to participate in the value added propositions of being a shareholder of Flowr.
- ***Continued Participation by Terrace Shareholders:*** The Shareholders, through their ownership of Flowr Shares, will have the opportunity to participate in the global growth of Flowr and will benefit from the enhanced growth prospects of the combined company. The Arrangement will provide substantial infrastructure and operational support to accelerate Terrace’s growth strategy, future product development and innovation, together with Flowr and its global partners. Flowr is a leading high-THC cultivator with a strong brand presence in Canada and also has a strong toehold position in the burgeoning European medical cannabis market.
- ***Terrace Shareholder Alignment with Flowr Shareholders:*** As part of the Arrangement, all insiders of Flowr will be required to convert their Flowr Debentures into Flowr Shares, representing a conversion of at least \$11.9 million principal amount of debentures. Flowr will also use commercially reasonable efforts to solicit the full conversion of all of the issued and outstanding convertible debentures in the aggregate principal amount of \$21.6 million.
- ***Strengthening Vertically Integrated Global Cannabis Company:*** Flowr is a leading global cannabis company and market leader with its distinct Flowr brand. The Arrangement strengthens Flowr’s international presence and improves access to multiple demographic segments.
- ***Alignment with Strong Management Team:*** Terrace was created by a group of pioneers in the cannabis sector who have decades of international experience in the cannabis market and include the founders of MedReleaf Corp., ICC Labs Inc. and Bedrocan Cannabis Corp. Both Flowr and Terrace boast sector leading insider ownership. Terrace is to have three nominees on the reconstituted board of directors of Flowr.

- ***Enhanced Liquidity and Capital Markets Profile:*** The Shareholders will benefit from an enhanced capital markets position through increased scale, which will facilitate greater access to capital in addition to increased liquidity. Flowr is listed on the TSXV and the OTC. Flowr and Terrace currently have a combined cash and marketable securities of more than \$30 million, which will be used to support brand building, outdoor grow operations, and pursue strategic opportunities and investments that maximize shareholder value.
- ***Concurrent Liability Management:*** As a condition precedent to the closing of the Arrangement, Flowr will be required to negotiate more favourable terms with its senior creditors to improve its credit covenant package and it will also benefit from a basket for future subordinated secured debenture financing in the amount of at least \$11.9 million. This can provide additional financial flexibility for Flowr going forward. The net result is that at closing of the Arrangement, Flowr will have reduced its overall indebtedness by at least \$11.9 million.
- ***Accretive Pro-forma Synergies:*** The Combined Company is estimated to realize annual synergies of approximately \$2 million per year, allowing Flowr to operate more efficiently with a commitment to continued excellence.
- ***Fairness Opinion:*** The Terrace Board considered the Fairness Opinion, which states that, as of the date of such fairness opinion and subject to the assumptions, limitations and qualifications stated in such fairness opinion, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders. The terms of the engagement letter provide that Hyperion will receive a fee for rendering the Fairness Opinion regardless of whether the Arrangement is completed and certain fees for its advisory services in connection with the Arrangement, which separate fees are contingent upon the successful completion of the Arrangement. See “*The Arrangement – Fairness Opinion*”.
- ***Support by Directors, Senior Officers and certain Shareholders:*** The Terrace Board has unanimously approved the Arrangement and recommends that the Shareholders vote in favour of the Arrangement. Each of the directors and senior officers of Terrace who hold Terrace Shares and certain other Shareholders, who hold in aggregate approximately 66% of the issued and outstanding Terrace Shares, have entered into Voting Support Agreement with respect to the Arrangement pursuant to which, among other things, they have agreed to vote in favour of the Arrangement Resolution at the Meeting.
- ***Ability to Respond to Unsolicited Superior Proposals:*** Under the terms of the Arrangement Agreement, the Terrace Board is able to respond to any unsolicited bona fide written proposal that, is, or would reasonably be expected to constitute, a Superior Proposal.
- ***Arm’s Length Transaction:*** The Arrangement Agreement is the result of an arm’s length negotiation process and includes terms and conditions that are reasonable in the judgement of the Terrace Board.
- ***Shareholder Approval:*** The Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, and a majority of the votes cast at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101.

- **Regulatory Approval:** The Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and reasonableness of the Arrangement to the Shareholders. The Arrangement Agreement also contains a condition precedent that all regulatory approvals shall be obtained prior to closing.
- **Dissent Rights:** The terms of the Plan of Arrangement provide that any Shareholder who opposes the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive the fair value of the Dissenting Shares in accordance with the Arrangement.
- **COVID-19:** As a result of the global pandemic, Terrace's business plan and operations were significantly impacted. Senior management and advisors have had persistent and material restrictions in their ability to travel to the Corporation's operations. The governments (municipal and federal) in the jurisdictions in which the Corporation operates have seen significant delays in authorizations relating to the build-out and granting of material regulatory approvals. The transactions proposed by the Arrangement Agreement de-risks certain of the Corporation's operations from business development and regulatory perspective.
- **Other Factors:** The Terrace Board also considered the Arrangement with reference to the financial condition and results of operations of the Corporation, as well as its prospects, strategic alternatives and competitive position, including the risks involved in achieving those prospects and pursuing those alternatives in light of current market conditions and the Corporation's financial position.

The Terrace Board also considered a number of potential risks and potential negative factors relating to the Arrangement. See "*The Arrangement – Reasons for the Arrangement*" and "*Cautionary Statement Regarding Forward-Looking Information*".

Principal Steps of the Arrangement

The following description is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached hereto as Appendix C to this Circular. At the Effective Time and pursuant to the Plan of Arrangement, the following transactions, among others, will occur and will be deemed to occur sequentially in the following order:

- (a) all Flowr Shares owned directly or indirectly by Terrace immediately prior to the Effective Time shall be hereby cancelled without any payment thereon;
- (b) each of the Terrace Shares held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred without any further act or formality on its part, free and clear of all Liens to Terrace and Terrace shall thereupon be obliged to pay the amount thereof determined and payable in accordance with the Plan of Arrangement;
- (c) each Terrace Subscription Receipt outstanding immediately prior to the Effective Time shall, and shall be deemed to, have been converted, without any further act or formality, into one (1) Terrace Share and the Escrowed Funds (as defined in the Terrace Subscription Receipt Agreement) shall be released to Terrace, and the Terrace Subscription Receiptholders outstanding immediately prior to the Effective Time shall, and shall be deemed to, cease to be the holder thereof and to have any rights as a holder thereof;

- (d) each issued and outstanding Terrace Share (including Terrace Shares issued upon conversion of the Terrace Subscription Receipts) held by a former Terrace Shareholder (other than Terrace Shares held by a Dissenting Terrace Shareholder) shall be transferred to Flowr (free and clear of all Liens) and in consideration therefor Flowr shall issue the Consideration on the basis of 0.4973 of a fully paid and non-assessable Flowr Share for each Terrace Share. Following completion of this step, Flowr will be the holder of all of the issued and outstanding Terrace Shares and the central securities register of the Corporation will be revised accordingly;
- (e) each Terrace Option outstanding immediately prior to the Effective Time (whether vested or unvested) will be exchanged for a Replacement Option to acquire from Flowr such number of Flowr Shares as is equal to: (A) the number of Terrace Shares that were issuable upon exercise of such Terrace Option immediately prior to the Effective Time, multiplied by (B) the Consideration, rounded down to the nearest whole number of Flowr Shares, at an exercise price per Flowr Share equal to the quotient determined by dividing: (X) the exercise price per Terrace Share at which such Terrace Option was exercisable immediately prior to the Effective Time, by (Y) the Consideration, rounded up to the nearest whole cent. Except as set out above, the terms of each Replacement Option shall be the same as the terms of the Terrace Option exchanged therefor pursuant to the Terrace Stock Option Plan and any agreement evidencing the grant thereof prior to the Effective Time; and
- (f) each Terrace Warrant outstanding immediately prior to the Effective Time (whether vested or unvested) will be exchanged for a Replacement Warrant to acquire from Flowr such number of Flowr Shares as is equal to: (A) the number of Terrace Shares that were issuable upon exercise of such Terrace Warrant immediately prior to the Effective Time, multiplied by (B) the Consideration, rounded down to the nearest whole number of Flowr Shares, at an exercise price per Flowr Share equal to the quotient determined by dividing: (X) the exercise price per Terrace Share at which such Terrace Warrant was exercisable immediately prior to the Effective Time, by (Y) the Consideration, rounded up to the nearest whole cent. Except as set out above, the terms of each Replacement Warrant shall be the same as the terms of the Terrace Warrant exchanged therefor and any agreement evidencing the grant thereof prior to the Effective Time.

In no event shall any fractional Flowr Shares be issued under the Plan of Arrangement. Where the aggregate number of Flowr Shares to be issued to a Shareholder as Consideration would result in a fraction of a Flowr Share being issuable, then the number of Flowr Shares to be issued to such Shareholder shall be rounded down to the nearest whole number and no compensation shall be issued in lieu of the issuance of a fractional Flowr Share.

See “*The Arrangement – Principal Steps of the Arrangement*” or the Plan of Arrangement, a copy of which is attached as Appendix C to this Circular.

Required Shareholder Approval for the Arrangement

Pursuant to the Interim Order, the Arrangement Resolution must be approved by the affirmative vote of not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting and by a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101. The Arrangement Resolution must receive such Shareholder Approval in order for the Corporation to seek the

Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order. See “*The Arrangement – Required Shareholder Approval*”.

Voting Support Agreement

To the knowledge of the Corporation, the Supporting Terrace Shareholders beneficially own, or exercise control or direction over, directly or indirectly, 110,023,600 Terrace Shares representing approximately 66% of the issued and outstanding Terrace Shares as of the Record Date, on a non-diluted basis.

On October 19, 2020, the Supporting Terrace Shareholders entered into the Voting Support Agreement with Flowr pursuant to which, among other things, they agreed to cause to be counted as present for purposes of establishing quorum at the Meeting and to vote (or cause to be voted) the securities owned legally or beneficially by each of them or over which they exercise control or direction, as applicable, **FOR** the Arrangement Resolution, and to duly complete and cause forms of proxy in respect of all of the applicable securities held by them to be validly delivered to cause the applicable securities to be voted **FOR** the Arrangement Resolution.

Under the terms of the Voting Support Agreement, the Supporting Terrace Shareholders have agreed to support an Alternative Transaction including any take-over bid made by Flowr if such bid occurs during the term of the Voting Support Agreement if, among other things, the Alternative Transaction provides for economic terms which, in relation to such holder, on an after-tax basis, are at least equivalent to or better than those contemplated by the Arrangement Agreement; and is otherwise on terms and conditions not materially more onerous on such holder than the Arrangement.

The Voting Support Agreement automatically terminates if the Arrangement Agreement is terminated in accordance with its terms (unless the parties to the Arrangement Agreement enter into an Alternative Transaction then the Voting Support Agreements shall not terminate with the termination of the Arrangement Agreement, but shall automatically terminate in the event that the agreement evidencing the Alternative Transaction is terminated in accordance with its terms).

See “*The Arrangement – Voting Support Agreement*”.

Flowr Voting Agreement

On October 19, 2020, Terrace entered into the Flowr Voting Agreement with certain shareholders of Flowr, pursuant to which, among other things, the parties agree, subject to the terms and conditions thereof, to vote securities of Flowr held by them in favour of approval of the Flowr Debenture Conversion and Arrangement, if required.

See “*The Arrangement – Flowr Voting Agreements*”.

Flowr Debenture Support Agreements

On October 19, 2020, Terrace entered into the Flowr Debenture Support Agreements with certain insiders of Flowr pursuant which, among other things, such insiders agree, subject to the terms and conditions thereof, to vote in favour of the Flowr Debenture Indenture Amendments and, if applicable, to convert all of their respective holdings of Flowr Debentures into Flowr Shares on the terms set out in the Flowr Debenture Support Agreements prior to the completion of the Arrangement. Assuming that all of the Flowr Debentures are converted, it will result in an additional 62,311,399 Flowr Shares being issued. If only the insiders of Flowr subject to the Flowr Debenture Support Agreement convert, which would result in

34,241,094 Flowr Shares being issued, the remaining Flowr Debentures will remain outstanding pursuant to the original terms of the Debentures.

See “*The Arrangement – Flowr Debenture Support Agreements*”.

Expenses of the Arrangement

Except as otherwise provided in the Arrangement Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement and the transactions contemplated thereunder, shall be paid by the party incurring such fees, costs or expenses, whether or not the Arrangement is consummated.

See “*The Arrangement – Expenses of the Arrangement*”.

Court Approval of the Arrangement and Completion of the Arrangement

An arrangement under the OBCA requires Court approval. In addition to approval of the Arrangement, the Court will be asked for a declaration following a Court hearing that the Arrangement, including the terms and conditions thereof and the issuance and exchange of securities to be effected thereby, is procedurally and substantively fair and reasonable to all persons entitled to receive securities in the exchange. Prior to the mailing of this Circular, the Corporation obtained the Interim Order, which provides for the calling and holding of the Meeting, the Dissent Rights and other procedural matters. A copy of the Interim Order is attached as Appendix D to this Circular.

Subject to the terms of the Arrangement Agreement and receipt of Shareholder Approval, Terrace intends to make an application to the Court for the Final Order on December 18, 2020 at 10:00 a.m. (Toronto time), or as soon thereafter as counsel may be heard as the Court may direct.

Any Shareholder, Terrace Optionholder, Terrace Warrantholder, Terrace Subscription Receiptholder or other interested party who wishes to appear or be represented and/or to present evidence or arguments at that hearing must serve and file a Notice of Appearance as set out in the Motion for an Interim Order and Final Order and satisfy other requirements of the Court. The Court will consider, among other things, the substantive and procedural fairness of the Arrangement to the parties affected, including the Shareholders, Terrace Optionholders, Terrace Warrantholders, Terrace Subscription Receiptholders or other interested parties. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with any terms and conditions, if any, as the Court deems fit. In the event that the hearing is postponed, adjourned or rescheduled then, subject to further order of the Court, only those persons having previously served a Notice of Appearance in compliance with the Motion for an Interim Order and Final Order will be given notice of the postponement, adjournment or rescheduled date. Such persons should consult their legal advisors as to the necessary requirements. A copy of the Notice of Application for the Final Order is attached to this Circular as Appendix E to this Circular.

The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, and subject to compliance with such terms and conditions, if any, as the Court sees fit. If the Arrangement is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement is expected to take effect at 12:01 am (Toronto time) on the Effective Date.

The Court will be advised, prior to the hearing, that the Court’s approval of the Arrangement (and declaration of fairness thereof), will constitute the basis for reliance on the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof, with respect to the issuance

and distribution of the Flowr Shares to be issued by Flowr to Shareholders pursuant to the Arrangement and with respect to the issuance and distribution of the Replacement Options to be issued to Terrace Optionholders pursuant to the Arrangement. See “*Securities Law Matters – U.S. Securities Laws*”.

See “*The Arrangement – Court Approval of the Arrangement and Completion of the Arrangement*”.

Stock Exchange Approval

The Flowr Shares currently trade on the TSXV under the symbol “FLWR” and the OTC under the symbol “FLWPF”. It is a condition of closing that Flowr will have obtained approval of the TSXV for the listing of the Flowr Shares to be issued pursuant to the Arrangement. Flowr has applied to the TSXV to list the Flowr Shares issuable to: (i) Shareholders under the Arrangement (including holders whose Subscription Receipts are converted into Terrace Shares pursuant to the Arrangement); (ii) Terrace Optionholders upon the exercise of the Replacement Options; (iii) Terrace Warrantholders upon exercise of Replacement Warrants; and (iv) the Flowr Debentureholders in respect of the Flowr Debenture Conversion.

The Arrangement Agreement

A description of certain provisions of the Arrangement Agreement are included in this Circular under the heading “*The Arrangement Agreement*”. The description is not comprehensive and is qualified in its entirety by the full text of the Arrangement Agreement which has been filed on SEDAR at www.sedar.com under the Corporation’s profile.

See “*The Arrangement Agreement*”.

Completion of the Arrangement

Subject to the provisions of the Arrangement Agreement, the Arrangement will become effective at 12:01 a.m. (Toronto time) on the Effective Date. Completion of the Arrangement is anticipated to occur on or about December 22, 2020; however, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis. After the Effective Date, the Corporation will be a subsidiary of Flowr. Following the closing of the Arrangement, the Corporation will be de-listed from the TSXV and the Corporation will apply to securities regulatory authorities to cease being a reporting issuer in Canada.

Canadian Securities Laws

A general overview of certain requirements of Canadian Securities Laws that may be applicable to Shareholders is included in this Circular under the heading “*Securities Law Matters – Canadian Securities Laws*”. Each Shareholder is urged to consult such shareholder’s professional advisors to determine the Canadian conditions and restrictions applicable to trade in the Flowr Shares issuable pursuant to the Arrangement.

The issuance of Flowr Shares pursuant to the Arrangement will constitute a distribution of securities that is exempt from the prospectus requirements of applicable Canadian Securities Laws. Flowr Shares issued pursuant to the Arrangement will not be legended and may be resold in each province and territory of Canada provided that certain conditions are met.

To the extent that a Shareholder resides in a non-Canadian jurisdiction, the Flowr Shares received by the shareholder may be subject to certain additional trading restrictions under Securities Laws. **All**

shareholders residing outside Canada and the United States are advised to consult their own legal advisors regarding such resale restrictions.

U.S. Securities Laws

A general overview of certain requirements of U.S. Securities Laws that may be applicable to Shareholders is described in this Circular under the heading “*Securities Law Matters – U.S. Securities Laws*”. **All Shareholders are urged to obtain legal advice to ensure that their resale of Flowr Shares complies with applicable U.S. Securities Laws.** Further information applicable to the holders of such securities resident in the United States is disclosed in this Circular under the heading “*Notice to Securityholders in the United States*”.

Dissenting Shareholders’ Rights

Section 185 of the OBCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides Registered Shareholders with the right to dissent from the Arrangement Resolution pursuant to Section 185 of the OBCA in the manner set forth in Sections 185 of the OBCA, with modifications or supplements to the provisions of Sections 185 as provided in the Plan of Arrangement and the Interim Order. Any Registered Shareholder who dissents from the Arrangement Resolution in compliance with Section 185 of the OBCA, as modified or supplemented by the Plan of Arrangement and the Interim Order, will be entitled, if ultimately successful and in the event the Arrangement becomes effective, to be paid the fair value of Terrace Shares held by such Dissenting Shareholder determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by Shareholders at the Meeting.

A brief summary of the Dissent Rights available to Registered Shareholders is set forth under the heading “*Dissenting Shareholders’ Rights*” in this Circular. However, such summary is qualified in its entirety by the provisions of Section 185 of the OBCA, the full text of which is set forth in Appendix F to this Circular, and by the Plan of Arrangement and the Interim Order. **Failure to strictly comply with the requirements with respect to the dissent rights set forth in the OBCA, the Plan of Arrangement and the Interim Order may result in the loss of any right to dissent.**

Anyone who is a beneficial owner of Terrace Shares registered in the name of an Intermediary and who wishes to dissent should be aware that only Registered Shareholders are entitled to exercise Dissent Rights.

Risk Factors Relating to the Arrangement

In assessing the Arrangement, Shareholders should carefully consider the risk factors relating to the Arrangement (which are not an exhaustive list of potentially relevant risks factors relating to the Arrangement). Some of these risks include, but are not limited to: risk that the Arrangement does not receive the necessary court and/or regulatory approval; risks that the Corporation may fail to complete the Arrangement or that the Arrangement may be completed on different terms; risks associated with a fixed Consideration; risk that the Termination Payment, if triggered, and the terms of the Voting Support Agreement may discourage other parties from attempting to acquire the Corporation; risks that the Corporation will incur substantial transaction-related costs in connection with the Arrangement, even if the Arrangement is not completed; risk that, while the Arrangement is pending, the Corporation is restricted from taking certain actions; risk that the pending Arrangement may divert the attention of the Corporation’s management; risk that directors and senior officers of the Corporation may have interests in the Arrangement that are different from those of the Shareholders; risk that the Corporation and Flowr may not integrate successfully; risk that following the completion of the Arrangement, the Combined Company

may issue additional equity securities; risk that potential payments to Shareholders who exercise Dissent Rights could have an adverse effect on the Combined Company's financial condition or prevent the completion of the Arrangement; and the fact that the Arrangement will affect the rights of the Corporation's Shareholders.

Additional risks and uncertainties, including those currently unknown or considered immaterial by Flowr and the Corporation, may also adversely affect the Flowr Shares, the Terrace Shares, and the businesses of the Corporation or Flowr following completion of the Arrangement.

See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors Relating to the Arrangement*".

Procedures for Exchange of Terrace Shares

If the Arrangement Resolution is passed and the Arrangement is consummated, in order to receive the Consideration, Registered Shareholders must complete and sign the Letter of Transmittal (printed on YELLOW paper) enclosed with this Circular and deliver it (or an originally signed facsimile thereof), together with the certificates / Direct Registration Statement ("**DRS**") representing their Terrace Shares and the other relevant documents required by the instructions set out therein, to the Depositary in accordance with the instructions contained in the Letter of Transmittal. The Letter of Transmittal contains procedural information relating to the Arrangement and should be reviewed carefully. The deposit of Terrace Shares pursuant to the procedures in the Letter of Transmittal will constitute a binding agreement between the depositing Registered Shareholder and Flowr upon the terms and subject to the conditions of the Arrangement.

Pursuant to the terms of the Arrangement, any certificate(s) / DRS formerly representing Terrace Shares that are not deposited with the Depositary together with a duly completed Letter of Transmittal (printed on YELLOW paper) and any other documents the Depositary reasonably requires advises, on or before the sixth anniversary of the Effective Date, shall cease to represent a claim by or interest of any former holder of Terrace Shares of any kind or nature against or in Terrace or Flowr, and the right of such former holder of Terrace Shares to receive Flowr Shares in exchange for such Terrace Shares shall be deemed to be surrendered together with all dividends or distributions thereon held for such holder (less any applicable withholding tax).

If you are a Non-Registered Shareholder, you should carefully follow the instructions from the Intermediary that holds Terrace Shares on your behalf in order to receive the Consideration for your Terrace Shares. Non-Registered Shareholders should contact their Intermediary if they have any questions regarding this process and to arrange for their Intermediary to complete the necessary steps to ensure that they receive the Consideration in respect of their Terrace Shares as soon as possible following completion of the Arrangement.

See "*Procedures for the Exchange of Terrace Shares*".

Income Tax Considerations

Holders of Terrace securities should consult their own tax advisors about the applicable Canadian or United States federal, provincial, state and local tax consequences of the Arrangement.

For Canadian federal income tax purposes, a Shareholder whose Terrace Shares represent "capital property" generally will not realize a capital gain or capital loss on the exchange of such shares for Flowr Shares in connection with the Arrangement. See "*Income Tax Considerations*".

Completion of the Arrangement may have tax consequences under the laws of the United States, and any such tax consequences are not described in this Circular. United States security holders of Terrace are urged to consult their own tax advisors to determine any particular tax consequences to them of the transactions contemplated in connection with Arrangement. See “*Notice to Securityholders in the United States*”.

Information Concerning Terrace, Flowr and the Combined Company

For information concerning Terrace, please see Appendix J - *Additional Information Concerning Terrace*.

For information concerning Flowr, see Appendix H – *Additional Information Concerning Flowr*.

For information concerning the Combined Company (Flowr on completion of the Arrangement), see Appendix I – *Information Concerning the Combined Company*.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management and the directors of the Corporation for use at the Meeting of the Shareholders to be held at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1, at 9:00 a.m. (Toronto time), on Wednesday, December 16, 2020, and will be available by teleconference (listen-only) at 647-797-0071 (Toronto) or 1 833-600-1823 (toll free), conference room #: 676-747-889, and at any adjournment or postponement thereof for the purposes set forth in the accompanying Notice of Meeting. The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Corporation. Directors, officers and employees of the Corporation will not receive any extra compensation for such activities. The Corporation may utilize the Broadridge QuickVote™ service to assist non-objecting Non-Registered Shareholders with voting their Terrace Shares. The Corporation may pay brokers or other persons holding Terrace Shares in their own names, or in the names of nominees, for their reasonable expenses for sending forms of proxy and this Circular to beneficial owners of Terrace Shares and obtaining proxies therefrom. The cost of any such solicitation will be borne by the Corporation.

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, pass the Arrangement Resolution approving the Arrangement. To be effective, the Arrangement Resolution must be approved by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting and a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101.

Appointment of Proxies

A Registered Shareholder of the Corporation may vote in person at the Meeting or may appoint another person to represent such Shareholder as proxy and to vote the Terrace Shares of such Shareholder at the Meeting. In order to appoint another person as proxy, such Shareholder must complete, execute and deliver the form of proxy accompanying this Circular, or another proper form of proxy in the manner specified in the Notice of Meeting or deposit the completed and executed form of proxy with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment or postponement thereof.

The persons named in the form of proxy accompanying this Circular are directors and/or officers of the Corporation. A Shareholder has the right to appoint a person (who need not be a Shareholder), other than the persons whose names appear in such form of proxy, to attend and act for and on behalf of such Shareholder at the Meeting and at any adjournment or postponement thereof. Such right may be exercised by either striking out the names of the persons specified in the form of proxy and inserting the name of the person to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to Computershare Investor Services Inc. in time for use at the Meeting in the manner specified in the Notice of Meeting or depositing the completed and executed form of proxy

with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment or postponement thereof.

Due to the ongoing concerns related to the spread of the coronavirus (COVID-19) and in order to protect the health and safety of Shareholders, employees, other stakeholders and the community, Shareholders are strongly encouraged to listen to the Meeting via teleconference instead of attending the Meeting in person and to vote on the matters before the Meeting by proxy, appointing the person designated by management in the proxy form or voting instruction form.

We ask that Shareholders review and follow the instructions of any provincial, regional or other health authorities holding jurisdiction over the areas you must travel through to attend the Meeting. Please do not attend the Meeting in person if you are experiencing any cold or flu-like symptoms, or if you or someone with whom you have been in close contact has travelled outside of Canada within the 14 days immediately prior to the Meeting. All Shareholders are strongly encouraged to vote by submitting their completed form of proxy (or voting instruction form) prior to the Meeting by one of the means described in the Circular accompanying this notice.

The Corporation reserves the right to take any additional pre-cautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak and in order to ensure compliance with federal, provincial, and local laws and orders, including without limitation: (i) holding the Meeting virtually or by providing a webcast of the Meeting; (ii) hosting the Meeting solely by means of remote communication; (iii) changing the Meeting date and/or changing the means of holding the Meeting; (iv) denying access to persons who exhibit cold or flu-like symptoms, or who have, or have been in close contact with someone who has, travelled outside of Canada within the 14 days immediately prior to the Meeting; and (v) such other measures as may be recommended by public health authorities in connection with gatherings of persons such as the Meeting. Should any such changes to the Meeting format occur, Terrace will announce any and all of these changes by way of news release, which will be filed under Terrace's profile on SEDAR at www.sedar.com. It is strongly recommended that you check the Terrace's profile on SEDAR prior to the Meeting for the most current information. In the event of any changes to the Meeting format due to the COVID-19 outbreak, Terrace will not prepare or mail amended materials in respect of the Meeting.

Revocation of Proxies

A Registered Shareholder of the Corporation who has given a proxy may revoke the proxy at any time prior to use by: (i) attending the Meeting and voting in person if you were a Registered Shareholder as of the Record Date; (ii) depositing an instrument in writing, including another completed form of proxy bearing a later date, executed by such Registered Shareholder or by his or her attorney authorized in writing or by electronic signature, or, if the Registered Shareholder is a corporation, by an authorized officer or attorney thereof, or by transmitting by telephone or electronic means, a revocation signed, subject to the OBCA, by electronic signature: (a) to Computershare Investor Services Inc. at any time prior to 9:00 am (Toronto time) on the last Business Day preceding the day of the Meeting or any adjournment or postponement thereof; or (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof; or (iii) in any other manner permitted by law.

A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

Exercise of Discretion by Proxies

The Terrace Shares represented by an appropriate form of proxy will be voted on any ballot or poll that may be conducted at the Meeting, or at any adjournment or postponement thereof, in accordance with the

instructions contained on the form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted on, the Terrace Shares will be voted accordingly. **In the absence of instructions, such Terrace Shares will be voted FOR each of the matters described in the Notice of Meeting by the persons designated in the form of proxy.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters described in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment or postponement thereof, whether or not any amendments variations or other matters are routine or contested. As at the date hereof, management of the Corporation knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matter which is not now known to management of the Corporation should properly be brought before the Meeting, or any adjournment thereof, the Terrace Shares represented by such proxy will be voted on such matter in accordance with the judgment of the person named as proxy thereon.

Signing of Proxy

The form of proxy must be signed by the Registered Shareholder or the duly appointed attorney thereof authorized in writing or, if the Registered Shareholder is a corporation, by an authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the Registered Shareholder or in some other representative capacity, including an officer of a corporation which is a Registered Shareholder, should indicate the capacity in which such person is signing. A Registered Shareholder or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such Registered Shareholder or by or on behalf of his or her attorney, as the case may be.

Non-Registered Shareholders

Only Registered Shareholders or duly appointed proxy holders are permitted to vote at the Meeting, and on account of public health guidelines due to COVID-19, attend the Meeting in person. Some Shareholders of the Corporation are Non-Registered Shareholders because the Terrace Shares they own are not registered in their names but are instead registered in the names of a brokerage firm, bank or other intermediary (each an “**Intermediary**”) or in the name of a clearing agency.

Non-Registered Shareholders should note that only Registered Shareholders may vote at the Meeting, and only Registered Shareholders may attend the meeting in person in order to comply with public health guidelines due to COVID-19. If Terrace Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Terrace Shares will not be registered in such Shareholder’s name on the records of the Corporation. Such Terrace Shares will more likely be registered in the name of an Intermediary or an agent or nominee thereof. In Canada, the vast majority of such Terrace Shares are registered under the name CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which company acts as nominee for many Intermediaries). Terrace Shares held by Intermediaries (or their agents or nominees) on behalf of Non-Registered Shareholders can only be voted (for or against resolutions) at the direction of the applicable Non-Registered Shareholder. Without specific instructions, Intermediaries and their agents or nominees are prohibited from voting Shares on behalf of Non-Registered Shareholders. Therefore, each Non-Registered Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires Intermediaries to forward all proxy-related materials to and seek voting instructions from Non-Registered Shareholders in advance of shareholder meetings. The various

Intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Non-Registered Shareholders in order to ensure that their Terrace Shares are voted at the Meeting. Often the form of proxy supplied to a Non-Registered Shareholder by an Intermediary is identical to the form of proxy provided by the Corporation to registered Shareholders. However, its purpose is limited to instructing the Registered Shareholder (i.e., the Intermediary or agent or nominee thereof) how to vote on behalf of the Non-Registered Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form (a “**VIF**”), mails those forms to non-registered shareholders and asks non-registered shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. For the purposes hereof, a Non-Registered Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Terrace Shares directly at the Meeting. **The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Terrace Shares must be communicated to Broadridge) well in advance of the Meeting in order to have the Terrace Shares voted.**

There are two kinds of Non-Registered Shareholders, (a) those who object to their identity being known to the issuers of securities which they own (“**Objecting Beneficial Owners**”, or “**OBOs**”) and (b) those who do not object to their identity being made known to the issuers of securities which they own (“**Non-Objecting Beneficial Owners**”, or “**NOBOs**”). Subject to the provisions of NI 54-101 issuers may deliver proxy-related materials directly to their NOBOs.

The Corporation is not sending proxy-related materials directly to NOBOs and accordingly, NOBOs can expect to receive a scannable VIF from Broadridge. These VIFs are to be completed and returned to Broadridge in the envelope provided or by facsimile. In addition, Broadridge provides both telephone voting and internet voting as described on the VIF itself which contains complete instructions. Broadridge will tabulate the results of the VIFs received from the NOBOs and will provide appropriate instructions to the Transfer Agent with respect to the Terrace Shares represented by the VIFs they receive. Please return your voting instructions as specified in the VIF.

The Corporation intends to pay for an Intermediary to deliver to objecting Non-Registered Shareholders the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of NI 54-101 to the objecting Non-Registered Shareholders and as such, the Corporation’s OBOs can expect to be contacted by Broadridge or their Intermediaries or an agent or nominee thereof as set out above.

All references to Shareholders in this Circular and the accompanying form of proxy and Notice of Meeting are to Shareholders of record unless specifically stated otherwise.

Quorum

The quorum for any meeting of Shareholders is shareholders present at the meeting each of whom is entitled to vote at the Meeting, and who hold or represent by proxy in the aggregate of not less than 10% of the outstanding shares of the Corporation entitled to vote at the Meeting. In the event that a quorum is not present at the time fixed for holding each of whom is entitled to vote at the Meeting, the Meeting shall stand adjourned to such date and to such time and place as may be determined by the Shareholders present.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Terrace Board and the Interim Order have fixed November 9, 2020 (the “**Record Date**”) as the record date for the determination of the Shareholders entitled to receive the Notice of Meeting. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Meeting and at any adjournment or postponement thereof. Each Terrace Share will entitle the holder of record thereof to one vote at the Meeting.

The authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As at the date hereof, there were 167,340,956 Terrace Shares outstanding and nil preferred shares outstanding. As of that date, to the knowledge of the directors and executive officers of Terrace, other than as set out below, no persons, firms or corporations beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the Terrace Shares.

Name and Position	# of Terrace Shares Beneficially Owned or Directly or Indirectly Controlled or Directed ⁽¹⁾
Francisco Ortiz von Bismarck <i>CEO and Director</i>	46,635,600 (27.9%)
Michael Galego <i>Director and Chief Legal Officer</i>	22,518,000 (13.5%)
Goldman Ventures Inc. <i>10% Holder</i>	17,500,000 (10.5%)

(1) The information as to Terrace Shares beneficially owned or over which a securityholder exercises control or direction, not being within the knowledge of Terrace, has been furnished by each 10% holder individually. Such percentages are based on 167,340,956 Terrace Shares issued and outstanding as of the date hereof and does not take into account any convertible securities, including the Terrace Subscription Receipts.

THE ARRANGEMENT

At the Meeting, Shareholders will be asked to consider and, if thought advisable, to pass, with or without variation, the Arrangement Resolution to approve, *inter alia*, the Arrangement pursuant to Section 185 of the OBCA. The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement and the Plan of Arrangement attached thereto, each of which have been filed on SEDAR at www.sedar.com under the Corporation’s profile. A copy of the Plan of Arrangement is also attached as Appendix C of this Circular.

To be effective, the Arrangement Resolution must be approved by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting and a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101. See “*The Arrangement – Required Shareholder Approval*”. A copy of the Arrangement Resolution is set out in Appendix B of this Circular.

Unless otherwise directed in properly completed forms of proxy, it is the intention of the individuals named in the enclosed form of proxy to vote **FOR** the Arrangement Resolution. If you do not specify how you want your Terrace Shares to be voted at the Meeting, the persons named as proxyholders in the enclosed form of proxy will cast the votes represented by your proxy at the Meeting **FOR** the Arrangement Resolution.

If the Arrangement is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the

Arrangement is expected to take effect at 12:01 a.m. (Toronto time) on the Effective Date, which expected to occur on or about December 22, 2020 or such other date as may be agreed by Flowr and the Corporation.

Purpose and Description of the Arrangement

The purpose of the Arrangement is for Flowr to acquire all of the issued and outstanding Terrace Shares. If the Arrangement Resolution is approved by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, by a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101, and all of the other conditions to closing of the Arrangement are satisfied or waived (where permitted), the Arrangement will be implemented by way of a court-approved Plan of Arrangement under the OBCA. Pursuant to the Arrangement and the Plan of Arrangement, each outstanding Terrace Share (including Terrace Shares issued upon conversion of the Terrace Subscription Receipts under the Arrangement), other than Terrace Shares held by Dissenting Shareholders, will be transferred to Flowr in exchange for 0.4973 of a Flowr Share. See “*Principal Steps of the Arrangement*” below for information with respect to the Terrace Options and Terrace Warrants.

As at the date hereof, there were 167,340,956 Terrace Shares issued and outstanding, 120,000,000 Terrace Subscription Receipts outstanding, 754,200 Terrace Warrants outstanding and 476,000 Terrace Options outstanding.

Background to the Arrangement

General

The provisions of the Arrangement Agreement are the result of arm’s length negotiations conducted between representatives of Terrace and Flowr and their respective financial and legal advisors. The following is a summary of certain meetings, negotiations, discussions and actions among the parties that preceded the execution and public announcement of the Arrangement Agreement.

As part of its continuing mandate to strengthen Terrace’s business and enhance value, the Terrace Board and senior management of Terrace have, from time to time, considered and assessed possible strategic and other opportunities to better realize the potential of Terrace’s asset portfolio, expertise and development. In that regard, among other potential alternatives, Terrace has from time to time considered the possibility of strategic transactions with various other industry participants. In February 2020, senior management of Terrace commenced an informal process to solicit interest from various parties and conduct preliminary discussions with them regarding a potential strategic investment in and/or acquisition of Terrace. More than 20 parties were contacted and 15 ultimately executed a non-disclosure agreement with Terrace.

Background with Flowr

In April, 2020, the Terrace and Flowr commenced discussions with respect to a potential joint venture in Portugal to develop and operate an outdoor medical cannabis facility located in Aljustrel, Portugal (the “**Project**”). The parties continued discussions until May 12, 2020 when Terrace, Terra Nova Produção e Comercialização de Produtos Naturais e Farmacêuticos, Unipessoal, Lda. (“**Terra Nova**”), a wholly-owned subsidiary of Terrace, Flowr, and RPK Biopharma, Unipessoal, Lda. (“**RPK Biopharma**”), a wholly-owned subsidiary of Flowr, entered into the Equity Line and Profit Sharing Agreement for the purpose of jointly developing the Project. Under the terms of the Equity Line and Profit Sharing Agreement, Terrace would fund certain operations and certain capital expenditures relating to the Project in exchange for the issuance of: (1) common shares of Flowr at the volume weighted average trading price

(“**VWAP**”) of the shares on the day prior to such subscription less the maximum applicable discount available under the TSXV, subject to a minimum price of \$0.52 per share; and (2) warrants at an exercise price equal to the greater of \$0.76 and the minimum exercise price permitted under the TSXV rules. In addition, the parties agreed to divide the net proceeds from the Project on a 75% basis for Flowr and 25% basis for Terrace, with an adjustment to 20% for Terrace in certain circumstances. As part of the Equity Line and Profit Sharing Agreement, a Technical Committee comprised of two representatives from Terrace and two representatives from Flowr would oversee the Project. Terrace also obtained a renewal option to cultivate at the Aljustrel outdoor medical cannabis site during the 2021 season at its sole discretion in exchange for a 50% split of net proceeds from the sale of any medical cannabis derived from that season’s operations. On September 23, 2020, the parties to the Equity Line and Profit Sharing Agreement agreed to amend the Equity Line and Profit Sharing Agreement to increase the net proceeds Terrace would derive from any sales of medical cannabis such that for every additional \$200,000 funded in excess of \$300,000 pursuant to the agreement, Terrace’s share of net proceeds would increase by 2.5% to a maximum of 50%.

Commencing in May 2020, the parties began discussions with respect to several strategic alternatives, including the acquisition of Terrace by Flowr.

On June 8, 2020, after discussions between the senior management teams of each of Terrace and Flowr, Flowr submitted a letter of intent to Terrace pursuant to which it proposed the acquisition of Terrace at a purchase price of \$0.18 per Terrace Share payable in Flowr Shares. The parties proceeded to conduct mutual diligence with respect to the operational, financial and business of each other.

On July 4, 2020, Terrace, after discussion with its legal and financial advisors, communicated to Flowr that it was not interested in pursuing the proposed acquisition transaction and would prefer to maintain the joint venture Project under the Equity Line and Profit Sharing Agreement.

On September 14, 2020, Terrace re-engaged in discussions with Flowr with respect to various operational due diligence matters. The parties commenced discussions with respect to how to optimize the operations between the facilities located in Kelowna, Canada and throughout Portugal based upon each party’s existing capital constraints. Further discussions ensued as between the management teams of both parties as well as with respect to various stakeholders.

On September 15, 2020, Terrace formally engaged Hyperion as its financial advisor and through September, 2020, Hyperion conducted an informal process to solicit interest from various parties and three ultimately executed non-disclosure agreements with Terrace.

On September 16, 2020, the Terrace Board engaged Norton Rose Fulbright Canada LLP (“**Norton Rose**”) as its legal advisor to assist with discussions relating to Flowr. Wildeboer Dellelce LLP was retained as legal counsel to Terrace.

Upon completion of certain financial and operation due diligence and in order for the parties to work expeditiously towards signing the Arrangement Agreement, on September 23, 2020, the parties entered into an exclusivity agreement (the “**Exclusivity Agreement**”) commencing the date thereof and terminating upon the earlier of: (i) October 31, 2020, and (ii) the date on which the Arrangement Agreement was signed (the “**Exclusivity Period**”). The Exclusivity Period could be terminated by either part upon two weeks’ prior written notice. Pursuant to the Exclusivity Agreement, each party agreed that it would not directly or indirectly: (1) solicit, facilitate, encourage or initiate any inquiry, proposal or offer for the business, assets, operations of such party other than in the ordinary course of business in a manner consistent with past practice; or (2) participate in any discussion regarding, or furnish any information with respect to, any such potential competing transaction. The parties also agreed to immediately cease all discussions with any third parties. During the Exclusivity Period, the parties agreed to promptly notify each

other in writing of any such inquiry, proposal or offer received by the other party and they agreed not release any person from any standstill covenants or other obligations under any confidentiality, non-disclosure or other similar agreement.

From September 23, 2020 to October 20, 2020, several discussions took place among the respective management teams of Terrace and Flowr as well as between Hyperion, on behalf of Terrace, and ATB Capital Markets Inc. (“**ATB**”), on behalf of Flowr.

Fasken Martineau DuMoulin LLP, legal counsel to Flowr, provided an initial draft of the Arrangement Agreement to Flowr, who circulated the Arrangement Agreement to Terrace on September 25, 2020, with drafts of the ancillary documents including the plan of arrangement and support agreements circulated by the parties over the following days.

Throughout the negotiations, members of the Terrace Board and senior management continued to meet and discuss the terms of the draft Arrangement Agreement and to obtain the advice of their legal and financial advisors. During such meetings, members of the Terrace Board and senior management also discussed and considered the anticipated benefits of the Arrangement to Terrace and its stakeholders and weighed those against the associated risks and alternatives available to Terrace, including the impact of the COVID-19 pandemic to Terrace’s business plans and operations. On October 18, 2020, members of the Terrace Board, senior management and Terrace’s external advisors held a conference call to discuss and evaluate both the Arrangement Agreement and the transaction more generally. Following this call, Terrace and its advisors revised the draft Arrangement Agreement, and later that evening, Norton Rose provided Flowr and its advisors with a revised draft.

On October 18, 2020, an update on negotiations with Flowr was provided to the Terrace Board by Michael Galego, including key outstanding negotiation points. Representatives of Norton Rose provided a summary to the Terrace Board of their fiduciary duties and obligations in the context of the proposed transaction. Hyperion provided a presentation to the Terrace Board regarding the proposed transaction. Hyperion then delivered to the Terrace Board an oral opinion to the effect that, as of October 18, 2020 and based on and subject to the analyses referred to, and assumptions, limitations and qualifications set forth in its Fairness Opinion, the consideration to be received under the Arrangement by the Terrace Shareholders is fair, from a financial point of view, to the Terrace Shareholders. Following such presentations, representatives of Norton Rose discussed various key provisions and negotiation points with respect to the Arrangement Agreement with the Terrace Board and answered questions regarding the proposed transaction. The Terrace Board authorized management and legal counsel to continue negotiating and to finalize the transaction documentation and the meeting was adjourned until the following day, pending confirmation that these matters were complete.

On October 19, 2019, the Terrace Board reconvened its meeting after market close. Following review and discussion of the proposed transaction, including the reasons and risks noted under the heading “*The Arrangement – Reasons for the Arrangement*” and after consulting with its legal and financial advisors and taking into account the fairness opinion delivered by Hyperion, the Terrace Board unanimously determined, among other things, that: (a) the Arrangement is in the best interests of Terrace; (b) the Arrangement is fair to Terrace Shareholders; and (c) to recommend that Terrace Shareholders vote in favour of the Arrangement Resolution. The Terrace Board also approved Terrace entering into the Arrangement Agreement. Terrace and Flowr entered into the Arrangement Agreement on October 19, 2020, pursuant to which Arrangement Agreement Flowr agreed to, among other things, acquire all of the issued and outstanding Terrace Shares at \$0.22 per Terrace Share. The resulting exchange ratio was determined to be 0.4973 per Flowr share based upon a 30-day VWAP of \$0.44 per Flowr share.

The Voting Support Agreement, the Flowr Debenture Support Agreements and the Flowr Voting Agreements were executed by the parties thereto on October 19, 2020.

On October 20, 2020, each of Terrace and Flowr issued a news release before markets opened announcing the signing of the Arrangement Agreement and related matters.

Fairness Opinion

Pursuant to an engagement letter dated September 15, 2020, Terrace engaged Hyperion to provide Terrace with various advisory services in connection with the Arrangement including, among other things, the provision of the Fairness Opinion.

On October 18, 2020, Hyperion delivered its oral opinion to the Terrace Board, that as of the date thereof and subject to the assumptions, limitations and qualifications stated therein, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders. This opinion was subsequently confirmed in writing as at October 19, 2020 by delivery of the Fairness Opinion.

Hyperion has not been asked to prepare and has not prepared a formal valuation or appraisal of the securities or assets of Terrace, Flowr or any of their affiliates, and the Fairness Opinion should not be construed as such. The Fairness Opinion is not, and should not be construed as, advice as to the price at which the securities of Terrace may trade at any time.

The terms of the engagement letter between Terrace and Hyperion provide that Hyperion will receive a fee for rendering the Fairness Opinion regardless of whether the Arrangement is completed and certain fees for its advisory services in connection with the Arrangement, which separate fees are contingent upon the successful completion of the Arrangement. Hyperion is also to be reimbursed for its reasonable out-of-pocket expenses. Furthermore, Terrace has agreed to indemnify Hyperion, in certain circumstances, against certain liabilities that might arise out of its engagement.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date thereof and the conditions and prospects, financial and otherwise, of Terrace and Flowr as publicly disclosed and as they have been represented to Hyperion. In Hyperion's analyses and in connection with preparing the Fairness Opinion, Hyperion made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement.

The full text of the Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed, matters considered and limitations on the scope of review undertaken, is attached as Appendix G to this Circular. The Fairness Opinion was provided to the Terrace Board for its exclusive use only in considering the Arrangement and may not be used or relied upon by any other person or for any other purpose without Hyperion's prior written consent. The Fairness Opinion addresses only the fairness from a financial point of view to the Shareholders of the Consideration to be received by the Shareholders and does not address any other aspect of the Arrangement. The Fairness Opinion does not address the relative merits of the Arrangement as compared to any other strategic alternatives that may be available to Terrace. The Fairness Opinion does not constitute a recommendation as to how any Shareholder should vote or act on any matter relating to the Arrangement. The summary of the Fairness Opinion set forth in this Circular is qualified in its entirety by reference to the full text of the Fairness Opinion. Shareholders are urged to read the Fairness Opinion carefully and in its entirety.

Recommendation of the Terrace Board

After careful consideration of, among other things, the Fairness Opinion, and consultation with its financial and legal advisors, the Terrace Board has unanimously determined that the Arrangement is in the best interests of the Corporation and that the Arrangement is fair to the Shareholders, and has authorized the submission of the Arrangement to the Shareholders for their approval at the Meeting. Accordingly, the Terrace Board has determined unanimously to recommend to the Shareholders that they vote **FOR** the Arrangement Resolution.

Reasons for the Arrangement

In the course of their evaluation of the Arrangement, the Terrace Board consulted with Terrace's management team, legal counsel and financial advisors, reviewed a significant amount of information, and considered a number of factors including, among others, the following:

- ***Significant Premium to the Shareholders:*** The Consideration represents a premium of 47% based on the closing price of the Terrace Shares as of October 19, 2020. By receiving this premium, the Shareholders will receive an immediate benefit while being able to participate in the value-added propositions of being a shareholder of Flowr.
- ***Continued Participation by Terrace Shareholders:*** The Shareholders, through their ownership of Flowr Shares, will have the opportunity to participate in the global growth of Flowr and will benefit from the enhanced growth prospects of the combined company. The Arrangement will provide substantial infrastructure and operational support to accelerate Terrace's growth strategy, future product development and innovation, together with Flowr and its global partners. Flowr is a leading high-THC cultivator with a strong brand presence in Canada and also has a strong toehold position in the burgeoning European medical cannabis market.
- ***Terrace Shareholder Alignment with Flowr Shareholders:*** As part of the Arrangement, all insiders of Flowr will be required to convert their Flowr Debentures into Flowr Shares, representing a conversion of at least \$11.9 million principal amount of debentures. Flowr will also use commercially reasonable efforts to solicit the full conversion of all of the issued and outstanding convertible debentures in the aggregate principal amount of \$21.6 million.
- ***Strengthening Vertically Integrated Global Cannabis Company:*** Flowr is a leading global cannabis company and market leader with its distinct Flowr brand. The Arrangement strengthens Flowr's international presence and improves access to multiple demographic segments.
- ***Alignment with Strong Management Team:*** Terrace was created by a group of pioneers in the cannabis sector who have decades of international experience in the cannabis market and include the founders of MedReleaf Corp., ICC Labs Inc. and Bedrocan Cannabis Corp. Both Flowr and Terrace boast sector leading insider ownership. Terrace is to have three nominees on the reconstituted board of directors of Flowr.
- ***Enhanced Liquidity and Capital Markets Profile:*** The Shareholders will benefit from an enhanced capital markets position through increased scale, which will facilitate greater access to capital in addition to increased liquidity. Flowr is listed on the TSXV and the OTC. Flowr and Terrace currently have a combined \$30 million in cash and marketable securities, which will be used to support brand building, outdoor grow operations, and pursue strategic opportunities and investments that maximize shareholder value.

- ***Concurrent Liability Management:*** As a condition precedent to the closing of the Arrangement, Flowr will be required to negotiate more favourable terms with its senior creditors to improve its credit covenant package and it will also benefit from a basket for future subordinated secured debenture financing in the amount of at least \$11.9 million. This can provide additional financial flexibility for Flowr going forward. The net result is that at closing of the Arrangement, Flowr will have reduced its overall indebtedness by at least \$11.9 million.
- ***Accretive Pro-forma Synergies:*** The Combined Company is estimated to realize annual synergies of approximately \$2 million per year, allowing Flowr to operate more efficiently with a commitment to continued excellence.
- ***Fairness Opinion:*** The Terrace Board considered the Fairness Opinion, which states that, as of the date of such fairness opinion and subject to the assumptions, limitations and qualifications stated in such fairness opinion, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair from a financial point of view to the Shareholders. The terms of the engagement letter provide that Hyperion will receive a fee for rendering the Fairness Opinion regardless of whether the Arrangement is completed and certain fees for its advisory services in connection with the Arrangement, which separate fees are contingent upon the successful completion of the Arrangement. See “*The Arrangement – Fairness Opinion*”.
- ***Support by Directors, Senior Officers and certain Shareholders:*** The Terrace Board has unanimously approved the Arrangement and recommends that the Shareholders vote in favour of the Arrangement. Each of the directors and senior officers of Terrace who hold Terrace Shares and certain Shareholders, who hold in aggregate approximately 66% of the issued and outstanding Terrace Shares, have entered into Voting Support Agreement with respect to the Arrangement pursuant to which, among other things, they have agreed to vote in favour of the Arrangement Resolution at the Meeting.
- ***Ability to Respond to Unsolicited Superior Proposals:*** Under the terms of the Arrangement Agreement, the Terrace Board is able to respond to any unsolicited bona fide written proposal that, having regard for all of its terms and conditions of such proposal, if consummated in accordance with its terms, may lead to a Superior Proposal.
- ***Arm’s Length Transaction:*** The Arrangement Agreement is the result of an arm’s length negotiation process and includes terms and conditions that are reasonable in the judgement of the Terrace Board.
- ***Shareholder Approval:*** The Arrangement must be approved by at least two-thirds of the votes cast on the Arrangement Resolution at the Meeting by Shareholders present in person or represented by proxy and entitled to vote at the Meeting.
- ***Regulatory Approval:*** The Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and reasonableness of the Arrangement to the Shareholders. The Arrangement Agreement also contains a condition precedent that all regulatory approvals shall be obtained prior to closing.
- ***Dissent Rights:*** The terms of the Plan of Arrangement provide that any Shareholder who opposes the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive the fair value of the Dissenting Shares in accordance with the Arrangement.

- **COVID-19:** As a result of the global pandemic, Terrace's business plan and operations were significantly impacted. Senior management and advisors have had persistent and material restrictions in their ability to travel to the Corporation's operations. The governments (municipal and federal) in the jurisdictions in which the Corporation operates have seen significant delays in authorizations relating to the build-out and granting of material regulatory approvals. The transactions proposed by the Arrangement Agreement de-risks certain of the Corporation's operations from business development and regulatory perspective.
- **Other Factors:** The Terrace Board also considered the Arrangement with reference to the financial condition and results of operations of the Corporation, as well as its prospects, strategic alternatives and competitive position, including the risks involved in achieving those prospects and pursuing those alternatives in light of current market conditions and the Corporation's financial position.

The Terrace Board also considered a number of potential risks and potential negative factors relating to the Arrangement, including the following:

- (a) *Regulatory and Court Approval.* The Arrangement is subject to regulatory approval by the TSXV and Court approval;
- (b) *Completion Risk.* The risks to Terrace if the Arrangement is not completed, including that Terrace will have incurred significant costs in pursuing the Arrangement, that management of Terrace will have their attention diverted from Terrace's business in the Ordinary Course and the fact that if the Arrangement Agreement is terminated under certain circumstances, Terrace must pay the Termination Payment to Flowr, as described under the heading "*The Arrangement Agreement – Termination Payment*";
- (c) *Voting Support Agreement.* The terms of the Voting Support Agreement which commit the Shareholders who are parties thereto, who collectively own approximately 66% of the issued and outstanding Terrace Shares, to, among other things: (i) vote their Terrace Shares in favour of the Arrangement Resolution and the transactions contemplated by the Arrangement Agreement and not in favour of any competing Acquisition Proposal; and (ii) upon the written request of Flowr, support the completion of an Alternative Transaction to the Arrangement in the event that, in lieu of the Arrangement, Flowr seeks to complete the acquisition of the Terrace Shares on an alternative basis, as described under the heading "*The Arrangement – Voting Support Agreement*";
- (d) *Termination Rights of Flowr.* Flowr has the right to terminate the Arrangement Agreement under certain limited circumstances;
- (e) *Reasonable Termination Payment.* The amount of the Termination Payment, being \$3 million, payable under certain circumstances, is within the range of termination fees that are considered reasonable for a transaction of the nature and size of the Arrangement;
- (f) *Low execution risk.* There are no material regulatory issues which are expected to arise in connection with the Arrangement that would prevent its completion, and all required regulatory approvals are expected to be obtained;
- (g) *Interim Operation Covenants.* The restrictions on the conduct of the Corporation's business prior to the consummation of the Arrangement requiring the Corporation to conduct its business in the Ordinary Course and preventing the Corporation from taking certain

specified actions may delay or prevent the Corporation from undertaking business opportunities pending the consummation of the Arrangement;

- (h) *Non-Solicitation Covenants.* There are limitations contained in the Arrangement Agreement on Terrace's ability to solicit additional interest from third parties;
- (i) *Taxable Transaction.* The receipt of Flowr Shares will occur on a tax-deferred basis under section 85.1 of the Tax Act, subject to the qualifications contained in "*Income Tax Considerations*" below;
- (j) *Value of Flowr Shares.* The Flowr Shares issued pursuant to the Arrangement may have a market value different than the market value of the Flowr Shares at the time of announcement of the Arrangement; and
- (k) *Integration Risk.* Following completion of the Arrangement, the Combined Company may not realize the benefits of its new projects, may be subject to significant operating risks associated with its integrated operations and portfolio of projects, and may not realize the benefits currently anticipated due to potential challenges associated with integrating the operations and personnel of the Corporation.

The reasons of the Terrace Board for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors Relating to the Arrangement*" in this Circular.

The Terrace Board evaluated all the factors summarized above in light of their knowledge of the business and operations of the Corporation and based on the advice of financial and legal advisors to the Terrace Board and in the exercise of their business judgment. The foregoing summary of the information and factors considered by the Terrace Board is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Terrace Board did not find it practicable to, and did not, quantify, rank or otherwise attempt to assign relative weights to the foregoing factors considered in their determinations. In addition, in considering the factors described above, individual members of the Terrace Board may have given different weights to various factors and may have applied different analysis to each of the material factors considered by the Terrace Board.

Principal Steps of the Arrangement

The following description is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached hereto as Appendix C to this Circular. At the Effective Time and pursuant to the Plan of Arrangement, the following transactions, among others, will occur and will be deemed to occur sequentially in the following order:

- (a) all Flowr Shares owned directly or indirectly by Terrace immediately prior to the Effective Time shall be hereby cancelled without any payment thereon;
- (b) each of the Terrace Shares held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred by the holder thereof without any further act or formality on its part, free and clear of all Liens to Terrace and Terrace shall thereupon be obliged to pay the consideration therefor determined and payable in accordance with the Plan of Arrangement;

- (c) each Terrace Subscription Receipt outstanding immediately prior to the Effective Time shall, and shall be deemed to, have been converted, without any further act or formality, into one (1) Terrace Share and the Escrowed Funds (as defined in the Terrace Subscription Receipt Agreement) shall be released to Terrace, and the Terrace Subscription Receipt holders outstanding immediately prior to the Effective Time shall, and shall be deemed to, cease to be the holder thereof and to have any rights as a holder thereof;
- (d) each issued and outstanding Terrace Share (including Terrace Shares issued upon conversion of the Terrace Subscription Receipts pursuant to (c) above) held by a Terrace Shareholder (other than Terrace Shares held by a Dissenting Terrace Shareholder or Flowr or any affiliate of Flowr) (free and clear of all Liens) shall be transferred to Flowr and in consideration therefor Flowr shall issue the Consideration on the basis of 0.4973 of a fully paid and non-assessable Flowr Share for each Terrace Share. Following completion of this step, Flowr will be the holder of all of the issued and outstanding Terrace Shares and the central securities register of the Corporation will be revised accordingly;
- (e) each Terrace Option outstanding immediately prior to the Effective Time will be exchanged for a Replacement Option to acquire from Flowr such number of Flowr Shares as is equal to: (A) the number of Terrace Shares that were issuable upon exercise of such Terrace Option immediately prior to the Effective Time, multiplied by (B) the Consideration, rounded down to the nearest whole number of Flowr Shares, at an exercise price per Flowr Share equal to the quotient determined by dividing: (X) the exercise price per Terrace Share at which such Terrace Option was exercisable immediately prior to the Effective Time, by (Y) the Consideration, rounded up to the nearest whole cent. Except as set out above, the terms of each Replacement Option, including the term to expiry, exercise price, conditions to and manner of exercise, will be the same as the terms of the Terrace Option exchanged therefor pursuant to the Terrace Stock Option Plan and any documenting a Terrace Option will thereafter evidence and be deemed to evidence such Replacement Option; and
- (f) each Terrace Warrant outstanding immediately prior to the Effective Time will be exchanged for a Replacement Warrant to acquire from Flowr such number of Flowr Shares as is equal to: (A) the number of Terrace Shares that were issuable upon exercise of such Terrace Warrant immediately prior to the Effective Time, multiplied by (B) the Consideration, rounded down to the nearest whole number of Flowr Shares, at an exercise price per Flowr Share equal to the quotient determined by dividing: (X) the exercise price per Terrace Share at which such Terrace Warrant was exercisable immediately prior to the Effective Time, by (Y) the Consideration, rounded up to the nearest whole cent. Except as set out above, the terms of each Replacement Warrant, including the term to expiry, exercise price, conditions to and manner of exercise, will be the same as the terms of the Terrace Warrant exchanged therefor and any agreement evidencing the grant thereof prior to the Effective Time.

The transfers and exchanges provided for the Arrangement Plan will be deemed to occur on the Effective Date, notwithstanding that certain of the procedures related thereto are not completed until after the Effective Date.

In no event will any fractional Flowr Shares be issued under the Plan of Arrangement. Where the aggregate number of Flowr Shares to be issued to a Shareholder as Consideration would result in a fraction of a Flowr Share being issuable, then the number of Flowr Shares to be issued to such Shareholder will be rounded

down to the nearest whole number and no compensation will be issued in lieu of the issuance of a fractional Flowr Share.

Required Shareholder Approval

Pursuant to the Interim Order, the Arrangement Resolution must be approved by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting and by majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101. The Arrangement Resolution must receive such Shareholder Approval in order for the Corporation to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order.

Voting Support Agreement

The Supporting Terrace Shareholders entered into the Voting Support Agreement with Flowr pursuant to which, among other things, and subject to certain terms, conditions and exceptions, the Supporting Terrace Shareholders agreed to vote the securities legally or beneficially owned by them or over which they exercise control or direction, as applicable, (the “**Terrace Subject Securities**”) (to the extent such securities carry the right to vote), **FOR** the Arrangement Resolution.

The Supporting Terrace Shareholders beneficially own, or exercise control or direction over, directly or indirectly, 110,023,600 Terrace Shares, representing approximately 66% of the issued and outstanding Terrace Shares as of the Record Date on a non-diluted basis.

The Voting Support Agreement set forth, among other things, and subject to certain terms, conditions and exceptions, the agreement of each Supporting Terrace Shareholder to vote their Terrace Subject Securities in favour of the Arrangement Resolution at the Meeting and any matters related thereto. In addition, Supporting Terrace Shareholders have agreed, among other things and subject to the terms and conditions of the Voting Support Agreement, during the term of the Voting Support Agreement:

- (a) not, directly or indirectly, whether through any affiliate or any officer, director, employee, securityholder, representative or otherwise, (i) solicit, initiate, facilitate or encourage (including by way of furnishing non-public information or entering into any form of agreement, arrangement or understanding) any inquiries or proposals regarding, or that would reasonably be expected to lead to, an Acquisition Proposal, (ii) participate in any substantive discussions or negotiations with any person (other than Flowr or any of its affiliates) regarding, or that would reasonably be expected to lead to, an Acquisition Proposal, (iii) approve, accept, endorse or recommend, or propose to publicly accept, approve, endorse or recommend, any Acquisition Proposal, or (iv) accept or enter into or publicly propose to accept or enter into, any agreement, understanding or arrangement or other contract in respect of an Acquisition Proposal;
- (b) immediately cease and cause its representatives to cease, and terminate and cause its representatives to terminate, any solicitation, encouragement, discussion or negotiation with any Persons (other than Flowr or its affiliates) with respect to any Acquisition Proposal;
- (c) not, directly or indirectly, option, sell, assign, transfer, pledge, encumber, grant a security interest in or power of attorney over, hypothecate or otherwise convey or dispose of any Terrace Subject Securities, or any right or interest therein (legal or equitable), to any Person or group or Persons acting jointly or in concert or agree to do any of the foregoing, other than: (i) pursuant to the Arrangement; (ii) pursuant to the exercise or settlement, as applicable, in accordance with their

respective terms, of Terrace Options or Terrace Warrants; or (iii) to one or more of a parent, spouse, child or grandchild of, or a corporation, partnership, limited liability company or other entity controlled solely by, the Supporting Terrace Shareholder or a trust or account (including an RRSP, RESP, RRIF or similar account) existing for the benefit of such Person or entity, provided that in such case and for greater certainty, any Terrace Subject Securities acquired as a result thereof shall remain Terrace Subject Securities and shall be subject to the terms and conditions of the Voting Support Agreement and, in the case of a corporation, partnership, limited liability company or other entity solely controlled by, the Supporting Terrace Shareholders provided that such entity remains solely controlled by the Supporting Terrace Shareholders until the earlier of (i) the Effective Time and (ii) the termination of the Voting Support Agreement;

- (d) not, directly or indirectly, grant or agree to grant any proxy or other right to vote any Terrace Subject Securities except for any proxies granted to vote in favour of the Arrangement Resolution, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of Shareholders or give consents or approval of any kind as to any Terrace Subject Securities;
- (e) not vote or cause to be voted any Terrace Subject Securities in respect of any proposed action by Terrace or any of its affiliates or the Shareholders or any other Person in a manner which would reasonably be expected to prevent, hinder or delay the successful completion of the Arrangement or the other transactions contemplated by the Arrangement Agreement and the Voting Support Agreement;
- (f) irrevocably waive to the fullest extent permitted by Law any and all rights of the Supporting Terrace Shareholder to exercise Dissent Rights with respect to the Arrangement Resolution or any other resolution relating to the approval of the Arrangement and not exercise any such right with respect to any such resolution;
- (g) in the event that any transaction other than the Arrangement (or similar transaction involving solely the Terrace and Flowr or an affiliate) is presented for approval of or acceptance by holders of Terrace Subject Securities not, directly or indirectly, vote in favour of, accept, assist, recommend, or otherwise further the successful completion of such transaction or purport to tender or deposit into or under any such transaction any of its Terrace Subject Securities; and
- (h) other than set forth in the Voting Support Agreement, take all such steps as are necessary or advisable to ensure that at all relevant times his, her or its Terrace Subject Securities will not be subject to any shareholders' agreements, voting trust or similar agreements or any option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming a shareholders' agreement, voting trust or other agreement affecting or restricting the ability of him, her or it to exercise all voting rights attaching to such Terrace Subject Securities.

Pursuant to the Voting Support Agreement, in the event that, in lieu of the Arrangement, the parties to the Arrangement Agreement seek to complete a transaction that falls within the definition of an Acquisition Proposal on a basis that it (i) provides for economic terms which, in relation to the Shareholder, on an after-tax basis, are at least equivalent to or better than those contemplated by the Arrangement Agreement; and (ii) is otherwise on terms and conditions not materially more onerous on the Supporting Terrace Shareholder than the Arrangement (including any take-over bid) (any such transaction, an “**Alternative Transaction**”), then during the term of the Voting Support Agreement the Supporting Terrace Shareholder may, on its own accord, and shall, upon written request of Flowr, support the completion of such Alternative Transaction in the same manner as the Arrangement in accordance with the terms and conditions of the Voting Support Agreement *mutatis mutandis*, including by (A) depositing or causing the deposit of the

Terrace Subject Securities into an Alternative Transaction conducted by way of a take-over bid made by Flowr or an affiliate of Flowr and not withdrawing them, and/or (B) voting or causing to be voted all of the Terrace Subject Securities in favour of, and not dissenting against, such Alternative Transaction proposed by Flowr or an affiliate.

The Voting Support Agreement may be terminated:

- (a) by written instrument executed by each of the relevant Support Terrace Shareholder and the Corporation;
- (b) by Flowr, when not in material default or breach in the performance of its obligations under the Voting Support Agreement and the Arrangement Agreement, in its sole discretion, if:
 - (i) any of the representations and warranties of the Supporting Terrace Shareholder under the Voting Support Agreement will not be true and correct in all material respects; or
 - (ii) such Supporting Terrace Shareholder will not have complied with its covenants to Flowr contained in the Voting Support Agreement in all material respects;
- (c) by each Supporting Terrace Shareholder, when not in material default or breach in the performance of its obligations under the Voting Support Agreement and the Arrangement Agreement, in its sole discretion, if:
 - (i) any of the representations and warranties of Flowr under the Voting Support Agreement will not be true and correct in all material respects; or
 - (ii) Flowr will not have complied with its covenants to such Supporting Terrace Shareholder contained herein in all material respects;
- (d) automatically:
 - (i) in the event that the Arrangement Agreement is terminated in accordance with its terms; provided, however, in the event that the parties to the Arrangement Agreement enter into an Alternative Transaction as contemplated in the Voting Support Agreement, then the Voting Support Agreement will not terminate with the termination of the Arrangement Agreement, but will automatically terminate in the event that the agreement evidencing the Alternative Transaction is terminated in accordance with its terms;
 - (ii) by written notice of the Supporting Terrace Shareholder to Flowr if there is an amendment to the Arrangement Agreement in respect of a decrease in the amount of Consideration unless the Supporting Terrace Shareholder has provided prior written consent in respect thereof; or
 - (iii) on the Effective Time.

Flowr Voting Agreement

On October 19, 2020 the Flowr Supporting Securityholders entered into the Flowr Voting Agreement with Terrace pursuant to which, among other things, and subject to certain terms, conditions and exceptions, if

and only if, any approvals of securityholders of Flowr are required under applicable Securities Laws (including the TSXV) in connection with the Arrangement (and any transactions contemplated in connection with the Arrangement Agreement) and the Flowr Debenture Indenture Amendments (the “**Flowr Securityholder Approval**”), the Flowr Supporting Securityholders agreed to cause to be counted as present for purposes of establishing quorum and to vote (or cause to be voted) all of the securities legally or beneficially owned by them or over which they exercise control or direction, as applicable (the “**Flowr Subject Securities**”): (i) at any meeting of any of the securityholders of Flowr at which the Flowr Supporting Securityholder or any registered or beneficial owner of the Flowr Subject Securities are entitled to vote to obtain the approval of the Arrangement and/or the Flowr Debenture Indenture Amendments; or (ii) in any action by written consent of the securityholders of Flowr, in favour of the approval, consent, ratification and adoption of any resolution approving the Arrangement (and any transactions contemplated in connection with the Arrangement Agreement) or the Flowr Debenture Indenture Amendments.

In addition, Flowr Supporting Securityholders have agreed, among other things and subject to the terms and conditions of the Flowr Voting Agreement, until the earlier of: (i) the Effective Time; (ii) the termination of the Flowr Voting Agreement or (iii) it being determined that the Flowr Securityholder Approval is not required:

- (a) not, directly or indirectly, option, sell, assign, transfer, pledge, encumber, grant a security interest in or power of attorney over, hypothecate or otherwise convey or dispose of any Flowr Subject Securities, or any right or interest therein (legal or equitable), to any Person or group or Persons acting jointly or in concert or agree to do any of the foregoing, other than: (i) to one or more of a parent, spouse, child or grandchild of, or a corporation, partnership, limited liability company or other entity controlled solely by, the Flowr Supporting Securityholders or a trust or account (including an RRSP, RESP, RRIF or similar account) existing for the benefit of such Person or entity, provided that in such case and for greater certainty, any Flowr Subject Securities acquired as a result thereof shall remain Flowr Subject Securities and shall be subject to the terms and conditions of the Flowr Voting Agreement and, in the case of a corporation, partnership, limited liability company or other entity solely controlled by, the Flowr Supporting Securityholders provided that such entity remains solely controlled by the Flowr Supporting Securityholders until the earlier of (i) the Effective Time and (ii) the termination of the Flowr Voting Agreement;
- (b) not, directly or indirectly, grant or agree to grant any proxy or other right to vote any Flowr Subject Securities except for any proxies granted to vote in favour of the Arrangement and/or the Flowr Debenture Indenture Amendments, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders of Flowr or give consents or approval of any kind as to any Flowr Subject Securities;
- (c) not vote or cause to be voted any Flowr Subject Securities in respect of any proposed action by Flowr or any of its affiliates or the shareholders of Flowr or any other Person in a manner which would reasonably be expected to prevent, hinder or delay the successful completion of the Arrangement, the Flowr Debenture Indenture Amendments or the other transactions contemplated by the Arrangement Agreement and the Flowr Voting Agreement;
- (d) other than set forth in the Flowr Voting Agreement, take all such steps as are necessary or advisable to ensure that at all relevant times his, her or its Flowr Subject Securities will not be subject to any shareholders’ agreements, voting trust or similar agreements or any option, right or privilege (whether by law, pre-emptive or contractual) capable of becoming a shareholders’ agreement, voting trust or other agreement affecting or restricting the ability of him, her or it to exercise all voting rights attaching to such Flowr Subject Securities.

The Voting Support Agreement may be terminated:

- (a) by written instrument executed by each of the parties;
- (b) in the event that the Arrangement Agreement is terminated in accordance with its terms;
- (c) on the Effective Time; or
- (d) it being determined that the Flowr Securityholder Approval is not required.

Flowr Debenture Support Agreements

Terrace and certain holders of Flowr Debentures (the “**Flowr Debentureholders**”) entered into the Flowr Debenture Support Agreements, pursuant to which among other things, and subject to certain terms, conditions and exceptions, the Flowr Debentureholders agreed, in respect of the Flowr Debentures beneficially owned by each of them, or over which they have control or direction, to take all steps and do all things necessary to provide written consent, vote and otherwise support and approve the following amendments to the Flowr Debenture Indenture to give effect to the Flowr Debenture Conversion:

- (a) the conversion price of the Flowr Debentures will be amended to \$0.50 (subject to adjustment as provided in the Flowr Debenture Indenture) and the conversion of interest on such Flowr Debentures from the issue date thereof to the maturity date thereof at a conversion price equal to the average trading price of the Flowr Shares (calculated by dividing the total value of the Flowr Shares by the total volume of Flowr Shares traded on the TSXV on the trading day prior to the date of the Flowr Debenture Support Agreement subject to TSXV approval), into Flowr Shares, on the sole basis that the Flowr Debentureholder thereof exercises in full all of the Flowr Debentures held by it effective as of the date of the Flowr Debenture Support Arrangement; and
- (b) such other non-material administrative amendments to the Flowr Debenture Indenture necessary to implement the consummation of the foregoing.

If a Flowr Debentureholder is the beneficial owner, but not a registered holder, of any of the Flowr Debentures, such Flowr Debentureholder agrees to take all actions necessary to cause the registered holder and any nominees thereof to provide its consent, vote or other approval of the Flowr Debenture Indenture Amendments in respect of all such Flowr Debentures.

Each of the Flowr Debentureholders severally covenants and agrees, for the benefit of Terrace:

- (a) if applicable, to convert all of the Flowr Debentures held by it into Flowr Shares on or prior to the Effective Time of the Arrangement, subject to the Flowr Debenture Indenture Amendments being approved by extraordinary resolution in accordance with the terms of the Flowr Debenture Indenture;
- (b) that if the Flowr Debentureholder acquires or obtains control of any additional Flowr Debentures following the date of the Flowr Debenture Support Agreement, the Flowr Debentureholder shall:
 - (i) exercise its right to convert such Flowr Debentures in the manner contemplated above, if applicable; and
 - (ii) provide its written consent or other approval with respect to or vote such Flowr Debentures for the Flowr Debenture Indenture Amendments in the same manner as contemplated in the Flowr Debenture Support Agreement in respect of the Flowr Debentures;

- (c) not to take any other action intended to result in, the Flowr Debenture Indenture Amendments not being approved or not becoming effective by the Flowr Debentureholder as contemplated by the Flowr Debenture Support Agreement;
- (d) not to oppose in any manner the treatment of any Flowr Debentures pursuant to the Flowr Debenture Indenture Amendments; and
- (e) not to requisition or join in the requisition of any meeting of holders of Flowr Debentures or any written consent for purposes of opposing the Flowr Debenture Indenture Amendments.

Prior to termination of the Flowr Debenture Support Agreements, each of the Flowr Debentureholders agrees, for the benefit of Terrace, to not, directly or indirectly, transfer, or enter into any agreement, option or other arrangement (including any profit-sharing arrangement), whether or not in writing, with respect to the transfer of any of their Flowr Debentures (or any rights in respect thereof, including, but not limited to, the right to vote) to any Person or group or Persons acting jointly or in concert or agree to do any of the foregoing, other than an affiliate or subsidiary or a Person over which such Flowr Debentureholder has direction or control or to a transferee that is an immediate family member of the Flowr Debentureholder, provided that in such case and for greater certainty, any Flowr Debentures acquired as a result thereof shall remain Flowr Debentures and shall be subject to the terms and conditions of the Flowr Debenture Support Agreement and, in the case of an affiliate or subsidiary or a Person (including any corporation, partnership, limited liability company or other entity) over which such Flowr Debentureholder has direction or control, provided that such entity remains solely controlled by the Flowr Debentureholder has until the earlier of: (i) the Effective Time of the Arrangement; and (ii) the termination of the Flowr Debenture Support Agreement in accordance with its terms.

The Flowr Debenture Support Agreements shall terminate and be of no further force or effect upon the earliest of:

- (a) the mutual agreement in writing of the parties;
- (b) the valid termination of the Arrangement Agreement; or
- (c) the completion of the transactions contemplated by the Arrangement Agreement.

Assuming that all of the Flowr Debentures are converted, it will result in an additional 62,311,399 Flowr Shares being issued, of which 34,241,094 Flowr Shares would be held by insiders and 28,070,305 Flowr Shares would be held by the other holders of Flowr Debentures. If only the insiders of Flowr subject to the Flowr Debenture Support Agreement convert, the remaining Flowr Debentures will remain outstanding pursuant to the original terms of the Debentures.

Nomination and Voting Agreement

Pursuant to the Arrangement Agreement, Flowr and Core Flow Canada Holdings Inc., Steven Klein and Vinay Tolia (together, the “**Former Flowr Securityholders**”) and Francisco Ortiz von Bismarck, Michael Galego, Apolo Capital Advisory Corp., Stephen Arbib, Jonathan Goldman, Goldman Ventures Inc., 2646015 Ontario Inc. and AJA Holdings 2013 Inc. (together, the “**Former Terrace Securityholders**”) shall enter into the Nomination and Voting Agreement at the Effective Time.

Pursuant to the Nomination and Voting Agreement, the parties to the Nomination and Voting Agreement agree that:

- (a) so long as the aggregate Voting Interest beneficially owned or controlled by the Former Terrace Securityholders and their affiliates, collectively, is greater than or equal to 15%, Flowr will, subject to the provisions of the Nomination and Voting Agreement, include three Former Terrace Securityholders' Nominees among the nominees for election to the Flowr Board at each Directors Election Meeting;
- (b) so long as the aggregate Voting Interest beneficially owned or controlled by Former Terrace Securityholders and their affiliates, collectively, is less than 15%, but greater than or equal to ten 10%, Flowr will, subject to the provisions of the Nomination and Voting Agreement, include two Former Terrace Securityholders' Nominees among the nominees for election to the Flowr Board at each Directors Election Meeting; and
- (c) so long as the aggregate Voting Interest beneficially owned or controlled by Former Terrace Securityholders and their affiliates, collectively, is less than 10%, but greater than or equal to 5%, Flowr will, subject to the provisions of the Nomination and Voting Agreement, include one Former Terrace Securityholders' Nominees among the nominees for election to the Flowr Board at each Directors Election Meeting.

Flowr agrees that, so long as the aggregate Voting Interest beneficially owned or controlled by the Former Terrace Securityholders and their affiliates, collectively, is greater than or equal to 7.5%, up to three persons designated in writing by the Former Terrace Securityholders and delivered to Flowr (each a “**Terrace Observer**”) shall be entitled to act as observers to the Flowr Board and to receive notice of and attend meetings of the Flowr Board, subject to execution and delivery of customary confidentiality agreements and the right of the directors of Flowr to exercise their fiduciary duties and to exclude any Terrace Observer where the subject matter of such meeting of the Flowr Board, is a matter in which a Terrace Observer has a material interest in conflict with Flowr or which is subject to solicitor-client privilege.

Flowr agrees that, so long as the aggregate Voting Interest beneficially owned or controlled by the Flowr Securityholders and their affiliates, collectively, is greater than or equal to 7.5%, up to three persons designated in writing by the Former Flowr Securityholders and delivered to Flowr (each a “**Flowr Observer**”) shall be entitled to act as observers to the Flowr Board and to receive notice of and attend meetings of the Flowr Board, subject to execution and delivery of customary confidentiality agreements and the right of the directors of Flowr to exercise their fiduciary duties and to exclude any Flowr Observer where the subject matter of such meeting of the Flowr Board, as determined by the Flowr Board, acting reasonably, is a matter in which a Flowr Observer has a material interest in conflict with Flowr or which is subject to solicitor-client privilege.

Flowr shall use commercially reasonable efforts to hold the first Directors Election Meeting following the day of the completion of the Arrangement on or before August 1, 2021.

At least 45 calendar days before each Directors Election Meeting, Former Terrace Securityholders will deliver to Flowr, in writing, the names of Former Terrace Securityholders' Nominees together with the information regarding such Former Terrace Securityholders' Nominees that Flowr is required to include in an information circular of Flowr to be sent to shareholders of Flowr in respect of such Directors Election Meeting and, if any such Former Terrace Securityholders' Nominee has not previously served as a director of Flowr, a duly completed PIF (the “**Former Terrace Securityholders' Nomination Letter**”), together with reasonable details of the number of Flowr Shares held or controlled, directly or indirectly, by the Former Terrace Securityholders and their affiliates in order to demonstrate their Voting Interest.

If Former Terrace Securityholders fail to deliver the Former Terrace Securityholders' Nomination Letter to Flowr at least 45 calendar days before the Directors Election Meeting in accordance with Nomination and

Voting Agreement, then the Former Terrace Securityholders shall be deemed to have nominated the same Former Terrace Securityholders' Nominees that serve as directors of Flowr at such time.

Each Former Terrace Securityholders' Nominee shall, at all times while serving on the Flowr Board: (i) meet the qualification requirements as a director under the OBCA, applicable Canadian securities laws and the rules of any stock exchange on which the Flowr Shares are then listed; (ii) acknowledge and agree to be bound by the Nomination and Voting Agreement with respect to the obligations of the Former Terrace Securityholders' Nominees and consent in writing to act as a director of Flowr; and (iii) satisfy all requirements under applicable Cannabis laws and regulations that are application to Flowr.

Interests of Certain Persons in the Arrangement

In considering the Arrangement and the recommendation of the Terrace Board with respect to the Arrangement, Shareholders should be aware that certain directors and certain senior officers of the Corporation have interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement. The Terrace Board, including the independent directors thereof, are aware of these interests and considered them along with other matters described above under "*The Arrangement – Reasons for the Arrangement*". These interests and benefits are described below.

All benefits received, or to be received, by directors or executive officers of Terrace as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of Terrace or of its successor. No benefit has been, or will be, in whole or in part, conferred for the purpose of increasing the value of consideration payable to any such person for Terrace Shares, nor is it, or will it be, conditional on the person supporting the Arrangement.

Terrace Shares

As at the Record Date, the directors and executive officers of Terrace beneficially owned, or exercised control or direction, directly or indirectly, over 85,406,600 Terrace Shares representing in the aggregate approximately 51% of all issued and outstanding Terrace Shares on a non-diluted basis. All of the Terrace Shares held by such directors and executive officers of Terrace will be treated in the same fashion under the Arrangement as Terrace Shares held by all other Shareholders.

See "*The Arrangement – Principal Steps of the Arrangement*".

Terrace Options

As at the Record Date, the directors and executive officers of Terrace owned an aggregate of 476,000 Terrace Options granted pursuant to the Terrace Option Plan. The outstanding Terrace Options held by such directors and executive officers have an exercise price of \$0.25. In accordance with the terms of the Plan of Arrangement, the Terrace Options will be exchanged for Replacement Options.

See "*The Arrangement – Principal Steps of the Arrangement*".

Ownership of Terrace Securities

None of the directors and executive officers of Terrace nor, to the knowledge of the Corporation after reasonable enquiry: (a) their respective associates and affiliates; (b) any insider of Terrace (other than the directors and executive officers) and their respective associates and affiliates; (c) any associate or affiliate of Terrace; and (d) any person acting jointly or in concert with Terrace, beneficially own, or exercise

control or direction over, securities of Terrace except as set forth below and which will be affected by the Arrangement as described under “*The Arrangement – Principal Steps of the Arrangement*”:

Name and Position	# of Terrace Shares Beneficially Owned or Directly or Indirectly Controlled or Directed ⁽¹⁾	# of Terrace Options Beneficially Owned or Directly or Indirectly Controlled or Directed ⁽¹⁾⁽²⁾	# of Terrace Subscription Receipts Beneficially Owned or Directly or Indirectly Controlled or Directed ⁽¹⁾
Francisco Ortiz von Bismarck <i>CEO and Director</i>	46,635,600 (27.8%)	nil	nil
Michael Galego <i>Director and Chief Legal Officer</i>	22,518,000 (13.5%)	173,820	1,600,000
Vincent Gasparro <i>Director</i>	400,000 (0.23%)	133,708	nil
Stephen Arbib <i>Director</i>	15,830,000 (9.5%)	nil	37,228,800
John Chou <i>Chief Financial Officer</i>	20,000 (0.01%)	nil	nil
Goldman Ventures Inc. <i>10% Holder</i>	17,500,000 (10.5%)	nil	8,000,000

(1) The information as to Terrace Shares, Terrace Options, and Terrace Subscription Receipts beneficially owned or over which a securityholder exercises control or direction, not being within the knowledge of Terrace, has been furnished by each respective director, officer or 10% holder individually. Such percentages are based on 167,340,956 Terrace Shares issued and outstanding as of the date hereof and does not take into account any convertible securities, including the Terrace Subscription Receipts.

(2) Such Terrace Options have an exercise price of \$0.25.

To the knowledge of the Corporation, there are no agreements, commitments or understandings to acquire securities of the Corporation or of Flowr by any of the persons referred to above except for Terrace Shares and/or Flowr Shares that may be acquired upon the exercise of Terrace Options, Terrace Warrants, Terrace Subscription Receipts, Replacement Options or Replacement Warrants, respectively, or as otherwise disclosed herein.

All Terrace securities held by the directors or senior officers of Terrace will be treated in the same fashion under the Arrangement as those securities held by every other securityholder of Terrace.

Employment Agreements

The Corporation has entered into employment agreements (the “**Employment Agreements**”) with certain of its executive officers, which include change of control provisions that provide for certain potential benefits upon the Corporation undergoing a “change of control” in certain circumstances, as summarized below. The Employment Agreements have “double trigger” employment terms with the Corporation that provide for termination payments in certain circumstances, including in the event of a “change of control” (as defined in each Employment Agreement) followed by a second “trigger event”. Payments in respect of a “change of control” and the second “trigger event” range from two times the annual base salary to two times annual base salary plus annual target bonus of such officer. The completion of the Arrangement will be a “change of control” for the purposes of the Employment Agreements which is the “first trigger” in respect of termination payments and those officers or employees terminated as part of the Arrangement would constitute second a “trigger event” in respect of the termination payments. Assuming that the events requiring the foregoing payments (first trigger and second trigger) occurred on the date hereof, the following sets forth the expected cash payments in respect of the “change of control” entitlements for each of the following officers: Francisco Ortiz von Bismarck (U.S.\$400,000), John Chou (\$437,500) and Michael Galego (U.S.\$400,000).

Continuing Insurance Coverage for Directors and Executive Officers of Terrace

The Arrangement Agreement provides that, prior to the Effective Date, the Corporation will purchase customary “tail” policies of directors’ and officers’ liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Corporation which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and Flowr will, or will cause Terrace to maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that Flowr is not required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies will not exceed the cost of the greater of the Corporation’s current or anticipated policies as disclosed to Flowr.

Indemnification of Terrace Officers and Directors

The Arrangement Agreement provides that, from and after the Effective Time, Flowr shall, or shall cause the Corporation to honour all rights to indemnification or exculpation existing in favour of present and former officers and directors of Terrace and its Subsidiaries to the extent that they are contained in the constating documents of Terrace or have been disclosed to Flowr, and acknowledges that such rights, to the extent that they have been disclosed to Flowr, shall survive unamended from the completion of the Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six years from the Effective Date.

Flowr Board Appointments

Pursuant to the Nomination and Voting Agreement, Michael Galego, Director and Chief Legal Officer of Terrace, is expected to be appointed to the Flowr Board and Stephen Arbib, Director of Terrace, and Francisco Ortiz von Bismarck, Director and Chief Executive Officer of Terrace, are expected to be observers to the Flowr Board on completion of the Arrangement.

MI 61-101

Terrace is a reporting issuer (or its equivalent) in the provinces of British Columbia, Alberta and Ontario and, accordingly, is subject to applicable Securities Laws, including MI 61-101 which has been adopted in certain of these provinces. MI 61-101 regulates transactions which raise the potential for conflicts of interest, including issuer bids, insider bids, related party transactions and business combinations.

MI 61-101 is intended to ensure the protection and fair treatment of all securityholders. MI 61-101 regulates certain transactions, generally requiring enhanced disclosure, approval by a majority of securityholders excluding “interested parties” or “related parties” of interested parties and their joint actors and, in certain circumstances, independent valuations. The protections of MI 61-101 generally apply to “business combinations” (as defined in MI 61-101) that terminate the interests of securityholders without their consent (regardless of whether the equity security is replaced with another security). MI 61-101 provides that, in certain circumstances, where a “related party” of an issuer (as defined in MI 61-101) is entitled to receive a “collateral benefit” (as defined in MI 61-101), in connection with an arrangement, such transaction may be considered a “business combination” for the purposes of MI 61-101 and as a result such related party will be an “interested party” (as defined in MI-61-101) and the issuer may be subject to valuation and minority approval requirements. A “related party” includes directors, executive officers and shareholders holding over 10% of the issued and outstanding shares of the issuer.

A “collateral benefit” (as defined in MI 61-101) includes any benefit that a related party of Terrace is entitled to receive as a consequence of the Arrangement, including without limitation, an increase in salary,

a lump sum payment, a payment for surrendering securities or other enhancement in benefits related to services as an employee, director or consultant of Terrace. MI 61-101 excludes from the meaning of collateral benefit a payment per security that is identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class, as well as certain benefits to a related party received solely in connection with the related party's services as an employee or director of an issuer, of an affiliated entity of such issuer or of a successor to the business of such issuer where (a) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (b) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (c) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (d) either (i) at the time of the transaction the related party and his or her associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding securities of each class of equity securities of the issuer (the "**1% Exemption**"), or (ii) the related party discloses to an independent committee of the issuer the amount of consideration that he or she expects to be beneficially entitled to receive, under the terms of the transaction, in exchange for the equity securities he or she beneficially owns and the independent committee acting in good faith determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value of the consideration the related party will receive pursuant to the terms of the transaction for the equity securities it beneficially owns, and the independent committee's determination is disclosed in the disclosure document for the transaction (the "**5% Exemption**").

The Arrangement is a "business combination" for the purposes of MI 61-101. The Corporation reviewed all benefits or payments which related parties of the Corporation are entitled to receive, directly or indirectly, as a consequence of the Arrangement to determine whether any constituted a collateral benefit. For these purposes, the only related parties of the Corporation that are entitled to receive a benefit, directly or indirectly, as a consequence of the Arrangement are certain directors and executive officers of the Corporation.

If the Arrangement is completed, certain officers may, in certain circumstances, become entitled to payments under change of control provisions in the Employment Agreements described above under "*The Arrangement – Interests of Certain Persons in the Arrangement – Employment Agreements*". In addition, certain directors of Terrace are entitled to be appointed to the Flowr Board on completion of the Arrangement pursuant to the Nomination and Voting Agreement.

The only officers or directors who do not qualify for the 1% Exemption, as they held 1% or more of the outstanding equity securities of the Corporation at the time the Arrangement was agreed to and may be entitled to receive certain benefits as a consequence of the Arrangement as described above are Francisco Ortiz von Bismarck, Director and Chief Executive Officer of Terrace, and Michael Galego, Director and Chief Legal Officer of Terrace. Such officers may each be considered to be entitled to a "collateral benefit" due to potential change of control payments under their employment agreements and their appointments as directors and/or observers of the Flowr Board pursuant to the Nomination and Voting Agreement.

The Terrace Board appointed Dennis Mills and Vince Gasparro as an independent committee of directors (the "**Independent Committee**") for the purposes of making any determinations necessary or desirable in connection with MI 61-101. Francisco Ortiz von Bismarck disclosed to the Independent Committee the consideration he expects to be beneficially entitled to receive under the terms of the Arrangement in exchange for the Terrace Shares beneficially held by him.

The Independent Committee determined, in good faith, that the value of the potential change of control benefits and the appointment as an observer to the Flowr Board that Francisco Ortiz von Bismarck is entitled to represents less than 5% of the value of the consideration, net of offsetting costs, that he expects to receive under the Arrangement in exchange for his Terrace Shares, and accordingly satisfies the 5%

Exemption requirements. As such, Francisco Ortiz von Bismarck will not receive a “collateral benefit” as a consequence of the Arrangement.

The votes attached to the 22,518,000 Terrace Shares beneficially owned by Michael Galego, representing 13.5% of the issued and outstanding Terrace Shares, do not meet the 5% Exemption and are expected to be excluded for the purposes of determining minority approval for the Arrangement under MI 61-101.

Formal Valuation

Terrace is not required to obtain a formal valuation under MI 61-101 as no interested party is, as a consequence of the Arrangement, directly or indirectly acquiring Terrace or its business and neither the Arrangement nor the transactions contemplated thereunder is a “related party transaction” (as defined in MI 61-101) for which Terrace would be required to obtain a formal valuation.

MI 61-101 also requires Terrace to disclose any “prior valuations” (as defined in MI 61-101) of Terrace or its material assets or securities made within the 24-month period preceding the date of this Circular. After reasonable inquiry, neither Terrace nor any director or officer of Terrace has knowledge of any such prior valuation.

Minority Approval

As a result of the foregoing analysis, the minority approval requirement for a business combination under MI 61-101 will apply in connection with the Arrangement. Accordingly, in addition to obtaining approval of the Arrangement Resolution by not less than 66^{2/3}% of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, for the Arrangement Resolution to be effective, the Arrangement Resolution must also be approved by at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included in determining minority approval of a business combination under MI 61-101. The votes attached to the Terrace Shares beneficially owned by Michael Galego are expected to be excluded for the purposes of determining minority approval for the Arrangement under MI 61-101.

Expenses of the Arrangement

Except as otherwise provided in the Arrangement Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement and the transactions contemplated thereunder, shall be paid by the party incurring such fees, costs or expenses, whether or not the Arrangement is consummated.

Court Approval of the Arrangement and Completion of the Arrangement

An arrangement under the OBCA requires Court approval. On November 13, 2020, prior to the mailing of this Circular, the Corporation obtained the Interim Order, which provides for the calling and holding of the Meeting, the Dissent Rights and other procedural matters. A copy of the Interim Order is attached as Appendix D to this Circular.

Subject to the terms of the Arrangement Agreement and receipt of Shareholder Approval, Terrace intends to make an application to the Court for the Final Order. The application for the Final Order approving the Arrangement is expected to occur on December 18, 2020 at 10:00 a.m. (Toronto time), or as soon thereafter as counsel may be heard as the Court may direct. Any Shareholder, Terrace Optionholder, Terrace Warrantholder, Terrace Subscription Receiptholder or other interested party who wishes to appear or be

represented and/or to present evidence or arguments at that hearing must serve and file a Notice of Appearance as set out in the Motion for an Interim Order and Final Order and satisfy other requirements of the Court. The Court will consider, among other things, the substantive and procedural fairness of the Arrangement to the parties affected, including the Shareholders, Terrace Optionholders, Terrace Warrantholders, Terrace Subscription Receiptholders or other interested parties. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with any terms and conditions, if any, as the Court deems fit. In the event that the hearing is postponed, adjourned or rescheduled then, subject to further order of the Court, only those persons having previously served a Notice of Appearance in compliance with the Motion for an Interim Order and Final Order will be given notice of the postponement, adjournment or rescheduled date. Such persons should consult their legal advisors as to the necessary requirements. A copy of the Notice of Application for the Final Order is attached to this Circular as Appendix E to this Circular.

The Court has broad discretion under the OBCA when making orders with respect to the Arrangement. The Court will consider, among other things, the substantive and procedural fairness of the Arrangement to the parties affected, including the Shareholders, Terrace Optionholders and Terrace Warrantholders. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with any terms and conditions, if any, as the Court deems fit.

The Court has been advised that the Court's approval of the Arrangement (including the fairness thereof), if granted, will form a basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof with respect to the issuance and distribution of the Flowr Shares to be issued by Flowr to Shareholders pursuant to the Arrangement and with respect to the issuance and distribution of the Replacement Options and Replacement Warrants to be issued to Terrace Optionholders and Terrace Warrantholders, respectively pursuant to the Arrangement. Consequently, if the Final Order is granted, the Flowr Shares issuable to Shareholders pursuant to the Arrangement and the Replacement Options and Replacement Warrants issuable to Terrace Optionholders and Terrace Warrantholders, respectively pursuant to the Arrangement will not require registration under the U.S. Securities Act. See *"Securities Law Matters –U.S. Securities Laws"*.

For further information regarding the Court hearing and your rights in connection with the Court hearing, see the form of Notice of Application attached as Appendix E to this Circular.

Assuming the Final Order is granted and the other conditions to closing contained in the Arrangement Agreement are satisfied or waived to the extent legally permissible, then articles of arrangement will be filed with the Director to give effect to the Arrangement.

Stock Exchange Approval

The Flowr Shares currently trade on the TSXV under the symbol "FLWR" and OTC under "FLWPF". It is a condition of closing that Flowr will have obtained approval of the TSXV for the listing of the Flowr Shares to be issued pursuant to the Arrangement. Flowr has applied to the TSXV to list the Flowr Shares issuable to: (i) Shareholders under the Arrangement (including the holders of Terrace Subscription Receipts upon conversion into Terrace Shares); (ii) Terrace Optionholders upon the exercise of the Replacement Options; (iii) holders of Terrace Warrants upon exercise of Replacement Warrants.

THE ARRANGEMENT AGREEMENT

The following description of certain provisions of the Arrangement Agreement is not comprehensive and are qualified in their entirety by reference to the full text of the Arrangement Agreement. Please refer to the Arrangement Agreement, which is incorporated by reference herein, for a full description of the terms and

conditions thereof. Capitalized terms used herein but not defined have the meanings ascribed thereto in the Arrangement Agreement. The Arrangement Agreement has been filed on SEDAR at www.sedar.com under the Corporation's profile.

On October 19, 2020, Flowr entered into the Arrangement Agreement with the Corporation. Pursuant the Arrangement Agreement, Flowr has agreed to acquire all of the issued and outstanding Terrace Shares not already owned directly or indirectly by Flowr by way of the Arrangement.

Under the terms of the Arrangement Agreement, each non-dissenting Shareholder will receive 0.4973 of a Flowr Share in exchange for each Terrace Share held.

Representations and Warranties

The Arrangement Agreement contains certain customary representations and warranties provided between Terrace and Flowr. The assertions embodied in those representations and warranties are solely for the purposes of the Arrangement Agreement. Certain representations and warranties may not be accurate and complete as of any specified date because they are qualified by certain disclosure provided by the Corporation to Flowr or Flowr to the Corporation, as applicable, or are subject to a standard of materiality or are qualified by reference to a Material Adverse Effect. Therefore, the Shareholders should not rely on the representations and warranties as statements of factual information.

The representations and warranties provided by Terrace in favour of Flowr in the Arrangement Agreement relate to, among other things, fairness opinion and directors' approval, organization and qualification, authority relative to the Arrangement Agreement, no violation, governmental approvals, capitalization, subsidiaries, reporting issuer status and securities laws matters, Terrace's filings, financial statements, internal controls and financial reporting, books and records, disclosure, independent auditors, minute books, no undisclosed liabilities, no material change, litigation, taxes, data privacy and security, property, sufficiency of assets, material contracts, authorizations, environmental matters, compliance with laws, employment and labour matters, benefit plans, intellectual property, Health Canada, related party transactions, brokers, insurance, standstills, restrictions on business activities, funds available, arrangements with securityholders and permits and licenses.

The representations and warranties provided by Flowr in favour of Terrace in the Arrangement Agreement relate to, among other things, organization and qualification, authority relative to the Arrangement Agreement, no violation, governmental approvals, capitalization, reporting issuer status and securities laws matters, Flowr's filings, financial statements, internal controls and financial reporting, books and records, disclosure, independent auditors, minute books, no undisclosed liabilities, litigation, authorizations, employment, material contracts and compliance with laws.

Conduct of Business of Terrace

The Arrangement Agreement includes a general covenant by the Corporation in favour of Flowr that, except with the prior written consent of Flowr, as required or permitted by the Arrangement Agreement, as required by Law or a Governmental Entity, or as expressly contemplated by the Terrace Disclosure Letter, it will, and will cause each of the Subsidiaries of Terrace to, use commercially reasonable efforts to conduct business only in the Ordinary Course and in accordance with applicable Laws during the Pre-Effective Date Period.

The Corporation has particularly covenanted and agreed that, during the Pre-Effective Date Period, except with the prior written consent of Flowr, such consent not to be unreasonably withheld, as expressly required or permitted by the Arrangement Agreement, as required by Law, or as expressly contemplated by the

Terrace Disclosure Letter, it will, and will not permit any of the Subsidiaries of Terrace to, directly or indirectly:

- (a) issue, deliver, sell, pledge, lease, dispose of or encumber, or agree or offer to issue, deliver, sell, pledge, lease, dispose of or encumber, any Terrace Shares (including, for certainty, through an at-the-market offering) or securities of its subsidiaries, or any securities convertible, exchangeable or exercisable into or for Terrace Shares or securities of its subsidiaries, or any stock appreciation rights, phantom stock awards or other rights that are linked to the price or value of the Terrace Shares or securities of the subsidiaries of Terrace (other than pursuant to the exercise, in accordance with their respective terms, of Terrace Options, Terrace Subscription Receipts or Terrace Warrants outstanding on the date hereof) or amend, extend or terminate, or agree to amend, extend or terminate, any of the terms of, or agreements governing, any of the outstanding Terrace Options, Terrace Warrants or Terrace Subscription Receipts or other convertible securities of Terrace or its subsidiaries;
- (b) amend or propose to amend its articles or by-laws or other constating documents or the terms of any of its securities; or, except as contemplated by the Arrangement Agreement, split, consolidate or reclassify, or propose to split, consolidate or reclassify, any of the Terrace Shares or undertake or propose to undertake any other capital reorganization or change in or exchange of Terrace Shares, any other of its securities or its share capital;
- (c) declare, set aside or pay any dividend or other distribution or payment (whether in cash, securities or property or any combination thereof) in respect of the Terrace Shares or any other securities of Terrace, redeem, purchase or otherwise acquire, or offer to redeem, purchase or otherwise acquire, any outstanding securities of Terrace, adopt a plan of liquidation or resolution providing for the liquidation, winding-up or dissolution of Terrace or any of its subsidiaries, or enter into any agreement with respect to any of the foregoing;
- (d) except with respect to inter-company transfers between Terrace and its Subsidiaries, sell, pledge, lease, transfer, dispose of or encumber any assets, rights or properties of Terrace or any of its Subsidiaries, except in the ordinary course of business consistent with past practice, and provided that the aggregate amount of all such sales, pledges, leases, transfers, disposals and encumbrances (excluding product sales) will not be for proceeds of greater than \$100,000;
- (e) acquire or agree to acquire (by merger, amalgamation, arrangement, acquisition of shares or assets or otherwise) any Person or division or business unit thereof, or incorporate or form, or agree to incorporate or form, any Person or make or agree to make any investment either by purchase of shares or securities, contributions of capital, property transfer or purchase of, any property or assets of any other Person, except pursuant to the terms of the Equity Line and Profit-Sharing Agreement;
- (f) make any material change to its Business or enter into enter into any Contract that, if entered into prior to the date hereof, would be a Terrace Material Contract;
- (g) enter into or agree to the terms of any joint venture, strategic alliance, partnership, or similar agreement, arrangement or relationship, other than those currently in place as of the date hereof;

- (h) other than in respect of the Equity Line and Profit-Sharing Agreement or fees incurred in connection with consummating the transactions contemplated under the Arrangement Agreement, assume or otherwise become liable for any indebtedness for borrowed money or any other liability or obligation, other than in respect of trade payables, which trade payables in no event will exceed \$50,000 individually or \$150,000 in the aggregate; issue any debt or derivative securities; or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligation of any other Person; make any loans, capital contribution, investments or advances; or create or permit to be created any encumbrance on the business or the property or assets of Terrace or its Subsidiaries (other than Permitted Encumbrances) not existing as at the date of the Arrangement Agreement;
- (i) pay, discharge or satisfy any material claims, liabilities or obligations of Terrace or any of its subsidiaries other than fees incurred in connection with consummating the transactions contemplated under the Arrangement Agreement or the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in Terrace's Financial Statements or incurred in the ordinary course of business consistent with past practice;
- (j) waive, release, grant or transfer any rights of value, other material rights, claims or benefits or modify or change any existing Terrace Material Contract, Authorization or permit, without first advising Flowr and obtaining Flowr's consent and direction, as to any action to be taken in that regard, and forthwith taking any action directed by Flowr, acting reasonably;
- (k) enter into or modify (or make a promise regarding entering into or modifying) any Employee Plan or any employment, consulting, severance or similar agreements or arrangements with, or grant any bonuses, salary or fee increases, severance or termination pay to, any officers or directors or, in the case of employees or consultants who are not officers or directors, take any action other than in the ordinary course of business and consistent with past practice with respect to the grant of any bonuses, salary or fee increases, severance or termination pay or with respect to any increase of benefits payable in effect on the date of the Arrangement Agreement provided, however, that it is acknowledged and agreed that Terrace will abide by the terms and conditions of any Employment Plan and any employment agreements and consulting agreements, including with respect to the payments of any severance amounts or change of control payments, if applicable;
- (l) enter into any collective bargaining or similar agreement;
- (m) enter into or adopt any shareholder rights plan or similar agreement or arrangement;
- (n) take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entities to institute proceedings for the suspension, revocation or limitation of rights under, any Authorizations or Permits; or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities;
- (o) change any method of Tax accounting; make, revoke or change any Tax election; amend any previously filed Tax Return; file any Tax Return inconsistent with past practice; settle or compromise any Liability for Taxes; agree to an extension or waiver of the limitation

period with respect to the assessment, reassessment, or determination of Taxes; enter into any closing agreement with respect to any Tax; surrender any right to claim a material Tax refund; change an annual accounting period; adopt or change any accounting method with respect to Taxes; or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment unless, in each case, Terrace reasonably determines, after prior consultation with Flowr, that such action is required by Law;

- (p) amend its accounting policies or adopt new accounting policies, except as may be required by applicable Law or IFRS;
- (q) other than in respect of the Equity Line and Profit-Sharing Agreement, make any capital expenditures in excess of \$10,000;
- (r) waive, release, settle, agree to settle or compromise any pending or threatened suit, action, claim, arbitration, mediation, inquiry, proceeding or investigation against Terrace or any of its subsidiaries;
- (s) engage in any transaction with any related parties, other than transactions with subsidiaries and under employment agreements in the ordinary course of business consistent with past practice;
- (t) grant, modify sell, lease, license, sublicense, covenant not to assert, abandon, allow to lapse, assign, transfer, or otherwise dispose of or terminate any rights in any business intellectual property or enter into any agreement relating to business intellectual property or do or omit to do anything to jeopardize the validity or enforceability of the business intellectual property, including the non-payment of any application, search, maintenance or other official fees; or (ii) disclosing any Trade Secrets to any other person (except pursuant to sufficiently protective non-disclosure agreements);
- (u) take any action that would be reasonably expected to cause a violation by any Person of economic sanctions or export controls, subject to certain exceptions;
- (v) take any action or fail to take any action that prevents, or materially delays, impedes or interferes with, or that would reasonably be expected to prevent or materially delay, impede or interfere with, the ability of the Parties to consummate the transactions contemplated by the Arrangement Agreement or the Arrangement;
- (w) enter into any transaction or perform any act that would render, or would reasonably be expected to render any representations and warranties made by Terrace set forth in the Arrangement Agreement untrue or inaccurate in any material respect;
- (x) announce an intention, enter into any formal or informal agreement, or otherwise make a commitment to do any of the things prohibited by any of the foregoing Subsections; or
- (y) authorize or propose, or enter into or modify any Contract, agreement, commitment or arrangement, to do any of the matters prohibited by any of the foregoing Subsections.

Terrace will not authorize or propose, or enter into or modify an Contract, agreement or commitment or arrangement, to do any of the matters prohibited by the foregoing.

Pursuant to the Arrangement Agreement, Terrace will also promptly notify Flowr orally and in writing upon becoming aware of any circumstance or development that, to the knowledge of Terrace, would, or could reasonably be expected to, constitute or result in a Material Adverse Effect in respect of Terrace.

Terrace will also promptly notify Flowr of any oral or written communications, material and adverse to Terrace, with any creditor of Terrace or Governmental Entity (including any securities authority or cannabis regulatory agency), and promptly provide copies of all such written correspondence and any responses by Terrace thereto.

Conduct of Business of Flowr

Flowr has covenanted and agreed to, during the Pre-Effective Date Period, except with the prior written consent of the Corporation, such consent not to be unreasonably withheld, as expressly required or permitted by the Arrangement Agreement, or as required by Law, conduct its business in the ordinary course in all material respects and in accordance with applicable Laws and use commercially reasonable efforts to maintain and preserve in all material respects its business organization, assets, goodwill, employment relationships with senior management and business relationships with other persons with which Flowr or any of its subsidiaries have business relations. In addition, Flowr has also provided certain customary covenants for a transaction of this nature, including during the Pre-Effective Date Period, not to amend its articles, reduce its stated capital, declare or set aside or pay any dividend. For a full list of covenants relating to the conduct of business of Flowr in favour of the Corporation, please refer to the full text of the Arrangement Agreement.

Regulatory Approvals

Terrace covenanted to apply for and use all commercially reasonable efforts to obtain all Key Regulatory Approvals and all Key Third Party Consents and, in doing so, keep Flowr informed in a timely manner as to the status of the proceedings or other actions related to obtaining the Key Regulatory Approvals and Key Third Party Consents, including: (a) providing Flowr with copies of all related applications and notifications, in draft form, in order for Flowr to provide its comments thereon, and Terrace shall consult with Flowr on any comments provided in good faith; (b) promptly furnishing to Flowr copies of notices or other formal communications received by Terrace from, or given by Terrace to, any Governmental Entity (including any Securities Authority) with respect to the transactions contemplated by the Arrangement Agreement or otherwise; (c) not making any commitments, providing any undertakings or assuming any obligations, in each case, that are outside the ordinary course of business, without the prior written consent of Flowr; and (d) subject to applicable Law, Terrace shall, to the extent reasonably practicable, provide the Flowr and its counsel with the opportunity to participate in any substantive meeting, teleconference or other material communication with any Governmental Entity in respect of any filing, investigation or other inquiry in connection with the Key Regulatory Approvals.

Flowr use all commercially reasonable efforts to assist Terrace in applying for and obtaining all Key Regulatory Approvals.

Each of Party shall promptly notify the other Party if at any time before the Effective Date either becomes aware that this Circular contains a misrepresentation, or otherwise requires an amendment or supplement, and the Parties shall co-operate in the preparation of any amendment or supplement to this Circular as required or appropriate, and Terrace shall promptly mail or otherwise publicly disseminate any amendment or supplement to this Circular to Shareholders and, if required by the Court or applicable Law, file the same with any Governmental Entity and as otherwise required.

If any objections are asserted with respect to the transactions contemplated by the Arrangement Agreement

under any Law, or if any proceeding is instituted or threatened by any Governmental Entity challenging or which could lead to a challenge of any of the transactions contemplated by the Arrangement Agreement as not in compliance with Law, the Parties shall use their commercially reasonable efforts consistent with the terms of the Arrangement Agreement to resolve such proceeding so as to allow the Effective Time to occur on or prior to the Outside Date.

Stock Exchange and Securities Laws Matters

Subject to Laws and any required approvals, Flowr and Terrace shall use their commercially reasonable efforts to cause the Terrace Shares to be de-listed from the TSXV and the Flowr Shares to be issued pursuant to the Arrangement to be listed on the TSXV with effect promptly following the completion of the Arrangement. The Corporation will apply to securities regulatory authorities to cease being a reporting issuer in Canada.

Board of Directors and Officers

Contemporaneously with the Effective Time, all directors and officers of the Corporation and the subsidiaries of Terrace shall provide resignations and releases as at the Effective Time.

Insurance and Indemnification

The Arrangement Agreement provides that, prior to the Effective Date, the Corporation will purchase customary “tail” policies of directors’ and officers’ liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Corporation which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and Flowr will, or will cause Terrace to maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that Flowr is not required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies will not exceed the amounts set forth in the Terrace Disclosure Letter.

Flowr will, from and after the Effective Time, honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of Terrace and the subsidiaries of Terrace to the extent that they are contained in the constating documents of the Corporation, and acknowledges that such rights will survive unamended the completion of the Plan of Arrangement and will continue in full force and effect in accordance with their terms for a period of not less than six years from the Effective Date.

Conditions for Completion of the Arrangement

Conditions in favour of Flowr and Terrace

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:

- (a) The Arrangement Resolution has been passed by the Shareholders at the Meeting in accordance with the Interim Order and applicable Law.

- (b) Each of the Interim Order and the Final Order has been obtained on terms consistent with the Arrangement Agreement, and has not been set aside or modified in a manner unacceptable to either Party, each acting reasonably, on appeal or otherwise.
- (c) The necessary conditional approvals or equivalent approvals, as the case may be, of each of the TSXV has been obtained, including approval of the listing of the Flowr Shares to be issued pursuant to the Arrangement on the TSXV subject in each case to compliance with the usual requirements of the TSXV including customary post-closing deliveries.
- (d) No action has been taken under any applicable Law or by a Governmental Entity of competent jurisdiction which makes the consummation of the Arrangement illegal or otherwise, directly or indirectly, restrains, enjoins or prohibits from the completion of the Arrangement.
- (e) The Articles of Arrangement to be filed with the Director in accordance with the Arrangement Agreement shall be in form and substance acceptable to the Parties, each acting reasonably.
- (f) The Arrangement Agreement shall not have been terminated in accordance with its terms.
- (g) The governance agreement entered into on August 20, 2019 between DFT Trading Limited and Pauric Duffy in connection with Flowr shall be terminated and of no force and effect.
- (h) The Nomination and Voting Agreement shall have been entered into.
- (i) The key Regulatory Approvals shall have been obtained.

Conditions in Favour of Flowr

Flowr is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of Flowr and may only be waived, in whole or in part, by Flowr in its sole discretion:

- (a) all covenants of Terrace under the Arrangement Agreement to be performed on or before the Effective Time which have not been waived by Flowr shall have been duly performed by Terrace in all material respects and Flowr shall have received a certificate of Terrace addressed to Flowr and dated the Effective Date, signed on behalf of Terrace by two of its senior executive officers (on Terrace's behalf and without personal liability), confirming the same as of the Effective Time;
- (b) the representations and warranties of Terrace set forth in the Arrangement Agreement, that are qualified by reference to materiality or Material Adverse Effect, shall, in all cases, be true and correct in all respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date); and (ii) the representations and warranties of Terrace set forth in the Agreement that are not qualified by materiality or Material Adverse Effect shall be true and correct in all respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where any failure or failures of such representations and warranties to be so true and correct would not have, individually or in the aggregate, a Material Adverse Effect;

- (c) there shall not have occurred a Material Adverse Effect with respect of Terrace;
- (d) the Terrace Supporting Shareholders shall have voted their Terrace Shares in accordance with the terms of the Voting Support Agreement;
- (e) holders of no more than five percent (5%) of the Terrace Shares shall have exercised, and have not withdrawn, Dissent Rights;
- (f) Terrace shall have certain unencumbered cash as provided in the Arrangement Agreement as evidenced to the reasonable satisfaction of Flowr;
- (g) all of the directors and officers of Terrace and the directors and officers of all of its subsidiaries shall have resigned as required by Flowr effective as of the Effective Date and shall have delivered releases in favour of Terrace and its subsidiaries in such form that is satisfactory to the Flowr, acting reasonably effective as of the Effective Date;
- (h) all of the signatories in respect of the bank accounts held by Terrace and all of the bank accounts held by its subsidiaries shall be replaced effective as of the Effective Date with such signatories as directed by Flowr; and
- (i) the Key Third Party Consents shall have been obtained.

Conditions in Favour of the Corporation

Terrace is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of Terrace and may only be waived, in whole or in part, by Terrace in its sole discretion:

- (a) all covenants of Flowr under the Arrangement Agreement to be performed on or before the Effective Time which have not been waived by Flowr shall have been duly performed by Flowr in all material respects and the Corporation shall have received a certificate of Flowr addressed to Terrace and dated the Effective Date, signed on behalf of Flowr by two of its senior executive officers (on Flowr's behalf and without personal liability), confirming the same as of the Effective Time;
- (b) the representations and warranties of Flowr were true and correct as of the date of the Arrangement Agreement and are true and correct as of the Effective Time in all respects, except where any failure or failures of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to result in a Flowr Material Adverse Effect (disregarding any materiality or "Flowr Material Adverse Effect" qualification contained in any such representation and warranty for the purpose of determining whether any such failure or failures would not, individually or in the aggregate, reasonably be expected to result in such a Flowr Material Adverse Effect), in each case except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date;
- (c) there shall have not occurred a Flowr Material Adverse Effect;
- (d) the ATB Credit Agreement shall have been amended in accordance with the terms agreed to in writing by the Parties;

- (e) the Flowr Debenture Conversion shall have been completed in accordance with the terms of the Flowr Debenture Support Agreement;
- (f) certain insiders of Flowr shall have consented to, or voted for, the Flowr Debenture Indenture Amendments, as applicable, and converted their Flowr Debentures in accordance with the terms of the Flowr Debenture Support Agreement;
- (g) any other holders of Flowr Debentures who have signed support agreements with Terrace in connection with the Flowr Debenture Indenture Amendments shall have consented to, or voted for, the Flowr Debenture Indenture Amendments, as applicable, in accordance with the terms of the Flowr Debenture Support Agreements;
- (h) if applicable, the Flowr Supporting Securityholders shall have voted their Flowr Shares in accordance with the terms of the Flowr Voting Agreement at any meeting of securityholders of Flowr held in connection with any Flowr Securityholder Approval; and
- (i) Flowr shall have complied with its obligations in respect of payment of the Consideration and the Depositary shall have confirmed receipt of the aggregate Consideration.

Notice and Cure

The Arrangement Agreement provides that each Party will provide the other Party with notice of certain actual or potential breaches of the Arrangement Agreement at any time during the Pre-Effective Date Period. If any such notice is delivered by a Party and the other Party proceeds diligently to cure such matter and such matter is capable of being cured prior to the Outside Date, no Party may terminate the Arrangement Agreement as a result of such actual or potential breach or a Terrace Material Adverse Effect (in the case of Flowr) or a Flowr Material Adverse Effect (in the case of Terrace) until the expiration of a period of ten (10) Business Days from delivery of such notice, and then only if such matter has not been cured by such date or the Outside Date.

Additional Covenants Regarding Non-Solicitation

On and after the date of the Arrangement Agreement, except as expressly provided in the Arrangement Agreement, the Corporation shall not, directly or indirectly, through any Representative, or otherwise, and shall not permit any such Person to, among other things:

- (a) make, solicit, initiate, entertain, encourage, promote or knowingly facilitate, (including by way of furnishing non-public information, permitting any visit to its facilities or properties or entering into any form of agreement, arrangement or understanding, other than a confidentiality agreement or standstill agreement permitted under the Arrangement Agreement) any inquiries or offers or the making of any proposals regarding or that would reasonably be expected to constitute an Acquisition Proposal or that would be reasonably be expected to lead to an Acquisition Proposal;
- (b) participate, directly or indirectly, in any discussions or negotiations regarding, or furnish to any Person any non-public information or otherwise co-operate with, respond to, assist or participate in any Acquisition Proposal or participate in any discussions or negotiations regarding an actual or potential Acquisition Proposal, or furnish any information or access to any Person (other than Flowr and its representatives) with respect to any inquiries, proposals or offers that constitute, or that would reasonably be expected to lead to, an actual

or potential Acquisition Proposal subject to certain exceptions described in the section below “*Responding to an Acquisition Proposal*”;

- (c) remain neutral with respect to, or agree to, approve or recommend any, Acquisition Proposal or potential Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for three (3) Business Days following formal announcement of such Acquisition Proposal shall not be considered to be a violation);
- (d) make or propose publicly to make a Terrace Change in Recommendation;
- (e) enter into any agreement, arrangement or understanding related to any Acquisition Proposal or requiring it to abandon, terminate or fail to consummate the Arrangement or providing for the payment of any break, termination or other fees or expenses to any Person in the event that the Arrangement is completed or in the event that it completes any other transaction with Flowr or with an affiliate of Flowr that is agreed to prior to any termination of the Arrangement Agreement (other than a confidentiality or standstill agreement permitted under the Arrangement Agreement).

provided, however, that nothing contained in the above provisions or any other provision of the Arrangement Agreement shall prevent the Corporation from, and the Corporation shall be permitted to engage in discussions or negotiations with, or respond to enquiries from any arm’s length Person that has made a *bona fide* unsolicited written Acquisition Proposal after the date of the Arrangement Agreement and prior to the Meeting, that did not result from a breach of the Corporation’s non-solicitation provisions and subject to the Corporation’s compliance with the notification provisions provided in the Arrangement Agreement, that the Terrace Board has determined constitutes or could reasonably be expected to result in a Superior Proposal, or provide information and access to properties, facilities, books or records of the Corporation pursuant to the provisions of the section below “*Responding to an Acquisition Proposal*”.

The Corporation shall, and shall cause the Representatives of Terrace to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced prior to the date of the Arrangement Agreement with any Person (other than Flowr) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection therewith the Corporation shall:

- (a) discontinue access to and disclosure of all information, including the data room established in connection with the Arrangement and any confidential information, properties, facilities, books and records of the Corporation or any Subsidiary of Terrace; and
- (b) within two Business Days of the date of the Arrangement Agreement, to the extent it is permitted to do so, request, and exercise all rights it has to require the return or destruction of all copies of any confidential information regarding the Corporation or any Subsidiary of Terrace provided to any such Person other than Flowr.

Notification of Acquisition Proposal

If after the date of the Arrangement Agreement, the Corporation or any Subsidiary of Terrace or any of their respective Representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for non-public information relating to the Corporation or any Subsidiary of Terrace, the Corporation (a) shall promptly (and in any event within 24 hours) notify Flowr, at first orally, and then in writing, of such

proposals, offers or inquiries relating to or constituting or that would reasonably be expected to lead to an Acquisition Proposal, including a description of its terms and conditions, inquiry or offer, the identity of all Persons making such Acquisition Proposal, inquiry, proposal, offer, and shall provide such other details of such Acquisition Proposal, inquiry, proposal, offer or request as Flowr may reasonably request; and (b) Terrace may communicate and participate in discussions with a third party solely for the purpose of advising such third party that an Acquisition Proposal does not constitute a Superior Proposal and cannot reasonably be expected to result in a Superior Proposal.

The Corporation shall keep Flowr promptly and fully informed on a prompt basis of the status of developments and negotiations with respect to any Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request.

Responding to an Acquisition Proposal

The Terrace Board and its representatives may, if at any time prior to obtaining the approval by the Shareholders of the Arrangement Resolution, consider, participate in any discussions or negotiations with and provide information to, any arm's length Person who has delivered a *bona fide* written Acquisition Proposal which did not result from a breach of the Arrangement Agreement by Terrace and that the Terrace Board determines in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal is a Superior Proposal, or would reasonably be expected to constitute a Superior Proposal; provided, however, that prior to taking any such action the Terrace Board shall determine in good faith, after consultation with outside legal counsel that it is necessary to take such action in order to properly discharge its fiduciary duties, and if Terrace provides confidential non-public information to such Person, Terrace obtains a confidentiality agreement from the Person making such Acquisition Proposal that is substantively similar to the Confidentiality Agreement, and otherwise on terms no more favourable to such Person than the Confidentiality Agreement, including a standstill provision, provided that such confidentiality agreement shall not preclude such Person from making a Superior Proposal and such agreement shall not restrict or prohibit Terrace from disclosing to Flowr any details concerning the Acquisition Proposal or any Superior Proposal made by such Person to the extent contemplated by the Arrangement Agreement. Terrace shall be permitted to provide such Person with access to information regarding Terrace; provided that Terrace sends a copy of any such confidentiality agreement to Flowr promptly upon its execution and Flowr is provided with a list of the information provided to such Person and is promptly provided with access to the same information to which such Person was provided.

Terrace shall promptly (and in any event within 24 hours) notify Flowr, at first orally and then in writing, of any proposals, offers or inquiries relating to or constituting or that would reasonably be expected to lead to an Acquisition Proposal or any request for non-public information relating to Terrace or any of its subsidiaries. Such notice shall include a description of the terms and conditions of any proposal, inquiry or offer, the identity of the Person making such proposal, inquiry or offer, a copy of the proposal, offer or inquiry (if written), and provide such other details of the proposal, inquiry or offer as Flowr may reasonably request. Terrace shall keep Flowr fully informed on a prompt basis of the status, including any change to the material terms, of any such proposal, inquiry or offer.

Right to Match

Under the Arrangement Agreement, if Terrace has complied with the Arrangement Agreement, Terrace may accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality agreement) received by Terrace prior to the date of the approval of the Arrangement Resolution and terminate the Arrangement Agreement if, and only if:

- (a) Terrace has provided Flowr with an unredacted copy of a draft definitive agreement in respect of the Superior Proposal;
- (b) Terrace has provided Flowr with the information regarding such Superior Proposal including description of the terms and conditions of any proposal, inquiry or offer, the identity of the Person making such proposal, inquiry or offer, a copy of the proposal, offer or inquiry (if written), and such other details of the proposal, inquiry or offer as Flowr has reasonably requested;
- (c) the Terrace Board has determined in good faith, after consultation with its financial advisors and its outside legal counsel that it is necessary in order for the Terrace Board to discharge properly its fiduciary duties to effect a Terrace Change in Recommendation and/or accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal;
- (d) five Business Days (the “**Superior Proposal Notice Period**”) shall have elapsed from the later of (A) the date Flowr received written notice (a “**Superior Proposal Notice**”) advising it that Terrace’s Board has determined that the Acquisition Proposal constitutes a Superior Proposal and has resolved and intends to accept, approve, recommend or enter into an agreement in respect of such Superior Proposal, and (B) the date Flowr was delivered a copy of such Superior Proposal document; and
- (e) Terrace has complied with the Arrangement Agreement and, if any offer to amend the Arrangement Agreement is delivered by Flowr pursuant to the Arrangement Agreement, the Terrace Board has determined that any amended proposal of Flowr would, upon acceptance by Terrace, not result in the Superior Proposal ceasing to be a Superior Proposal.

In the event that Terrace provides Flowr with a Superior Proposal Notice on a date that is less than five (5) Business Days prior to the scheduled date of the Meeting, Terrace shall at the request of Flowr, adjourn such meeting to a date that is not less than five (5) Business Days and not more than fifteen (15) days after the date of the scheduled date of the Meeting.

During the Superior Proposal Notice Period, Terrace agrees that Flowr shall have the right, but not the obligation, to offer in writing to amend the terms of the Arrangement Agreement. The Terrace Board will review any written proposal to amend the terms of the Arrangement Agreement in good faith in order to determine, in the exercise of its fiduciary duties, whether the amended proposal would, upon acceptance by Terrace, result in such Superior Proposal ceasing to be a Superior Proposal.

Upon the expiry of the Superior Proposal Notice Period, if: (i) Flowr has determined not to offer in writing to amend the terms of the Arrangement Agreement; or (ii) the Terrace Board has determined that any offer by Flowr in writing to amend the terms of the Arrangement Agreement would, upon acceptance by Terrace, not result in any Superior Proposal ceasing to be a Superior Proposal, then Terrace may effect a Terrace Change in Recommendation and/or accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal, provided that Terrace must: (i) terminate the Arrangement Agreement in accordance with its terms; and (ii) pay the Termination Payment.

Terrace agreed that each successive material modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the requirements of the Arrangement Agreement and will initiate a new Superior Proposal Notice Period.

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated prior to the Effective Time by:

- (a) the mutual written agreement of the Parties; or
- (b) either Terrace or Flowr if:
 - (i) the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate the Arrangement Agreement shall not be available to any Party whose failure to fulfil any of its obligations or breach any of its covenants, representations and warranties under the Arrangement Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before the Outside Date; provided however, that if completion of the Arrangement is delayed by (i) an injunction or order made by a Governmental Entity of competent jurisdiction, or (ii) Flowr or Terrace not having obtained any regulatory waiver, consent or approval or the Interim Order or the Final Order which is necessary to permit the completion of the Arrangement such that the conditions set forth in the Arrangement Agreement shall not have been satisfied or waived then, provided that such injunction or order is being contested or appealed or such regulatory waiver, consent or approval or the Interim Order or the Final Order is being actively sought, as applicable, except in the case where such regulatory waiver, consent or approval or the Interim Order or the Final Order has not been obtained as a result of the conditions set forth in the Arrangement Agreement (in which case there shall be no automatic extension of the Outside Date), the Outside Date shall automatically be extended for an additional period of 30 days,
 - (ii) any Governmental Entity of competent jurisdiction shall have issued an order, decree or ruling or there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or otherwise restrains, enjoins or prohibits the Corporation or Flowr from consummating the Arrangement;
 - (iii) the approval of shareholders of Terrace in respect of the arrangement shall not have been obtained at the Meeting in accordance with applicable Law and the Interim Order; or
 - (iv) any approval of shareholders of Flowr or holders of Flowr Debentures, in connection with the Flowr Debenture Conversion, the Arrangement or any of the other transactions contemplated under the Arrangement Agreement required under applicable Securities Laws (including the TSXV) or in accordance with the terms of the Flowr Debentures, shall have not been obtained.
- (c) Terrace if:
 - (i) a breach of any representation or warranty or failure to perform any covenant or obligation on the part of Flowr under the Arrangement Agreement occurs that would cause any condition for the exclusive benefit of Terrace not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date; provided that Terrace is not then in breach of the Arrangement

Agreement so as to directly or indirectly cause any condition for the exclusive benefit of Terrace not to be satisfied;

- (ii) Terrace proposes to enter into any agreement, arrangement or understanding with respect to a Superior Proposal, subject to and in compliance with the Arrangement Agreement and Terrace has paid or causes to be paid the Termination Payment to Flowr;
 - (iii) to the extent required pursuant to applicable securities laws (including the rules of the TSXV), any meeting of securityholders of Flowr has not occurred on or before December 23, 2020 or such later date as may be agreed by Terrace and Flowr in writing, provided that the right to terminate the Arrangement Agreement shall not be available to Terrace if such securityholders' meeting of Flowr does not occur by such date: (1) due to the failure by Terrace to fulfil any obligation of Terrace hereunder is the cause of, or results in, the failure of such securityholders' meeting of Flowr to occur on or before such date; or (2) due to any action taken under any applicable Law or by a Governmental Entity of competent jurisdiction which makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the occurrence of such securityholders' meeting of Flowr on or before such date;
 - (iv) since the date of the Arrangement Agreement, there has occurred a Material Adverse Effect of Flowr; or
- (d) Flowr if:
- (i) prior to the approval by the Shareholders of the Arrangement Resolution (1) the Terrace Board shall have made a Change in Recommendation, or (2) the Terrace Board shall have approved or recommended an Acquisition Proposal or (3) Terrace shall have entered into a definitive agreement with respect to a Superior Proposal;
 - (ii) the Meeting has not occurred on or before December 23, 2020 or such later date as may be agreed by Terrace and Flowr in writing, provided that the right to terminate the Arrangement Agreement pursuant to the Arrangement Agreement shall not be available to Flowr if the Meeting does not occur on or before such date: (1) due to an adjournment, postponement or cancellation of the Meeting as required by Flowr in accordance with the terms of the Arrangement Agreement, (2) pursuant to the Notice and cure provision of the Arrangement Agreement; (3) due to the failure by Flowr to fulfil any obligation of Flowr under the Arrangement Agreement which is the cause of, or results in, the failure of the Meeting to occur on or before such date; or (4) due to any action taken under any applicable Law or by a Governmental Entity of competent jurisdiction which makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the occurrence of the Meeting on or before such date;
 - (iii) a breach of any representation or warranty or failure to perform any covenant or obligation on the part of Terrace under the Arrangement Agreement occurs that would cause any condition for the exclusive benefit of Flowr not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of the Arrangement Agreement; provided that Flowr is not then in breach of the Arrangement Agreement so as to

directly or indirectly cause any condition for the exclusive benefit of Flowr not to be satisfied;

- (iv) since the date of the Arrangement Agreement, there has occurred a Material Adverse Effect of Terrace; or
- (v) Terrace has breached any of its obligations with respect to an Acquisition Proposal, Superior Proposal or any of its covenants in respect of non-solicitation.

The Party desiring to terminate the Arrangement Agreement shall give written notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

Termination Payment and Expense Reimbursement Amount

The Termination Payment is payable by Terrace to Flowr in the event that:

- (a) Flowr terminates the Arrangement Agreement following a Terrace Change in Recommendation or a breach by Terrace of its covenants regarding the Meeting not having occurred by December 23, 2020 (or such other later date as may be agreed in writing by Terrace and Flowr), or any of its covenants regarding non-solicitation;
- (b) Terrace terminates the Arrangement Agreement as it wishes to enter into a binding written agreement with respect to a Superior Proposal and is required, pursuant to the Arrangement Agreement, to pay the Termination Payment; or
- (c) Terrace or Flowr terminates the Arrangement Agreement: (i) if approval of Terrace shareholders in respect of the Arrangement is not obtained; (ii) the Effective Time does not occur on or prior to the Outside Date; or (iii) Flowr terminates the Arrangement Agreement as a result of Terrace's default with respect to a covenant or obligation or a breach of its representations or warranties under the Arrangement Agreement, if in any such case: (A) prior to such termination, an Acquisition Proposal is made or publicly announced or otherwise publicly disclosed by any Person (other than Flowr or any of its affiliates) or any Person (other than Flowr or any of its affiliates) shall have publicly announced an intention to make an Acquisition Proposal; and (B) within 12 months following the date of such termination or the holding of the Meeting: (I) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (A) above) is consummated by Terrace; or (II) Terrace or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal and such Acquisition Proposal is later consummated (whether or not within 12 months after such termination).

The Expense Reimbursement Amount is payable by Flowr to Terrace in the event that:

- (a) the Arrangement Agreement is terminated by either Terrace or Flowr if the approval of the shareholders of Flowr or holders of Flowr Debentures, in connection with the Flowr Debenture Conversion, if such approval is required under applicable Securities Laws (including the TSXV) or in accordance with the terms of the Flowr Debentures, has not been obtained; or
- (b) the Arrangement Agreement is terminated by Terrace on account of any required Flowr shareholder meeting being required in connection with any Purchaser Security Approval

and such meeting not having occurred by December 23, 2020 (or such other later date as may be agreed in writing by Terrace and Flowr).

The Expense Reimbursement Amount is payable by Terrace to Flowr in the event that Terrace does not obtain approval of the Arrangement at the Meeting.

For purposes of the foregoing, the term “Acquisition Proposal” has the meaning assigned under Appendix A – *Glossary of Terms*, except that references to “20% or more” shall be deemed to be references to “50% or more”.

Amendment of the Arrangement Agreement

Subject to the provisions of the Interim Order and Final Order, the Plan of Arrangement and applicable Law, the Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time prior to the Effective Time, be amended only by mutual written agreement of Flowr and Terrace, without, subject to applicable Laws, further notice to or authorization on the part of the Shareholders, and any such amendment may without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;
- (c) waive compliance with or modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; and
- (d) waive compliance with or modify any mutual conditions precedent contained in the Arrangement Agreement; provided, however, notwithstanding the foregoing, following the Meeting, the Consideration shall not be amended without the approval of the Shareholders.

SECURITIES LAW MATTERS

The following is a brief summary of the Canadian and United States securities law considerations applying to the transactions contemplated herein not discussed elsewhere in this Circular.

Canadian Securities Laws

The following is only a general overview of certain requirements of Canadian Securities Laws relating to the Arrangement that may be applicable to Shareholders, Terrace Optionholders, Terrace Warrantholders, and Terrace Subscription Receiptholders. Each securityholder is urged to consult such its professional advisors to determine the Canadian conditions and restrictions applicable to trades in the Flowr Shares issuable pursuant to the Arrangement.

The issuance of Flowr Shares pursuant to the Arrangement will constitute a distribution of securities that is exempt from the prospectus requirement of applicable Canadian Securities Laws. Flowr Shares issued pursuant to the Arrangement will not be legended and may be resold in each province and territory of Canada, provided: (i) the trade is not a “control distribution” as defined in NI 45-102; (ii) no unusual effort is made to prepare the market or create a demand for the Flowr Shares; (iii) no extraordinary commission or consideration is paid in respect of such trade; and (iv) if the selling securityholder is an “insider” or

“officer” of Flowr (as such terms are defined by applicable Canadian Securities Laws), the insider or officer has no reasonable grounds to believe that Flowr is in default of applicable Canadian Securities Laws.

To the extent that a Shareholder resides in a non-Canadian jurisdiction, the Flowr Shares received by the Shareholder may be subject to certain additional trading restrictions under Securities Laws. **All Shareholders residing outside Canada are advised to consult their own legal advisors regarding such resale restrictions.**

U.S. Securities Laws

The following discussion is only a general overview of certain requirements of U.S. Securities Laws that may be applicable to Shareholders, Terrace Optionholders and Terrace Warrantholders. All holders of such securities are urged to obtain legal advice to ensure that the resale of such securities complies with applicable U.S. Securities Laws and to determine the U.S. conditions and restrictions applicable to trades in the Flowr Shares issuable pursuant to the Arrangement or upon exercise of the Replacement Options or the Replacement Warrants. Further information applicable to the holders of such securities resident in the United States is disclosed in this Circular under the heading “Notice to Securityholders in the United States”.

Exemption from U.S. Registration

The Flowr Shares, the Replacement Options and the Replacement Warrants issuable under the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption and similar exemptions provided in respect of the securities laws of the states in which U.S. securityholders reside. The Section 3(a)(10) Exemption exempts from registration a security that is issued in exchange for one or more bona fide outstanding securities, or partly in such exchange and partly for cash, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court of competent jurisdiction or by a Governmental Entity expressly authorized by law to grant such approval. The Court is authorized to conduct a hearing at which the substantive and procedural fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 13, 2020, and, subject to the approval of the Arrangement by the Shareholders, a hearing for a Final Order approving the Arrangement is currently anticipated to take place on December 18, 2020 at 10:00 a.m. (Toronto time). All Shareholders, Terrace Optionholders, Terrace Warrantholders and Terrace Subscription Receiptholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. The Final Order of the Court will, if granted, constitute the basis for the Section 3(a)(10) Exemption with respect to the securities to be issued under the Arrangement.

The Section 3(a)(10) Exemption will not be available for the issuance of any Flowr Shares that are issuable upon exercise of the Replacement Options and the Flowr Shares issuable upon exercise of the Replacement Warrants. Therefore, the Flowr Shares issuable upon the exercise of the Replacement Options or the exercise of the Replacement Warrants, will be “restricted securities” within the meaning of Rule 144, and may be issued only pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws or following registration under such laws. Flowr has no present intention to file a registration statement relating to the issuance of the Flowr Shares issuable upon exercise of the Replacement Options or the Replacement Warrants, and no assurance can be made that Flowr will file, or have taken effective steps to file, such registration statements in the future. Prior to the issuance of Flowr Shares pursuant to any such exercise, Flowr may require the delivery of an opinion of counsel or

other evidence reasonably satisfactory to Flowr to the effect that the issuance of such Flowr Shares does not require registration under the U.S. Securities Act or applicable state securities laws.

The Flowr Shares to be issued under the Arrangement will be freely transferable under United States federal securities laws, except that the U.S. Securities Act imposes restrictions on the resale of Flowr Shares received pursuant to the Arrangement by Persons who are, or within 90 days immediately before such resale were, “affiliates” of Flowr.

As defined in Rule 144 under the U.S. Securities Act, an “affiliate” of an issuer is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer. “Control” means the possession, direct or indirect, of the power to direct or cause direction of the management and policies of an issuer, whether through the ownership of voting securities, by contract or otherwise.

An “affiliate” of Flowr is a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Flowr and may include certain executive officers and directors of Flowr, as well as principal shareholders of Flowr, directors or executive officers of Terrace who become directors or executive officers of Flowr after the Arrangement, and any person deemed to be an affiliate of Flowr within 90 days before the closing of the Arrangement.

Any Shareholder who, after consummation of the Arrangement is an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of Flowr or was, at any time during the 90 days immediately before the resale of any Flowr Shares received under the Arrangement, an “affiliate” of Flowr, may not resell such Flowr Shares, unless such shares are registered under the U.S. Securities Act or an exemption from registration, such as the exemptions contained in Rule 144 and Rule 904 of Regulation S under the U.S. Securities Act, is available.

This Circular does not cover resales of any Flowr Shares received by any person upon completion of the Arrangement, and no person is authorized to make any use of this Circular in connection with any resale.

Affiliates – Rule 144

In general, under Rule 144, persons that are affiliates of Flowr after consummation of the Arrangement or were affiliates of Flowr within the 90 days immediately before the resale of the Flowr Shares received under the Arrangement will be entitled to sell such shares that they receive under the Arrangement in the United States, provided that the number of such shares sold, together with all other shares of the same class sold for their account during any three-month period, does not exceed the greater of one percent of the then outstanding securities of such class or, if such shares are listed on a U.S. securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such shares during the four calendar week period preceding the date of sale, subject to aggregation rules, specified restrictions on manner of sale, reporting requirements, and the availability of current public information about the relevant issuer. Persons that are affiliates of Flowr after the Arrangement will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of Flowr, and for 90 days thereafter. Unless certain conditions are satisfied, Rule 144 is not available for resales of securities of issuers that have ever had (i) no or nominal operations and (ii) no or nominal assets other than cash and cash equivalents. If Flowr were to be deemed to have ever been such an issuer, Rule 144 may be unavailable for resales of the Flowr Shares unless and until Flowr has satisfied the applicable conditions.

Affiliates – Regulation S

In general, pursuant to Rule 904 of Regulation S, persons who are affiliates of Flowr solely by virtue of their status as an officer or director of such company may sell Flowr Shares outside the United States in an “offshore transaction” (which would include a sale through the TSXV, if applicable) if neither the seller nor any person acting on its behalf engages in “directed selling efforts” in the United States and no selling commission, fee or other remuneration is paid in connection with such sale other than a usual and customary broker’s commission. For purposes of Regulation S, “directed selling efforts” means, “any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered” in the sale transaction. Pursuant to Rule 903 of Regulation S, certain additional restrictions are applicable to a holder of Terrace Shares who is an affiliate of Flowr after the Arrangement other than solely by virtue of his or her status as an officer or director of Flowr.

Exercise of Replacement Options and Replacement Warrants

The exemption from the registration requirements of the U.S. Securities Act provided by the Section 3(a)(10) Exemption does not exempt the issuance of securities upon the exercise of securities that were previously issued pursuant to the Section 3(a)(10) Exemption. As a result, the Flowr Shares issuable upon exercise of the Replacement Options or the Replacement Warrants may not be issued in reliance upon the Section 3(a)(10) Exemption and the Replacement Options and the Replacement Warrants may only be exercised pursuant to an available exemption from the registration requirements of the U.S. Securities Act and applicable state Securities Laws or pursuant to a registration statement under the U.S. Securities Act. Flowr has no present intention to file a registration statement relating to the issuance of the Flowr Shares issuable upon exercise of the Replacement Options or the Replacement Warrants, and no assurance can be made that Flowr will file, or have taken effective steps to file, such registration statements in the future. Therefore, the Flowr Shares issuable upon the exercise of the Replacement Options or the Replacement Warrants will be “restricted securities” within the meaning of Rule 144. Prior to the issuance of Flowr Shares pursuant to any such exercise, Flowr may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to Flowr to the effect that the issuance of such Flowr Shares does not require registration under the U.S. Securities Act or applicable state securities laws.

STOCK EXCHANGE MATTERS

The Terrace Shares are currently listed and posted for trading on the TSXV under the symbol “TRCE”. The Flowr Shares are currently listed and posted for trading on the TSXV under the symbol “FLWR”. Subject to Laws and any required approvals, Terrace and Flowr have agreed to use their commercially reasonable efforts to cause the Terrace Shares to be de-listed from the TSXV and the Flowr Shares to be issued pursuant to the Arrangement to be listed on the TSXV with effect promptly following completion of the Arrangement. It is a condition of closing that Flowr will have obtained conditional approval of the TSXV for the listing of the Flowr Shares to be issued pursuant to the Arrangement. Flowr has applied to the TSXV to list the Flowr Shares issuable to: (i) Shareholders under the Arrangement (including Terrace Shares issued pursuant to the Terrace Subscription Receipts); (ii) Terrace Optionholders upon the exercise of the Replacement Options and (iii) holders of Terrace Warrants upon the exercise of the Replacement Warrants.

DISSENTING SHAREHOLDERS’ RIGHTS

Shareholders may exercise Dissent Rights from the Arrangement Resolution pursuant to and in the manner set forth under Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, provided that, notwithstanding Section 185 of the OBCA, the written objection to the Arrangement

Resolution must be sent to the Corporation by holders who wish to dissent and be received by the Corporation not later than 5:00 p.m. (Toronto time) on the date that is two Business Days immediately prior to the Meeting or any date to which the Meeting may be postponed or adjourned.

Shareholders who wish to dissent should take note that the procedures for dissenting to the Arrangement Resolution require strict compliance with the applicable dissent procedures. Pursuant to the Plan of Arrangement, Terrace Warrantholders, Terrace Optionholders and Terrace Subscription Receiptholders do not have dissent rights.

Dissent Rights to the Arrangement Resolution for Shareholders

As indicated in the Notice of Meeting, any Shareholder is entitled to be paid the fair value of the Terrace Shares held by such holder in accordance with Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, if such holder exercises Dissent Rights and the Arrangement becomes effective.

Anyone who is a beneficial owner of Terrace Shares registered in the name of an Intermediary and who wishes to dissent should be aware that only Registered Shareholders are entitled to exercise Dissent Rights. A Registered Shareholder who holds Terrace Shares as an Intermediary for one or more beneficial owners, one or more of whom wish to exercise Dissent Rights, must exercise such Dissent Rights on behalf of such holder(s). In such case, the notice should specify the number of Terrace Shares held by the Intermediary for such beneficial owner. A Dissenting Shareholder may dissent only with respect to all the Terrace Shares held on behalf of any one beneficial owner and registered in the name of the Dissenting Shareholder.

The following description of the dissent procedures is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of its Terrace Shares and is qualified in its entirety by reference to the full text of the Plan of Arrangement, the Interim Order and Section 185 of the OBCA, which are attached to this Circular as Appendices C and D and F, respectively. A Shareholder who intends to exercise the Dissent Rights should carefully consider and comply with the provisions of Section 185 of the OBCA, as modified by the Interim Order and the Plan of Arrangement, and seek independent legal advice. Failure to comply strictly with the provisions of the OBCA, as modified by the Interim Order and the Plan of Arrangement, and to adhere to the procedures established therein, may result in the loss of all rights thereunder.

The Court hearing the application for the Final Order has the discretion to alter the Dissent Rights described herein.

If, as of the Effective Date, the aggregate number of Terrace Shares in respect of which Shareholders have duly and validly exercised Dissent Rights, or have instituted proceedings to exercise Dissent Rights, exceeds 5% of the Terrace Shares then outstanding, Flowr is entitled, in its discretion, not to complete the Arrangement. See “*The Arrangement Agreement – Conditions for Completion of the Arrangement – Conditions in Favour of Flowr*”.

Shareholders who duly exercise Dissent Rights and who:

- (a) are ultimately entitled to be paid fair value for their Dissenting Shares, which fair value shall be the fair value of such shares as of the close of business on the last Business Day before the day on which the Arrangement is approved by Shareholders at the Meeting, shall be paid an amount equal to such fair value by Terrace and shall be deemed to have transferred such Dissenting Shares to Terrace in accordance with the Plan of Arrangement;
or

- (b) are ultimately not entitled, for any reason, to be paid fair value for their Terrace Shares in respect of which they have exercised Dissent Rights, shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting Shareholder and shall be entitled to receive only the Consideration that such holder would have received pursuant to the Arrangement if such holder had not exercised Dissent Rights,

but in no case shall Flowr, the Corporation or any other person be required to recognize Shareholders who exercise Dissent Rights as Shareholders after the Effective Time, and the names of such Shareholders who exercise Dissent Rights shall be removed from the applicable register of shareholders as at the Effective Time. There can be no assurance that a Dissenting Shareholder will receive consideration for its Terrace Shares of equal or greater value to the Consideration that such Dissenting Shareholder would have received under the Arrangement.

Sections 185 of the OBCA

Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, provides that Shareholders who dissent to the Arrangement in compliance with Section 185 of the OBCA may exercise a right of dissent and require Flowr to purchase the Terrace Shares held by such Shareholders at the fair value of such Terrace Shares.

The exercise of Dissent Rights does not deprive a Registered Shareholder of the right to vote at the Meeting. However, a Shareholder is not entitled to exercise Dissent Rights in respect of the Arrangement Resolution if such holder votes any of the Terrace Shares beneficially held by such holder FOR the Arrangement Resolution. The execution or exercise of a proxy against the Arrangement Resolution does not constitute a written objection for purposes of the right to dissent under Section 185 of the OBCA.

A Dissenting Shareholder must dissent with respect to all Terrace Shares in which the holder owns a beneficial interest. A Registered Shareholder who wishes to dissent must send to the corporation, at or before the Meeting, a written objection to the resolution (a “**Written Objection**”), unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder’s right to dissent. Such Written Objection must strictly comply with the requirements of Section 185 of the OBCA. Any failure by a Shareholder to fully comply may result in the loss of that holder’s Dissent Rights. Non-Registered Shareholders who wish to exercise Dissent Rights must arrange for the Registered Shareholder holding their Terrace Shares to deliver the Notice of Objection.

A vote against the Arrangement Resolution, whether in person or by proxy, or not voting on the Arrangement Resolution does not constitute a Notice of Objection. The Corporation shall, within ten business days after the shareholders adopt the Arrangement Resolution, send to each Dissenting Shareholder a notice that the Arrangement Resolution has been adopted, stating that the company intends to act, or has acted, on the authority of the Arrangement Resolution and advise the Dissenting Shareholder of the manner in which dissent is to be completed under Section 185 of the OBCA.

If the Arrangement Resolution is approved by the Shareholders as required at the Meeting, and if Terrace notifies the Dissenting Shareholders of its intention to act upon the Arrangement Resolution, pursuant to Section 185 of the OBCA, the Dissenting Shareholder is then required, within 20 days after receipt of such notice, to send to the Corporation or its transfer agent a signed written notice setting out the Dissenting Shareholder’s name, the number and class of Terrace Shares in respect of which the Dissenting Shareholder dissents and that the Dissent Right is being exercised in respect of all of the Dissenting Shareholder’s Terrace Shares (a “**Dissent Notice**”). The written notice should contain any share certificate or certificates representing the Terrace Shares in respect of which the Dissenting Shareholder has exercised Dissent Rights (if any) and a demand for payment of the fair value of such Terrace Shares. A Dissenting

Shareholder who fails to send to the Corporation or transfer agent within the required periods of time the required Dissent Notice or the certificates representing the Terrace Shares in respect of which the Dissenting Shareholder has dissented may forfeit its Dissent Rights. Upon delivery of these documents, the Dissenting Shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares, except where the Dissenting Shareholder withdraws the Dissent Notice before the Corporation makes an offer, the Corporation fails to make an offer and the Dissenting Shareholder withdraws the Dissent Notice, or the directors revoke the Arrangement Resolution, in which case the dissenting shareholder's rights are reinstated as of the date the Dissenting Shareholder sent the Dissent Notice.

The Dissenting Shareholder and Flowr may agree on the payout value of the Dissent Shares; otherwise, either party may apply to the Court to determine the fair value of the Dissent Shares or apply for an order that value be established by arbitration or by reference to the registrar or a referee of the Court. If the matters provided for in the Arrangement Resolution become effective and the Dissenting Shareholder has complied with Section 185, after a determination of the payout value of the Dissent Shares, Terrace must then promptly pay that amount to the Dissenting Shareholder.

Addresses for Notice

All notices to the Corporation of dissent to the Arrangement Resolution pursuant to Section 185 of the OBCA should be addressed to the attention of the Corporate Secretary of the Corporation and be sent not later than 5:00 p.m. (Toronto time) on the date that is two Business Days immediately prior to the Meeting, or any date to which the Meeting may be postponed or adjourned, to:

Terrace Global Inc.
c/o Wildeboer Dellelce LLP
Suite 800, Wildeboer Dellelce Place, 365 Bay Street
Toronto, ON, Canada
M5H 2V1
Attention: Jeff Hergott

Strict Compliance with Dissent Provisions Required

The foregoing summary does not purport to provide comprehensive statements of the procedures to be followed by a Dissenting Shareholder under Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, and reference should be made to the specific provisions of Section 185 of the OBCA, the Plan of Arrangement and the Interim Order. The OBCA requires strict adherence to the procedures regarding the exercise of rights established therein. The failure to adhere to such procedures may result in the loss of all rights of dissent. Accordingly, each Shareholder who wishes to exercise Dissent Rights should carefully consider and comply with the provisions of Section 185 of the OBCA, the Plan of Arrangement and the Interim Order and consult a legal advisor. A copy of Section 185 of the OBCA is set out in Appendix F to this Circular and a copy of the Plan of Arrangement and the Interim Order are set out in Appendix C and Appendix D, respectively, to this Circular.

Terrace suggests that any Shareholder wishing to avail himself or herself of the Dissent Rights seek his or her own legal advice, as failure to comply strictly with the applicable provisions of the OBCA and the Interim Order, Final Order and Plan of Arrangement may prejudice the availability of such Dissent Rights. Accordingly, each Shareholder who might desire to exercise Dissent Rights should carefully consider and comply with the procedures for the exercise of Dissent Rights and consult his, her or its legal advisor.

RISK FACTORS RELATING TO THE ARRANGEMENT

Shareholders should carefully consider the following risk factors relating to the Arrangement before deciding to vote or instruct their vote to be cast to approve the matters relating to the Arrangement. In addition to the risk factors relating to the Arrangement set out below, Shareholders should also carefully consider the risk factors applicable to Flowr referred to in Appendix H to this Circular and the risk factors applicable to the Corporation contained in the Corporation's management's discussion and analysis for the six months ended June 30, 2020, which is available under the Corporation's profile on SEDAR at www.sedar.com.

The following risk factors are not an exhaustive list of all of the risk factors associated with the Arrangement. Additional risks and uncertainties, including those currently unknown or considered immaterial by Flowr and the Corporation, may also adversely affect the Flowr Shares, the Terrace Shares, and the businesses of the Corporation or Flowr following completion of the Arrangement. **All of the risk factors described in this Circular and incorporated by reference in this Circular should be considered by Shareholders in conjunction with the other information included in this Circular, including the appendices hereto.**

Risks Related to the Arrangement

The Corporation could fail to receive the necessary court and/or regulatory approval

The Arrangement cannot be completed unless the Arrangement receives the necessary Court approvals and approvals of the TSXV, including the approval of the listing of the Flowr Shares to be issued pursuant to the Arrangement on the TSXV.

The Corporation could fail to complete the Arrangement or the Arrangement may be completed on different terms

There can be no assurance that the Arrangement will be completed, or if completed, that it will be completed on the same or similar terms to those set out in the Arrangement Agreement. The completion of the Arrangement is subject to the satisfaction of a number of conditions which include, among others, (i) obtaining necessary approvals, and (ii) performance by the Corporation and Flowr of their respective obligations and covenants in the Arrangement Agreement. There can be no assurance that these conditions will be satisfied or, if satisfied, when they will be satisfied. If these conditions are not met or the Arrangement is not completed for any other reason, Shareholders will not receive the Consideration.

In addition, each of the Corporation and Flowr has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can the Corporation provide any assurance, that the Arrangement Agreement will not be terminated by either the Corporation or Flowr before the completion of the Arrangement. For example, Flowr has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that, in the aggregate, have a Material Adverse Effect on Terrace. Although a Material Adverse Effect of Terrace excludes certain events that are beyond the control of the Corporation and Flowr, there is no assurance that a change having a Material Adverse Effect on Terrace will not occur before the Effective Date, in which case Flowr could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

If the Arrangement is not completed, the ongoing business of the Corporation may be adversely affected as a result of the costs (including opportunity costs) incurred in respect of pursuing the Arrangement, and the Corporation could experience negative reactions from the financial markets, which could cause a decrease in the market price of the Terrace Shares, particularly if the market price reflects market

assumptions that the Arrangement will be completed or completed on certain terms. The Corporation may also experience negative reactions from its customers and employees and there could be negative impact on the Corporation's ability to attract future acquisition opportunities. Failure to complete the Arrangement or a change in the terms of the Arrangement could each have a material adverse effect on the Corporation's business, financial condition and results of operations.

If the Arrangement is not completed and the Terrace Board decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay consideration for the Terrace Shares that is equivalent to, or more attractive than, the Consideration payable pursuant to the Arrangement.

Risks associated with a fixed Consideration

Shareholders will receive a fixed number of Flowr Shares under the Arrangement, rather than Flowr Shares with a fixed market value. Because the number of Flowr Shares to be received in respect of each Terrace Share under the Arrangement will not be adjusted to reflect any change in the market value of the Flowr Shares, the market value of Flowr Shares received under the Arrangement may vary significantly from the market value at the date of announcement of the Arrangement. If the market price of the Flowr Shares increases or decreases relative to the market price of the Terrace Shares, the value of the Flowr Shares that Shareholders receive pursuant to the Arrangement will correspondingly increase or decrease. There can be no assurance that the market price of the Flowr Shares relative to the market price of the Terrace Shares at the closing of the Arrangement will not be lower than the market price of such shares on the date of announcement of the Arrangement.

In addition, the number of Flowr Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of the Terrace Shares. Many of the factors that affect the market price of the Flowr Shares and the Terrace Shares are beyond the control of Flowr and the Corporation, respectively. These factors include changes in market perceptions of the cannabis industry, changes in the regulatory environment, adverse political developments and prevailing conditions in the capital markets.

The Termination Payment, if triggered, and the terms of the Voting Support Agreement, may discourage other parties from attempting to acquire the Corporation

Under the Arrangement Agreement, the Corporation is required to pay a Termination Payment of \$3 million to Flowr in the event the Arrangement Agreement is terminated in certain circumstances (See "*Arrangement Agreement – Termination Payment*"). The Termination Payment may discourage other parties from attempting to acquire the Terrace Shares or otherwise making an Acquisition Proposal, even if those parties would otherwise be willing to offer greater value to Shareholders than that offered by Flowr under the Arrangement.

Furthermore, as noted above, certain Shareholders holding approximately 66% of the issued and outstanding Terrace Shares have entered into Voting Support Agreement which, subject to the terms of thereof, irrevocably commit them to, among other things, vote their Terrace Shares in favour of the Arrangement and not in favour of any Acquisition Proposal or Superior Proposal (See "*The Arrangement – Voting Support Agreement*"). As a result, the Voting Support Agreement may discourage other parties from attempting to acquire the Terrace Shares, even if those parties would otherwise be willing to offer greater value to Shareholders than that offered by Flowr under the Arrangement.

The Corporation will incur substantial transaction-related costs in connection with the Arrangement even if the Arrangement is not completed

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees must be paid by the Corporation even if the Arrangement is not completed. Also, if the Arrangement is not completed, the Corporation may be required to pay expense reimbursement amount or the termination amount to Flowr in certain circumstances. Such costs may offset any expected cost savings and other synergies from the Arrangement.

The consideration to be provided under the Arrangement will not be adjusted to reflect any change in the market value of Flowr Shares.

Upon completion of the Arrangement, each Shareholder who does not exercise Dissent Rights will receive Flowr Shares in exchange for their Terrace Shares. The number of Flowr Shares that Shareholders are entitled to receive in exchange for their Terrace Shares will not be adjusted to reflect any change in the market value of the Flowr Shares. If the market price of the Flowr Shares increases or decreases, the value of the consideration that Shareholders receive pursuant to the Arrangement will correspondingly increase or decrease. Many of the factors that affect the market price of the Flowr Shares are beyond the control of Flowr, including without limitation changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets, interest rate fluctuations and other factors.

While the Arrangement is pending, the Corporation is restricted from taking certain actions

The Arrangement Agreement restricts the Corporation from taking specified actions until the Arrangement is completed without the consent of Flowr which may adversely affect the ability of the Corporation to execute certain business strategies including, but not limited to, the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. These restrictions may prevent the Corporation from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement.

The pending Arrangement may divert the attention of the Corporation's management

The pending Arrangement could cause the attention of the Corporation's management to be diverted from the day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the Corporation regardless of whether the Arrangement is ultimately completed.

Directors and senior officers of the Corporation may have interests in the Arrangement that are different from those of the Shareholders

In considering the recommendation of the Terrace Board to vote **FOR** the Arrangement Resolution, Shareholders should be aware that certain directors and certain senior officers of the Corporation have interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement. See "*The Arrangement — Interests of Certain Persons in the Arrangement*".

The Corporation and Flowr may not integrate successfully

If approved, the Arrangement will involve the integration of companies that previously operated independently. As a result, the Arrangement will present challenges to Flowr's management, including the integration of the operations, systems and personnel of the two companies, and special risks, including

possible unanticipated liabilities, unanticipated costs, diversion of management's attention and the loss of key employees. The difficulties management encounters in the transition and integration process could have an adverse effect on the revenues, level of expenses and operating results of Flowr following completion of the Arrangement. If actual results are less favourable than the Corporation and Flowr currently estimate, the Combined Company's business, results of operations, financial condition and liquidity could be materially adversely impacted.

The ability to realize the benefits of the Arrangement will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the Combined Company's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating the Corporation's and Flowr's businesses following completion of the Arrangement.

Most operational and strategic decisions and certain staffing decisions with respect to the Combined Company have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies and special risks, including possible unanticipated liabilities, unanticipated costs, and the loss of key employees. The performance of the Combined Company's operations after completion of the Arrangement could be adversely affected if the Combined Company cannot retain key employees to assist in the integration and operation of the Combined Company. As a result of these factors, it is possible that the cost reductions and synergies expected from the combination of the Corporation and Flowr will not be realized.

This integration will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities following completion of the Arrangement and from operational matters during this process. The amount and timing of the synergies the Parties hope to realize may not occur as planned. In addition, the integration process may result in the disruption of ongoing business that may adversely affect the ability of the Combined Company to achieve anticipated benefits of the Arrangement. A variety of factors, including those risk factors set forth in this Circular and in the documents incorporated by reference herein, may adversely affect the ability of the Corporation and Flowr to achieve the anticipated benefits of the Arrangement. As a result of these factors, it is possible that any benefits expected from the Arrangement will not be realized.

Following the completion of the Arrangement, the Combined Company may issue additional securities

Following the completion of the Arrangement, the Combined Company may issue additional securities (including equity securities) to finance its activities, including in order to finance acquisitions. If the Combined Company were to issue additional equity securities, the ownership interest of existing Shareholders may be diluted and some or all of the Combined Company's financial measures on a per share basis could be reduced. Moreover, as the Combined Company's intention to issue additional equity securities becomes publicly known, the Combined Company's share price may be materially adversely affected.

Potential payments to Shareholders who exercise Dissent Rights could have an adverse effect on the Combined Company's financial condition or prevent the completion of the Arrangement

The Shareholders have the right to exercise Dissent Rights and demand payment equal to the fair value of their Terrace Shares in cash. If Dissent Rights are exercised in respect of a significant number of Terrace Shares, a substantial cash payment may be required to be made to such Shareholders, which could have an adverse effect on the Combined Company's financial condition and cash resources. Further, the Corporation's and Flowr's obligation to complete the Arrangement is conditional upon Shareholders holding no more than 5% of the outstanding Terrace Shares having exercised Dissent Rights. Accordingly,

the Arrangement may not be completed if the Shareholders exercise Dissent Rights in respect of more than 5% of the outstanding Terrace Shares.

The Arrangement will affect the rights of the Corporation's Shareholders

Following the completion of the Arrangement, Shareholders will no longer have an interest in the Corporation, its assets, revenues or profits. In the event that the value of Corporation's assets or business, prior, at or after the Effective Date, exceeds the implied value of the Corporation under the Arrangement, the Shareholders will not be entitled to additional consideration for their Terrace Shares.

Risks Related to the Corporation

If the Arrangement is not completed, the Corporation will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in Terrace's management's discussion and analysis for the three and six months ended June 30, 2020 and 2019, which is available under the Corporation's profile on SEDAR at www.sedar.com.

PROCEDURES FOR THE EXCHANGE OF TERRACE SHARES

Letter of Transmittal

If you are a Registered Shareholder, you should have received along with this Circular, a form of proxy and a Letter of Transmittal (printed on YELLOW paper). If the Arrangement Resolution is passed and the Arrangement is implemented, in order to receive the Consideration for each Terrace Share held, Registered Shareholders must complete and sign the Letter of Transmittal enclosed with this Circular and deliver it (or an originally signed facsimile thereof), together with the certificate(s) / DRS representing their Terrace Shares and the other relevant documents required by the instructions set out therein, to the Depositary in accordance with the instructions contained in the Letter of Transmittal. You can request additional copies of the Letter of Transmittal by contacting the Depositary. The Letter of Transmittal is also available under the Corporation's profile on SEDAR at www.sedar.com.

The Letter of Transmittal (printed on YELLOW paper) contains procedural information relating to the Arrangement and should be reviewed carefully. The deposit of Terrace Shares pursuant to the procedures in the Letter of Transmittal will constitute a binding agreement between the depositing Registered Shareholder and Flowr upon the terms and subject to the conditions of the Arrangement.

In all cases, delivery of the Consideration for Terrace Shares deposited will be made only after timely receipt by the Depositary of certificates or DRS representing such Terrace Shares, together with a properly completed and duly executed Letter of Transmittal (printed on YELLOW paper) in the form accompanying this Circular relating to such Terrace Shares, with signatures guaranteed if so required in accordance with the instructions in the Letter of Transmittal, and any other required documents. All questions as to validity, form, eligibility (including timely receipt) and acceptance of any Terrace Shares deposited pursuant to the Arrangement will be determined by Flowr in its sole discretion. Depositing Registered Shareholders agree that such determination shall be final and binding. Flowr reserves the right if it so elects in its absolute discretion to instruct the Depositary to waive any defect or irregularity contained in any Letter of Transmittal and/or accompanying documents received by it.

Where a certificate or a DRS for Terrace Shares has been destroyed, lost or stolen, the Registered Shareholder of that certificate should complete the Letter of Transmittal (printed on YELLOW paper) as fully as possible and forward it, together with a letter describing the loss, to the Depositary at its office specified in the Letter of Transmittal. The Depositary and/or the registrar and Transfer Agent for the

Terrace Shares will respond with replacement requirements (which may include a bonding requirement) that must be satisfied in order for the undersigned to receive the Flowr Shares in exchange for their Terrace Shares in accordance with the Arrangement.

If a Letter of Transmittal (printed on YELLOW paper) is executed by a person other than the Registered Shareholder of the certificate(s) / DRS deposited therewith, the certificate(s) / DRS must be endorsed or be accompanied by an appropriate share transfer power of attorney properly completed by the Registered Shareholder, and the signature on such endorsement or share transfer power of attorney must correspond exactly to the name of the Registered Shareholder as registered or as appearing on the certificates(s) / DRS and must be guaranteed by an Eligible Institution.

The method of delivery of certificates / DRS representing Terrace Shares, the Letter of Transmittal (printed on YELLOW paper) and all other required documents is at the option and risk of the person depositing the same, and delivery will be deemed effective only when such documents are actually received by the Depository.

If you are a Non-Registered Shareholder, you should carefully follow the instructions from the Intermediary that holds Terrace Shares on your behalf in order to receive the Consideration in exchange for your Terrace Shares. Non-Registered Shareholders should contact their Intermediary if they have any questions regarding this process and to arrange for their Intermediary to complete the necessary steps to ensure that they receive the Consideration in respect of their Terrace Shares as soon as possible following completion of the Arrangement.

Delivery of Consideration

Upon surrender to the Depository for cancellation of a certificate(s) / DRS which immediately prior to the Effective Time represented one or more Terrace Shares, together with the Letter of Transmittal (printed on YELLOW paper) and such additional documents and instruments duly executed and completed as the Depository may reasonably require, the Shareholder of such surrendered certificate(s) / DRS shall be entitled to receive in exchange therefor, and the Depository shall deliver to such Shareholder as soon as practicable after the Effective Time, a DRS representing the Flowr Shares which such Shareholder is entitled to receive in accordance with the Plan of Arrangement, less any amounts withheld pursuant to the Plan of Arrangement, and the certificate(s) / DRS representing the Terrace Shares so surrendered shall forthwith be cancelled. Until surrendered, each certificate(s) / DRS which immediately prior to the Effective Time represented a Terrace Share shall be deemed after the Effective Time to represent only the right to receive upon the surrender of such certificate the Consideration to which they are entitled under the Arrangement, less any amounts withheld pursuant to the Plan of Arrangement, or in the case of Shareholders who properly exercise Dissent Rights, the right to receive fair value for their Terrace Shares in accordance with the Dissent Procedures. See “*Dissenting Shareholders’ Rights*”.

Unless otherwise directed in the Letter of Transmittal (printed on YELLOW paper), a DRS representing the Flowr Shares will be issued in the name of the registered holder of Terrace Shares so deposited. Unless the person who deposits Terrace Shares instructs the Depository to hold a DRS representing the Flowr Shares for pick-up by checking the appropriate box in the Letter of Transmittal, such certificate will be forwarded by mail to the address provided in the Letter of Transmittal. If no address is provided, such DRS will be forwarded to the address of the person as shown on the applicable register of Terrace.

Notwithstanding the provisions of the Arrangement and the Letter of Transmittal, DRS representing Flowr Shares to be issued in exchange for Terrace Shares deposited pursuant to the Arrangement will not be mailed if Flowr determines that delivery thereof by mail may be delayed. Persons entitled to DRS and other relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office

of the Depositary at which the certificates representing Terrace Shares were originally deposited upon application to the Depositary, until such time as Flowr has determined that delivery by mail will no longer be delayed.

In no event shall any fractional Flowr Shares be issued under the Plan of Arrangement. Where the aggregate number of Flowr Shares to be issued to a Shareholder as consideration under the Plan of Arrangement would result in a fraction of a Flowr Share being issuable, then the number of Flowr Shares to be issued to such Shareholder will be rounded down to the nearest whole number and no payment shall be made in lieu of the issuance of a fractional Flowr Share.

In accordance with the Arrangement, Flowr, the Corporation, and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to a Shareholder, such amounts as Flowr, the Corporation, or the Depositary is required to deduct and withhold from such consideration under any provision of applicable Laws.

The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out of pocket expenses and will be indemnified by the Corporation against certain liabilities under applicable securities laws and expenses in connection therewith.

Pursuant to the terms of the Arrangement, any certificates formerly representing Terrace Shares that are not deposited with the Depositary together with a duly completed Letter of Transmittal (printed on YELLOW paper) and any other documents the Depositary reasonably requires, on or before the sixth anniversary of the Effective Date, shall cease to represent a claim by or interest of any former holder of Terrace Shares of any kind or nature against or in Terrace or Flowr, and the right of such former holder of Terrace Shares to receive Flowr Shares in exchange for such Terrace Shares shall be deemed to be surrendered together with all dividends or distributions thereon held for such holder (less any applicable withholding tax).

INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations under the Tax Act of the Arrangement that apply to a Shareholder who beneficially owns Terrace Shares and who, at all relevant times, for purposes of the Tax Act: (i) deals at arm's length with Terrace and Flowr; (ii) is resident, or is deemed to be a resident of Canada, for tax purposes; (iii) is not affiliated with Terrace or Flowr; (iv) does not, together with other persons with whom the Shareholder does not deal with at arm's length, control Flowr or beneficially own shares of Flowr having a fair market value greater than 50% of the fair market value of all shares of Flowr and (v) holds Terrace Shares, and will hold the Flowr Shares received upon the Arrangement, as capital property (a "**Holder**"). Terrace Shares or Flowr Shares will generally be considered to be capital property to a Holder unless such Terrace Shares or Flowr Shares are held by the Holder in the course of carrying on a business of buying and selling securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

Certain Holders whose Terrace Shares or Flowr Shares, as the case may be, might not otherwise qualify as capital property may be entitled to have such shares, and all other "Canadian securities" (as defined in the Tax Act) owned by them in the taxation year and any subsequent taxation year, deemed to be capital property by making an irrevocable election in accordance with subsection 39(4) of the Tax Act. Such Shareholders considering making such an election should consult their own tax advisors for advice as to whether the election is available or advisable in their own particular circumstances.

This summary does not apply to a Holder (i) that is a “specified financial institution” for the purposes of the Tax Act; (ii) that is a “financial institution” for the purposes of the mark-to-market rules in the Tax Act; (iii) an interest in which is a “tax shelter investment” for the purposes of the Tax Act; (iv) who makes or has made a functional currency reporting election for the purposes of the Tax Act; (v) that has entered into or will enter into a “derivative forward agreement”, as defined in the Tax Act, in respect of the Terrace Shares or Flowr Shares; or (vi) that has acquired any Terrace Shares upon the exercise of an employee stock option. In addition, this summary does not address the tax considerations for holders of Terrace Options, Terrace Subscription Receiptholders or Terrace Warrants. Such Holders, Terrace Optionholders, Terrace Subscription Receiptholders and Terrace Warrantholders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, and an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced in writing by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Tax Amendments**”) and assumes that all Proposed Tax Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Tax Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law whether by legislative, regulatory, administrative or judicial action or administrative policy or assessing practice nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations. Consequently, Holders are urged to consult their own tax advisors to determine the particular tax effects to them of the Arrangement and of any other consequences to them in connection with the Arrangement under Canadian federal, provincial, territorial or local tax laws and under foreign tax laws, having regard to their own particular circumstances.

Exchange of Terrace Shares

Pursuant to the Arrangement, a Holder, other than a Dissenting Shareholder, will exchange the Holder’s Terrace Shares for Flowr Shares. Such Holder will be deemed to have disposed of such Terrace Shares on a tax-deferred basis under section 85.1 of the Tax Act, unless such Holder includes any portion of the gain or loss, otherwise determined, in computing its income for the taxation year which includes the Arrangement. More specifically, the Holder will be deemed to have disposed of the Terrace Shares for proceeds of disposition equal to the adjusted cost base of the Terrace Shares to such Holder, determined immediately before the Arrangement Effective Time, and the Holder will be deemed to have acquired the Flowr Shares at an aggregate cost equal to such adjusted cost base of the Terrace Shares. This cost will be averaged with the adjusted cost base of all other Flowr Shares held by the Holder as capital property for the purpose of determining the adjusted cost base of each Flowr Share held by the Holder.

If a Holder chooses to treat the exchange of Terrace Shares for Flowr Shares as a taxable transaction by including any portion of the gain or loss in computing its income, the Holder will realize a capital gain (or capital loss) to the extent that the fair market value of the Flowr Shares received by the Holder exceeds (or is less than) the adjusted cost base to the Holder of the Terrace Shares immediately before the exchange and any reasonable costs of disposition. In this event, the cost to the Holder of the Flowr Shares received will be equal to the fair market value of such Flowr Shares determined at the Effective Time. This cost will be averaged with the adjusted cost base of all other Flowr Shares held by the Holder as capital property for the purpose of determining the adjusted cost base of such Flowr Shares. For a description of the tax treatment of capital gains and capital losses, see “*Taxation of Capital Gains and Capital Losses*” below.

Dissenting Holders

A Holder that properly exercise Dissent Rights in respect of its Terrace Shares (a “**Dissenting Holder**”) and who disposes of Terrace Shares to Terrace in consideration for a cash payment, will be deemed to have received a dividend to the extent, if any, that the cash payment (excluding interest, if any, awarded by a court) exceeds the “paid-up capital” (as defined in the Tax Act) of the Dissenting Holder’s Terrace Shares. In certain circumstances, the dividend deemed to have been received by a Dissenting Holder that is a corporation may be treated as proceeds of disposition. In addition, such Dissenting Holder will be considered to have disposed of such Holder’s Terrace Shares for proceeds of disposition equal to the amount of the cash payment (excluding interest, if any, awarded by a court) less the amount of any deemed dividend, as noted above. Such a disposition will give rise to a capital gain (or capital loss) equal to the amount by which such proceeds of disposition exceed (or are less than) the aggregate of such Dissenting Holder’s adjusted cost base of such Terrace Shares immediately before the disposition and any reasonable costs of disposition. The general tax consequences to a Dissenting Holder of realizing such a capital gain or capital loss are described below in “*Taxation of Capital Gains and Capital Losses*”.

Interest awarded by a court to a Dissenting Holder will be included in such shareholder’s income for purposes of the Tax Act. A Dissenting Holder that, throughout its relevant taxation year, is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act), including interest income. Dissenting Holders should consult their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

Dividends on Flowr Shares

A Holder who is an individual will be required to include in income any dividends received or deemed to be received on the Holder’s Flowr Shares and will be subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules that apply to any dividends designated by Flowr as “eligible dividends”, as defined in the Tax Act. There may be limitations on the ability of Flowr to designate dividends as eligible dividends.

A Holder that is a corporation will be required to include in income any dividend received or deemed to be received on the Holder’s Flowr Shares, but generally will be entitled to deduct an equivalent amount in computing taxable income. In certain circumstances, a taxable dividend received by a Holder that is a corporation will be treated under the Tax Act as proceeds of a disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A “private corporation” or a “subject corporation” (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on any dividend that it receives or is deemed to receive on Flowr Shares to the extent that the dividend is deductible in computing the corporation’s taxable income.

Taxable dividends received by an individual (and certain trusts) may give rise to alternative minimum tax under the Tax Act.

Disposing of Flowr Shares

Generally, on a disposition or deemed disposition of a Flowr Share, a Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Holder of the Flowr Share immediately before the disposition

or deemed disposition and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see “*Taxation of Capital Gains and Capital Losses*” below.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Holder in a taxation year must be included in the Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Holder that throughout the relevant taxation year, is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act), including amounts in respect of net taxable capital gains.

The amount of any capital loss realized by a Holder that is a corporation on the disposition of a share may be reduced by the amount of certain dividends previously received (or deemed to be received) by the Holder on such share (or another share where the share has been acquired in exchange for such other share) to the extent and under circumstances prescribed by the Tax Act. Similar rules may apply where a trust or partnership of which a corporation, trust or partnership is a member or beneficiary that owns any such share. Holders to whom these rules may be relevant should consult their own tax advisors.

Capital gains realized by an individual (and certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Eligibility for Investment

The Flowr Shares will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account (each a “**Registered Plan**”) or a deferred profit sharing plan (each as defined in the Tax Act), at any particular time, provided that, at that time, the Flowr Shares are listed on a “designated stock exchange” (as defined in the Tax Act, which currently includes the TSXV).

Notwithstanding that Flowr Shares may be a qualified investment for trusts governed by a Registered Plan, the annuitant, holder or subscriber (the “**Controlling Individual**”) of, or under, the Registered Plan will be subject to a penalty tax on such shares if such shares are a “prohibited investment” (as defined in subsection 207.01(1) of the Tax Act). The Flowr Shares will not be a “prohibited investment” for a Registered Plan provided that the Controlling Individual of the Registered Plan (i) deals at arm’s length with Flowr for purposes of the Tax Act and does not have a “significant interest” (as defined in subsection 207.01(4) of the Tax Act) in Flowr or (ii) Flowr Shares are “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for the Registered Plan.

Controlling Individuals of a Registered Plan who intend to hold Flowr Shares in such plans, should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

EXPERTS

Certain matters relating to the Fairness Opinion as described herein will be passed upon by Hyperion and partners of Hyperion and their associates, in the aggregate, hold less than 1% of all issued and outstanding Flowr Shares and less than 1% of all issued and outstanding Terrace Shares as of the date hereof.

Certain legal matters in connection with the Arrangement will be reviewed and passed upon by Wildeboer Dellelce LLP on behalf of Terrace. Wildeboer Dellelce LLP and the partners and associates thereof beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Corporation.

MNP LLP are the auditors of Terrace and are independent of Terrace in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

MNP LLP are the auditors of Flowr and are independent of Flowr within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

OTHER BUSINESS

Management of the Corporation is not aware of any matters to come before the Meeting other than those set forth in the Notice of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Terrace Shares represented thereby in accordance with their best judgment on such matter.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting.

See "*The Arrangement – Interests of Certain Persons in the Arrangement*".

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular and within Terrace's financial statements, no director or executive officer of Terrace and, to the knowledge of the directors and executive officers of Terrace, none of their respective associates or affiliates, nor any person who beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of Terrace's outstanding Terrace Shares, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction within Terrace's three most recently completed financial years or in any proposed transaction which has materially affected or is reasonably expected to materially affect Terrace or any of its subsidiaries on a consolidated basis.

MANAGEMENT CONTRACTS

No management functions of Terrace are, to any substantial degree, performed other than by directors or senior officers of Terrace or its subsidiaries.

AUDITOR

The auditor of Terrace is MNP LLP, who was re-appointed as auditor of Terrace on September 10, 2020

REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar of Terrace is Computershare Investor Services Inc., at its office located at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada, M5J 2Y1.

STATEMENT OF RIGHTS

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

ADDITIONAL INFORMATION

Additional information relating to Terrace can be found on SEDAR at www.sedar.com. Financial and other information is provided in Terrace's management's discussion and analysis for the three and six months ended June 30, 2020 and 2019, and Terrace's audited annual financial statements for the years December 31, 2019 and the period of August 28, 2018 to December 31, 2018, which can be found under its profile on SEDAR at www.sedar.com.

APPROVAL

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been approved by the Terrace Board. A copy of this Circular has been sent to each director of Terrace, each Shareholder entitled to receive notice of the Meeting and the auditors of Terrace.

DATED this 13th day of November, 2020.

BY ORDER OF THE BOARD

(Signed) "Francisco Ortiz von Bismarck"

Francisco Ortiz von Bismarck

Chief Executive Officer

CONSENT OF HYPERION CAPITAL INC.

To: The Directors of Terrace Global Inc.

We hereby consent to the references to our firm name and to the references to our fairness opinion (the “**Fairness Opinion**”) dated effective October 19, 2020, which we prepared in connection with the Arrangement Agreement dated October 19, 2020 entered into between Terrace Global Inc. (“**Terrace**”) and The Flowr Corporation, in the letter to shareholders accompanying the management information circular of Terrace dated November 13, 2020 (the “**Circular**”) and in the Circular under the headings, “*Summary – Fairness Opinion*”, “*Summary – Recommendation of the Terrace Board*”, “*Summary – Reasons for the Arrangement*”, “*The Arrangement – Background to the Arrangement*”, “*The Arrangement – Fairness Opinion*”, “*The Arrangement – Recommendation of the Terrace Board*”, and “*The Arrangement – Reasons for the Arrangement*” and to the filing of the Fairness Opinion with the securities regulatory authorities, and to the inclusion of the text of the Fairness Opinion as Appendix G to the Circular. The Fairness Opinion was given as at October 19, 2020 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board of Directors of Terrace will be entitled to rely upon the Fairness Opinion.

DATED at Toronto, Ontario as of this 13th day of November, 2020.

(Signed) “Steve Ottaway”

Name: Steve Ottaway

Title: Chief Executive Officer

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APPENDIX A GLOSSARY OF TERMS

In this Circular, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set forth below and grammatical variations thereof shall have the corresponding meanings.

“Acceptable Confidentiality Agreement” means a confidentiality agreement between the Corporation and a third party other than Flowr: (i) that is entered into in accordance with the Arrangement Agreement; and (ii) that contains confidentiality and standstill restrictions that are no less restrictive than those set out in the Confidentiality Agreement, including, without limitation, a standstill provision that only permits the third party to, either alone or jointly with others, make an Acquisition Proposal to the Terrace Board that is not publicly announced;

“Acquisition Proposal” means, other than the transactions contemplated by the Arrangement Agreement, any offer, proposal or inquiry from any Person or group of Persons acting jointly or in concert, whether or not in writing and whether or not delivered to Terrace, after the date hereof relating to: (a) any acquisition or purchase, direct or indirect, of: (i) the assets of Terrace and/or one or more of its Subsidiaries that, individually or in the aggregate, constitute 20% or more of the consolidated assets of Terrace and its Subsidiaries, taken as a whole, or which contribute 20% or more of the consolidated revenue of the Terrace and its Subsidiaries, taken as a whole (or any lease, long-term supply, hedging arrangement, joint venture, strategic alliance, partnership or other transaction having the same economic effect as a sale of such assets), or (ii) beneficial ownership of 20% or more of the issued and outstanding voting or equity securities of Terrace or any one or more of its Subsidiaries that, individually or in the aggregate, contribute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of Terrace and its Subsidiaries, taken as a whole; (b) any take-over bid, tender offer or exchange offer that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of the issued and outstanding voting or equity securities of any class of voting or equity securities of Terrace or any of its Subsidiaries; (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Terrace or any of its Subsidiaries; in all cases, whether in a single transaction or in a series of related transactions; (d) any direct or indirect sale of assets (or any alliance, joint venture, earn-in right, option to acquire, lease, licence or other arrangement having a similar economic effect as a sale) by Terrace and/or one or more of its Subsidiaries, which assets represent 20% or more of the consolidated assets of Terrace and its Subsidiaries measured by fair market value, or contribute 20% or more of the consolidated revenue of Terrace and its Subsidiaries, taken as a whole;

“affiliate” has the meaning ascribed thereto in the Securities Act;

“allowable capital loss” has the meaning ascribed thereto under the heading *“Income Tax Considerations – Taxation of Capital Gains and Capital Losses”*;

“Alternative Transaction” has the meaning ascribed thereto under the heading *“The Arrangement – Voting Support Agreement”*;

“Arrangement” means the arrangement of Terrace under section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Parties, each acting reasonably;

“Arrangement Agreement” means the arrangement agreement dated as of October 19, 2020 between Flowr and the Corporation, including the schedules thereto, providing for, among other things, the Arrangement, as the same may be amended, supplemented or restated in accordance therewith, prior to the Effective Time;

“Arrangement Resolution” means the special resolution approving the Plan of Arrangement to be considered by at the Meeting, substantially in the form set out in Appendix B;

“associate” has the meaning ascribed to such term in the *Securities Act* (Ontario);

“ATB Credit Agreement” means the credit agreement dated as of November 18, 2019 among, *inter alios*, Flowr, as borrower, The Flowr Canada Holdings ULC and The Flowr Group (Okanagan) Inc., as guarantors, ATB Financial, as administrative agent and the financial institutions party thereto from time to time as lenders, as the same may be amended, modified, amended and restated or replaced from time to time prior to the termination thereof;

“Authorization” means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not having the force of Law, and includes any environmental Permit;

“Broadridge” has the meaning ascribed thereto under the heading “*General Proxy Information – Non-Registered Shareholders*”;

“Business Day” means any day of the year, other than a Saturday, Sunday or any day on which major banks are generally closed for business in Toronto, Ontario;

“Canadian Securities Laws” means applicable Canadian provincial and territorial securities laws;

“Circular” means the notice of the Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement;

“Combined Company” means Flowr, following the consummation of the Arrangement;

“Confidentiality Agreement” means the confidentiality agreement between Terrace and Flowr dated October 24, 2018;

“Consideration” means the consideration to be received by Shareholders pursuant to the Plan of Arrangement which is 0.4973 Flowr Shares in respect of each Terrace Share that is issued and outstanding immediately prior to the Effective Time;

“Contract” means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership or other right or obligation (written or oral) to which a Party or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound or to which any of their respective properties or assets is subject;

“Controlling Individual” has the meaning ascribed thereto under the heading “*Income Tax Considerations – Eligibility for Investment*”;

“**Corporation**” or “**Terrace**” means Terrace Global Inc.;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**Depository**” means Computershare Investor Services Inc., or any other depository or trust company, bank or financial institution as Flowr may appoint to act as depository with the approval of Terrace, acting reasonably, for the purpose of, among other things, exchanging certificates representing the Terrace Shares for the Consideration in connection with the Arrangement;

“**Directors Election Meeting**” means any meeting of shareholders of Flowr at which directors of Flowr are to be elected;

“**Dissent Rights**” means the rights of dissent exercisable by the Terrace Shareholders under section 185 of the OBCA or as otherwise determined by the Court in the Interim Order in respect of the Terrace Arrangement Resolution;

“**Dissenting Holder**” has the meaning ascribed thereto under the heading “*Income Tax Considerations — Dissenting Holders*”;

“**Dissenting Shares**” means the Terrace Shares in respect of which a Dissenting Shareholder has exercised Dissent Rights;

“**Dissenting Shareholder**” means a Shareholder who has validly exercised Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Terrace Shares in respect of which Dissent Rights are validly exercised by such Shareholder;

“**Effective Date**” means the date shown on the Certificate of Arrangement giving effect to the Arrangement, which shall be no later than the Outside Date;

“**Effective Time**” has the meaning ascribed thereto in the Plan of Arrangement;

“**Eligible Institution**” means a Canadian Schedule I chartered bank, a major trust company in Canada, a commercial bank or trust company in the United States, a member of the Securities Transfer Association Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. (MSP);

“**Employee Plan**” means all benefit or compensation plans, programs, policies, practices, contracts, agreements or other arrangements, covering current or former employees, directors or consultants of the Terrace Group, including without limitation employment, consulting, deferred compensation, equity, benefit, bonus, incentive, pension, retirement, savings, stock purchase, profit sharing, stock option, stock appreciation, phantom stock, termination, change of control, life insurance, medical, health, welfare, hospital, dental, vision care, drug, sick leave, disability, and similar plans, programmes, arrangements or practices, whether or not in writing and whether or not funded, in each case, which is sponsored, maintained or contributed to by a member of the Terrace Group, or to which a member of the Terrace Group is obligated to contribute, or with respect to which a member of the Terrace Group has any liability, direct or indirect, contingent or otherwise, other than benefit plans established pursuant to statute;

“**Equity Line and Profit-Sharing Agreement**” means the equity line and profit-sharing agreement dated as of May 12, 2020 among Flowr, Terrace, RPK Biopharma, Unipessoal, LDA and Terra Nova Produção E Comercialização De Produtos Naturais E Farmacêuticos, Unipessoal, LDA as the same may be amended, modified, amended and restated or replaced from time to time prior to the termination thereof;

“Expense Reimbursement Amount” means \$500,000;

“Fairness Opinion” means the opinion of Hyperion dated effective October 19, 2020, a copy of which is attached as Appendix G to this Circular;

“Final Order” means an order of the Court granted pursuant to section 185 of the OBCA, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Replacement Options or Replacement Warrants) in the United States, in a form acceptable to each of the Parties, each acting reasonably, approving the Arrangement after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided, however, that any such amendment is acceptable to the Parties, each acting reasonably) on appeal, unless such appeal is withdrawn, abandoned or denied;

“Flowr” means The Flowr Corporation;

“Flowr AIF” has the meaning ascribed thereto in Appendix H;

“Flowr Annual Financial Statements” has the meaning ascribed thereto in Appendix H;

“Flowr Board” means the board of directors of Flowr as the same is constituted from time to time;

“Flowr Debenture Conversion” means the conversion of the principal amount of Flowr Debentures held by certain insiders of Flowr, at a conversion price of \$0.50 per Flowr Share, and the conversion of interest on such Flowr Debentures from the issue date thereof to the maturity date thereof at a conversion price equal to the average trading price of the Flowr Shares on the terms set out in the Flowr Debenture Support Agreement, or on such other terms as may be required by the TSXV as a condition to its approval and agreed to by the Parties;

“Flowr Debenture Indenture” means the subordinated convertible debenture indenture dated April 27, 2020 between Flowr and Computershare Trust Company of Canada, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;

“Flowr Debenture Indenture Amendments” means the amendments to the Flowr Debenture Indenture to be made by written consent, vote, extraordinary resolution or otherwise to be approved to give effect to the Flowr Debenture Conversion;

“Flowr Debenture Support Agreements” means the support agreements (including all amendments thereto) between Terrace and certain insiders of Flowr, setting forth the terms and conditions upon which each of such insiders has irrevocably agreed, among other things, to vote in favour of the Flowr Debenture Indenture Amendments and, if applicable, convert all of its respective holdings of Flowr Debentures into Flowr Shares prior to the completion of the Arrangement;

“Flowr Debentureholders” has the meaning ascribed thereto under the heading *“The Arrangement – Flowr Debenture Support Agreement”*;

“Flowr Debentures” means the \$21.579 million principal amount of secured convertible debentures of Flowr as governed by the Flowr Debenture Indenture;

“Flowr Observer” has the meaning ascribed thereto under the heading *“The Arrangement – Nomination and Voting Agreement”*;

“Flowr Shares” means the common shares in the capital of Flowr;

“Flowr Subject Securities” has the meaning ascribed thereto under the heading *“The Arrangement – Flowr Voting Agreement”*;

“Flowr Supporting Securityholders” means, collectively, the securityholders of Flowr who have entered into the Flowr Voting Agreement;

“Flowr Voting Agreement” means the voting agreement (including all amendments thereto) between Terrace and the Flowr Supporting Securityholders setting forth the terms and conditions upon which the Flowr Supporting Securityholders have agreed, among other things, to vote securities of Flowr held by them in favour of any Flowr Securityholder Approval;

“Former Flowr Securityholders” has the meaning ascribed thereto under the heading *“The Arrangement – Nomination and Voting Agreement”*;

“Former Terrace Securityholders” has the meaning ascribed thereto under the heading *“The Arrangement – Nomination and Voting Agreement”*;

“Former Terrace Securityholders’ Nomination Letter” has the meaning ascribed thereto under the heading *“The Arrangement – Nomination and Voting Agreement”*;

“Former Terrace Securityholders’ Nominee” means: (i) as of the date of the Nomination and Voting Agreement until the next Directors Election Meeting, Michael Galego, Jörg Cieslok and Joanne Lee; and (ii) with respect to any Directors Election Meeting subsequent to the date of the Nomination and Voting Agreement, three (3) individuals designated by the Former Terrace Securityholders in a Former Terrace Securityholders’ Nomination Letter and who meet the conditions set out in the Nomination and Voting Agreement;

“Foreign Tax Jurisdiction” has the meaning ascribed thereto under the heading *“Notice to Securityholders in the United States – Tax Matters”*;

“forward-looking information” has the meaning ascribed thereto under the heading *“Cautionary Statement Regarding Forward-Looking Information”*;

“Governmental Entity” means (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSXV, (iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing;

“Holder” has the meaning ascribed thereto under the heading *“Income Tax Considerations”*;

“Hyperion” means Hyperion Capital Inc., the financial advisor to Terrace;

“**IFRS**” means International Financial Reporting Standards;

“**Including**” means including without limitation, and “**include**” and “**includes**” each have a corresponding meaning;

“**Insiders**” has the meaning ascribed to it under the applicable Canadian Securities Laws;

“**Interim Order**” means an order of the Court, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Replacement Options or Replacement Warrants) in the United States, in a form acceptable to each of the Parties, acting reasonably, providing for, among other things, the calling and holding of the Meeting, as the same may be amended by the Court with the consent of the Parties, each acting reasonably;

“**Intermediary**” has the meaning ascribed thereto under the heading “*General Proxy Information – Non-Registered Shareholders*”;

“**Key Regulatory Approvals**” means those sanctions, rulings, consents, orders, exemptions, permits, Authorizations and other approvals of Governmental Entities, necessary to proceed with the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement;

“**Key Third Party Consents**” means those notices, consents or approvals required to be delivered to or obtained from any third party (other than any Governmental Entity), including under any Contract, to proceed with or in connection with the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement;

“**Law**” or “**Laws**” means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended;

“**Letter of Transmittal**” means the letter of transmittal to be sent by Terrace to Shareholders in connection with the Arrangement, a copy of which accompanies this Circular and is printed on yellow paper;

“**Lien**” means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute;

“**Matching Period**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Right to Match*”;

“**Material Adverse Effect**” means, in respect of any Party, as applicable, any effect, fact, change, event, occurrence or circumstance that is, or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, assets (tangible or intangible), liabilities (whether absolute, accrued, conditional or otherwise), capital, operations or results of operations of that Party and its subsidiaries, taken as a whole, including, for greater certainty, (A) the occurrence of an event of default as set out in the ATB Credit Agreement or the RPK Loan provided that, such event of default has not been cured within the time specified in the ATB Credit Agreement or the RPK Loan, as applicable, or otherwise waived by the creditors thereunder in each case or (B) any loss of a material license required to conduct the

business of the Party, but other than any effect arising from, relating to or resulting from, as applicable: (i) the global economy, political conditions (including the outbreak of war or any acts of terrorism), international trade or securities, financial or credit, markets in general, natural disasters or other acts of God (including without limitation the COVID-19 pandemic and any measures introduced by a Governmental Entity to address such pandemic); (ii) the cannabis industry in general, (iii) any generally applicable change in applicable Law (other than orders, judgments, claims or decrees against that Party or any of its subsidiaries), or accounting standards or the enforcement or interpretation thereof; (iv) a change in the market trading price or trading volume of publicly traded securities of that Party (it being understood that the underlying cause of any such change may be taken into consideration when determining whether a Material Adverse Effect has occurred, unless otherwise excepted under this definition); (v) any action taken or refrained from being taken by that Party or its subsidiaries in connection with the Arrangement Agreement, to the extent that the other Party has expressly consented to, approved or requested such action in writing following the date of the Arrangement Agreement; provided, however, that (x) in the event that Party and its subsidiaries, taken as a whole, are materially and disproportionately affected by an effect described in clause (i), (ii) or (iii) above relative to other participants in the industries in which that Party and its subsidiaries operate, the extent (and only the extent) of such effect, relative to such other participants, on that Party or any of its subsidiaries, taken as a whole, may be taken into account in determining whether there has been a Material Adverse Effect; and (y) references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for the purposes of determining whether a “Material Adverse Effect” has occurred;

“**Material Contract**” means any Contract of either Terrace or its Subsidiaries, as applicable:

- (a) relating directly or indirectly to the guarantee of any material liabilities or material obligations or to indebtedness for borrowed money;
- (b) restricting the incurrence of indebtedness (including by requiring the granting of an equal and rateable Lien) or the incurrence of any Liens on any properties or assets, or restricting the payment of dividends, in each case, in any material respect;
- (c) relating to the purchase of materials, supplies, equipment or services involving payments, individually or in the aggregate, in excess of, \$500,000 over the life of such Contract;
- (d) providing for the establishment, investment in, organization or formation of any joint venture, limited liability company, partnership or similar entity that creates an exclusive dealing arrangement or right of first offer or refusal that materially limits the Party’s business or of any Subsidiary;
- (e) with a Governmental Entity for a value in excess of \$100,000;
- (f) that contains any material exclusivity or non-solicitation obligations of the Party or any Subsidiary;
- (g) providing for severance or change in control payments;
- (h) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset where the purchase or sale price or agreed value or fair market value of such property or asset exceeds \$1,000,000;
- (i) that limits or restricts in any material respect (i) the ability of the Party or any Subsidiary to engage in any line of business or carry on business in any geographic area, or (ii) the

scope of Persons to whom the Party or any of its Subsidiaries may sell products or deliver services;

- (j) that gives another Person the right to purchase or license an unlimited quantity or volume of, or enterprise-wide scope of use of, that Party's products or services (or licenses to that Party's products or services) for a fixed aggregate price at no additional charge, or under which that Party grants most-favored customer pricing, rights of first refusal or similar rights or terms to any Person; or
- (k) that is otherwise material to the current or future business, operations, results of operations, assets, properties, capitalizations, condition (financial or otherwise) or liability of the Corporation and its Subsidiaries, taken as a whole;

"Meeting" means the special meeting of Shareholders including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held to secure Shareholder Approval and for any other purpose as may be set out in this Circular;

"Meeting Materials" has the meaning ascribed thereto under the heading *"General Proxy Information – Non-Registered Shareholders"*;

"MI 61-101" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact required or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made;

"NI 45-106" means National Instrument 45-106 – *Prospectus Exemptions*;

"NI 54-101" means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"Nomination and Voting Agreement" means the nomination and voting agreement between Core Flow Canada Holdings Inc., Steven Klein, Vinay Tolia, Francisco Ortiz von Bismarck, Michael Galego, Apolo Capital Advisory Corp., Stephen Arbib, Jonathan Goldman, Goldman Ventures Inc., 2646015 Ontario Inc., AJA Holdings 2013 Inc. and Flowr to be entered into at the Effective Time;

"Non-Objecting Beneficial Owners" or **"NOBOs"** has the meaning ascribed thereto under the heading *"General Proxy Information – Non-Registered Shareholders"*;

"Non-Registered Shareholder" has the meaning ascribed thereto under the heading *"General Proxy Information – Non-Registered Shareholders"*;

"Notice of Meeting" has the meaning ascribed thereto under the heading *"Management Information Circular"*;

"OBCA" means the *Business Corporations Act* (Ontario), including all regulations made thereunder;

"Objecting Beneficial Owners" or **"OBOs"** has the meaning ascribed thereto under the heading *"General Proxy Information – Non-Registered Shareholders"*;

“Ordinary Course” means, with respect to an action taken by a Person, that such action is consistent with the past practices of such Party and is taken in the ordinary course of the normal day-to-day operations of the business of such Person and consistent with past practices;

“Outside Date” means January 8, 2021, or such later date as may be agreed to in writing by the Parties;

“Parties” means, collectively, Flowr and Terrace, and **“Party”** means either of them;

“Permitted Lien” means, in respect of the Corporation or any of its Subsidiaries, any one or more of the following:

- (a) assignments of insurance provided to landlords (or their mortgagees) pursuant to the terms of any lease to which Terrace or any of its subsidiaries is the tenant;
- (b) liens for Taxes, assessments and governmental charges due and being contested in good faith and diligently by appropriate proceedings;
- (c) registered servitudes, easements, restrictions, rights of way and other similar rights in real property or any interest therein, provided: (i) the same are not of such nature as to materially restrict, limit, impair or impede the use of the property subject thereto in the business of Terrace or its Subsidiaries; and (ii) each such encumbrance has been complied with and is in good standing;
- (d) security given in the ordinary course of the business of Terrace or its Subsidiaries to any public utility, municipality or government or to any statutory or public authority in connection with the operations of such business other than security for borrowed money, provided that such security does not materially restrict, limit, impair or impede the ability of Terrace or any of its subsidiaries to carry on their business; and
- (e) undetermined or inchoate liens, charges and privileges incidental to current construction or current operations and statutory liens, charges, adverse claims, security interests or encumbrances to which any Governmental Entity may be entitled that have not at the time been filed or registered against the title to the asset or served upon the owner or lessee of the property subject thereto pursuant to Law and that relate to obligations not due or delinquent, provided that they do not materially restrict, limit, impair or impede the ability of Terrace or any of its subsidiaries to carry on the Business;

“Person” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status;

“Plan of Arrangement” means the plan of arrangement, substantially in the form of Appendix C of this Circular, subject to any amendments or variations to such plan made in accordance with the provisions of the Arrangement Agreement, the Plan of Arrangement itself or made at the direction of the Court in the Final Order with the prior written consent of Terrace and Flowr, each acting reasonably;

“Pre-Effective Date Period” means the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the time that the Arrangement Agreement is terminated in accordance with its terms;

“Prohibited Matters” has the meaning ascribed thereto under the heading *“The Arrangement – Voting Support Agreement”*;

“Proposed Tax Amendments” has the meaning ascribed thereto under the heading *“Income Tax Considerations”*;

“Record Date” has the meaning ascribed thereto under the heading *“Voting Securities and Principal Holders Thereof”*;

“Registered Plan” has the meaning ascribed thereto under the heading *“Income Tax Considerations – Eligibility for Investment”*;

“Registered Shareholder” means a registered holder of Terrace Shares who is in possession of a physical share certificate or who is entitled to receive a physical share certificate and whose name and address are recorded in the Corporation’s shareholders’ register maintained by the Transfer Agent;

“Regulation S” means Regulation S adopted by the United States Securities and Exchange Commission pursuant to the U.S. Securities Act;

“Regulatory Approval” means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case in connection with the Arrangement, including but not limited to: (i) in relation to Corporation, the approval of the TSXV in respect of the Arrangement and the grant of the Interim Order and the Final Order; (ii) in relation to Flowr, the approval of the TSXV for the issuance and listing of the Flowr Shares to be issued pursuant to the Arrangement, and any Flowr Shares issuable upon the exercise of Replacement Options and Terrace Warrants, and (iii) any and all foreign investment and competition law approvals;

“Replacement Option” means an option or right to purchase Flowr Shares granted by Flowr in replacement of Terrace Options pursuant to the Arrangement;

“Replacement Warrant” means a common share purchase warrant exercisable to purchase Flowr Shares granted by Flowr in replacement of Terrace Warrants pursuant to the Arrangement;

“Representatives” means, collectively, in respect of a Person, its subsidiaries and its affiliates and its and their officers, directors, employees, consultants, advisors, agents or other representatives (including financial, legal or other advisors);

“RPK Loan” means the term loan dated January 2019 between RPK Biopharma Unipessoal Lda, a subsidiary of Flowr, and Caixa Central de Crédito Agrícola Mútuo, as the same may be amended, modified, amended and restated or replaced from time to time prior to the termination thereof;

“Rule 144” means Rule 144 under the U.S. Securities Act;

“SEC” means the United States Securities and Exchange Commission;

“Section 3(a)(10) Exemption” means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof;

“Securities Act” means the *Securities Act* (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“Securities Laws” means the Securities Act, together with all other applicable Canadian provincial securities Laws, the U.S. Securities Laws, and the rules and regulations and published policies of the

securities authorities under each of the foregoing securities Laws, as now in effect and as they may be promulgated or amended from time to time, and includes the applicable stock exchange and listing rules of the TSXV;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**Shareholder**” means a registered or beneficial holder of Terrace Shares, as the context requires;

“**Shareholder Approval**” means at least 66^{2/3}% of the votes cast on the Arrangement Resolution by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, with each Terrace Share entitling the holder thereof to one vote on the Arrangement Resolution;

“**Software**” means computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs;

“**Subsidiary**” has the meaning specified in NI 45-106 as in effect on the date of the Arrangement Agreement;

“**Superior Proposal**” means any *bona fide* Acquisition Proposal made in writing by a third party or third parties acting jointly or in concert with one another, after the date hereof that would, if consummated, result in any Person or group of Persons acquiring, directly or indirectly, 100% of the consolidated net revenues, net income or total assets (including equity securities of Terrace’s subsidiaries) of Terrace and its Subsidiaries or securities representing 100% of the total voting power of the equity securities of Terrace (or of the surviving entity in a merger, amalgamation, arrangement or similar transaction involving Terrace) that, in the good faith determination of the Terrace Board, after receipt of advice from its outside financial advisor and outside legal counsel: (i) is reasonably capable of being completed in accordance with its terms without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (ii) in respect of which any required financing to complete such Acquisition Proposal is available and has been demonstrated to the satisfaction of the Terrace Board; (iii) is not subject to a due diligence, access or financing condition; (iv) did not result from a breach of the Arrangement Agreement by Terrace or its Representatives; (v) in the case of a transaction that involves the acquisition of Terrace Shares, is made available to all Shareholders on the same terms and conditions other in respect of the Person making such Acquisition Proposal and any joint actor or any of their respective affiliates; and (vi) in respect of which the Terrace Board determines, in its good faith judgment after receiving advice of its outside legal counsel and financial advisor, that (a) failure to recommend such Acquisition Proposal to the Shareholders would be inconsistent with the Terrace Board’s fiduciary duties; and (b) taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), would result in a transaction more favourable to the Shareholders from a financial point of view, than the Arrangement;

“**Superior Proposal Notice**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Right to Match*”;

“**Superior Proposal Notice Period**”) has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Right to Match*”;

“**Supporting Terrace Shareholder**” means all of the directors and senior officers of the Corporation;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“**Tax Returns**” means all domestic and foreign federal, provincial, , provincial, territorial, municipal and local returns, reports, declarations, disclosures, elections, notices, filings, forms, statements, information statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by Law in respect of Taxes;

“**taxable capital gain**” has the meaning ascribed thereto under the heading “*Income Tax Considerations – Taxation of Capital Gains and Capital Losses*”;

“**Taxes**” means any and all domestic and foreign federal, provincial, , provincial, municipal, territorial and local taxes, assessments and other governmental charges, duties, fees, levies, impositions and liabilities imposed by any Governmental Entity (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), including without limitation pension plan contributions, tax instalment payments, unemployment insurance contributions and employment insurance contributions, disability, severance, social security, workers’ compensation and deductions at source, including taxes based on or measured by gross receipts, income, profits, sales, capital, use, and occupation, and including goods and services, value added, ad valorem, sales, capital gains, capital stock, windfall profits, premium, transfer, franchise, stamp, license, non-resident withholding, customs, payroll, recapture, employment, excise and property duties and taxes, together with all estimated taxes, deficiency assessments, interest, penalties, fines and additions to tax imposed with respect to such amounts, and shall include any liability for such amounts as a result of (i) being a transferee or successor or member of a combined, consolidated, unitary or affiliated group, or (ii) a contractual obligation to indemnify any Person or other entity;

“**Termination Payment**” means an amount equal to \$3 million, provided that if the Arrangement Agreement is terminated by Flowr pursuant to Section 8.2(a)(iii)B then the amount shall be equal to \$1.5 million and such payment shall be satisfied by Terrace subscribing in cash for Flowr Shares and warrants of the Flowr in accordance with the terms of the Equity Line and Profit Sharing Agreement;

“**Terrace Board**” means the board of directors of Terrace as the same is constituted from time to time;

“**Terrace Board Recommendation**” means a statement that the Terrace Board has received the Fairness Opinion and has unanimously determined, after receiving legal and financial advice: (a) that the Arrangement is fair to the Shareholders; (b) the Arrangement and the entering into of the Arrangement Agreement is in the best interests of the Corporation; and (c) that the Terrace Board recommends that the Shareholders vote in favour of the Arrangement Resolution;

“**Terrace Change in Recommendation**” has the meaning ascribed thereto under the heading “*The Arrangement Agreement – Termination of Arrangement Agreement*”;

“**Terrace Disclosure Letter**” means the disclosure letter dated October 19, 2020 and delivered by the Corporation to Flowr with the Arrangement Agreement;

“**Terrace Filings**” means all documents publicly filed under the profile of the Corporation on SEDAR since January 10, 2018;

“**Terrace Observer**” has the meaning ascribed thereto under the heading “*The Arrangement – Nomination and Voting Agreement*”;

“Terrace Option Plan” means the stock option plan of Terrace, last approved by Shareholders on September 10, 2020;

“Terrace Optionholder” means a registered holder of Terrace Options;

“Terrace Options” means the stock options of Terrace issued pursuant to the Terrace Option Plan;

“Terrace Shares” means the common shares in the capital of Terrace;

“Terrace Subject Securities” has the meaning ascribed thereto under the heading *“The Arrangement – Voting Support Agreement”*;

“Terrace Subscription Receiptholder” means a registered holder of Terrace Subscription Receipts;

“Terrace Subscription Receipt Agreement” means the subscription receipt agreement between Terrace and Computershare Trust Company of Canada entered into on September 9, 2020;

“Terrace Subscription Receipts” means subscription receipts issued pursuant to the Terrace Subscription Receipt Agreement;

“Terrace Warrantholders” means the registered or beneficial holders of Terrace Warrants;

“Terrace Warrants” means the Terrace Share purchase warrants of Terrace;

“Termination Payment” means an amount equal to \$3 million, subject to certain carveouts as set forth in the Arrangement Agreement;

“Transfer” has the meaning ascribed thereto under the heading *“The Arrangement – Voting Support Agreement”*;

“Transfer Agent” means Computershare Investor Services Inc.;

“TSXV” means the TSX Venture Exchange;

“U.S. Exchange Act” means the United States *Securities Exchange Act* of 1934, as the same has been, and hereafter from time to time may be amended and the rules and regulations of the SEC promulgated thereunder;

“U.S. Securities Act” means the *United States Securities Act of 1933*, as the same has been, and hereafter from time to time may be, amended, and the rules and regulations of the SEC promulgated thereunder;

“U.S. Securities Laws” means all applicable securities legislation in the U.S., including the U.S. Securities Act, the U.S. Exchange Act, and the rules and regulations promulgated thereunder, including judicial and administrative interpretations thereof, and the securities laws of the states of the U.S.;

“United States” or **“U.S.”** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

“VIF” has the meaning ascribed thereto under the heading *“General Proxy Information – Non-Registered Shareholders”*;

“Voting Interest” means, in respect of a shareholder of Flowr at a particular time, the quotient that is obtained by dividing (i) the number of Flowr Shares held or controlled, directly or indirectly, by such shareholder at the relevant time on a non-diluted basis, by (ii) the aggregate number of Flowr Shares held by all shareholders of Flowr, including such shareholder, at the relevant time, on a non-diluted basis and, if no updated number is provided by Flowr, referenced in the most recently filed financial statements of Flowr;

“Voting Support Agreement” means, collectively, the Voting and Support Agreement dated October 19, 2020 between Flowr and each of the Supporting Terrace Shareholders, setting forth the terms and conditions upon which the Supporting Terrace Shareholders have agreed, among other things, to vote their Terrace Shares in favour of the Arrangement; and

“Voting Support Outside Date” has the meaning ascribed thereto under the heading “*The Arrangement – Voting Support Agreement*”.

APPENDIX B ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- (1) the arrangement (the “**Arrangement**”) under Section 182 of the *Business Corporations Act* (Ontario) (the “**OBCA**”) involving The Flowr Corporation (“**Purchaser**”) and Terrace Global Inc. (“**Terrace**”), as more particularly described and set forth in the management proxy circular of Terrace (the “**Circular**”) dated November 13, 2020 accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified, amended or supplemented in accordance with the definitive agreement (as it may be amended, the “**Arrangement Agreement**”) made as of October 19, 2020 between Purchaser and Terrace) is hereby authorized, approved and adopted;
- (2) the plan of arrangement of Terrace (as may be, or may have been, modified, amended or supplemented in accordance with its terms and the terms of the Arrangement Agreement as the “**Plan of Arrangement**”) implementing the Arrangement, the full text of which is set out in Appendix “B” to the Circular, is hereby authorized, approved and adopted;
- (3) the (i) Arrangement Agreement and related transactions, (ii) actions of the directors of Terrace in approving the Arrangement Agreement, and (iii) actions of the directors and officers of Terrace in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved;
- (4) Terrace be and is hereby authorized to apply for a final order from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be modified, amended or supplemented as described in the Circular);
- (5) notwithstanding that this resolution has been passed (and the Arrangement approved) by the shareholders of Terrace or that the Arrangement has been approved by the Court, the directors of Terrace are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Terrace to (i) modify, amend or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the terms of the Arrangement Agreement or the Plan of Arrangement; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions;
- (6) any director or officer of Terrace is hereby authorized and directed for and on behalf of Terrace to execute, whether under corporate seal of Terrace or otherwise, and to deliver for filing with the Director under the OBCA articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents;
- (7) Terrace be and is hereby authorized to apply for the delisting of its common shares from the TSX Venture Exchange (the “**Delisting**”) in connection with the transactions contemplated in the Arrangement Agreement; and
- (8) any one director or officer of Terrace is hereby authorized and directed, for and on behalf and in the name of Terrace, to execute or cause to be executed and to deliver or cause to be delivered, whether under corporate seal of Terrace or otherwise, all such agreements, forms, waivers, notices, certificate, confirmations and other documents and instruments, and to perform or cause to be performed all such other acts and things, as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions and the matters

authorized thereby, the Arrangement Agreement, completion of the Plan of Arrangement, and the Delisting, including:

- a. all actions required to be taken by or on behalf of Terrace, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
- b. the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Terrace;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX C
PLAN OF ARRANGEMENT

(begins on following page)

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 182 OF THE *BUSINESS CORPORATIONS ACT (ONTARIO)*

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith and unless otherwise indicated, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

- (a) “**Arrangement**” means the arrangement of Terrace under Section 182 of the OBCA, on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 8.4 of the Arrangement Agreement or ARTICLE 6 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of Terrace and Purchaser, each acting reasonably;
- (b) “**Arrangement Agreement**” means the agreement made as of October 19, 2020 between Terrace and Purchaser, including the schedules thereto, as the same may be supplemented, amended and/or amended and restated from time to time;
- (c) “**Articles of Arrangement**” means the articles of arrangement of Terrace in respect of the Arrangement required by the OBCA, to be sent to the Director after the Final Order is made, which shall be in a form and content satisfactory to the Parties, each acting reasonably;
- (d) “**Business Day**” means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Toronto, Ontario are authorized or required by applicable Law to be closed;
- (e) “**Certificate of Arrangement**” means the certificate of arrangement to be issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement;
- (f) “**Claim**” means (i) any suit, action, proceeding, dispute, investigation, claim, arbitration, order, summons, citation, directive, ticket, charge, demand or prosecution, whether legal or administrative; or (ii) any appeal or application for review; whether at Law or in equity or by any Governmental Entity;
- (g) “**Consideration**” means the consideration to be received by Terrace Shareholders pursuant to the Plan of Arrangement, which is 0.4973 Purchaser Common Shares in respect of each Terrace Share that is issued and outstanding immediately prior to the Effective Time;
- (h) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (i) “**Depository**” means Computershare Trust Company of Canada;
- (j) “**Director**” means the director appointed pursuant to Section 278 of the OBCA;
- (k) “**Dissent Rights**” has the meaning ascribed thereto in Section 4.1;
- (l) “**Dissenting Shareholder**” means a registered Terrace Shareholder who has duly and validly exercised the Dissent Rights in respect of the Terrace Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

- (m) **“Dissenting Shares”** means the Terrace Shares held by Dissenting Shareholders in respect of which such Dissenting Shareholders have given Notice of Dissent;
- (n) **“Effective Date”** means the date upon which the Arrangement becomes effective as established by the date shown on the Certificate of Arrangement giving effect to the Arrangement;
- (o) **“Effective Time”** means 12:01 a.m. (Toronto time) on the Effective Date or such other time as Terrace and Purchaser may agree upon in writing;
- (p) **“Final Order”** means an order of the Court granted pursuant to section 185 of the OBCA, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in the United States, in a form acceptable to each of the Parties, each acting reasonably, approving the Arrangement after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided, however, that any such amendment is acceptable to the Parties, each acting reasonably) on appeal, unless such appeal is withdrawn, abandoned or denied;
- (q) **“Former Terrace Shareholders”** means the holders of Terrace Shares immediately prior to the Effective Time;
- (r) **“Governmental Entity”** means (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSXV, (iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing;
- (s) **“holder”**, when used with reference to any securities of Terrace, means the holder of such securities shown from time to time in the register maintained by or on behalf of Terrace in respect of such securities;
- (t) **“Interim Order”** means an order of the Court, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in the United States, in a form acceptable to each of the Parties, acting reasonably, providing for, among other things, the calling and holding of the Terrace Meeting, as the same may be amended by the Court with the consent of the Parties, each acting reasonably;
- (u) **“Law”** means, with respect to any Person, any and all applicable law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended;
- (v) **“Liability”** means, in respect of any Person, any debt, liability or obligation of any kind or nature whatsoever, including (i) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,

undisputed, legal, equitable, secured or unsecured, (ii) any right against such Person to an equitable remedy for breach of performance, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and (iii) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise);

- (w) “**Lien**” means any Claim, encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, option, right of pre-emption, privilege or any matter capable of registration against title or any contract to create any of the foregoing;
- (x) “**Notice of Dissent**” means a notice of dissent duly and validly given by a registered Terrace Shareholder exercising Dissent Rights as contemplated in the Interim Order and as described in ARTICLE 4;
- (y) “**OBCA**” means the *Business Corporations Act* (Ontario), including all regulations made thereunder;
- (z) “**Option**” means, at any time, an option exercisable to acquire a Terrace Share granted under the Option Plan which is, at such time, outstanding, whether or not vested;
- (aa) “**Option Plan**” means the stock option plan of Terrace, last approved by Terrace Shareholders on September 10, 2020;
- (bb) “**Optionholder**” means a holder of one or more Options;
- (cc) “**Parties**” means, collectively, Terrace and Purchaser, and “**Party**” means any one of them;
- (dd) “**Person**” includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, body corporate, corporation, company, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;
- (ee) “**Plan of Arrangement**” means this plan of arrangement and any amendments or variations hereto made from time to time in accordance with the Arrangement Agreement, the terms hereof or upon the direction of the Court in the Final Order with the consent of the Parties, each acting reasonably;
- (ff) “**Purchaser**” means The Flowr Corporation, a corporation existing under the laws of Ontario;
- (gg) “**Purchaser Common Shares**” means common shares in the capital of the Purchaser;
- (hh) “**Purchaser Replacement Option**” means an option to acquire Purchaser Common Shares to be issued by the Purchaser in exchange for the Options;
- (ii) “**Purchaser Replacement Warrants**” means Purchaser Common Share purchase warrants issued to Warrantholders in connection with the Arrangement;
- (jj) “**Section 3(a)(10) Exemption**” means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof.
- (kk) “**Subscription Receiptholder**” means a holder of one or more Subscription Receipts;
- (ll) “**Subscription Receipt Agent**” means Computershare Trust Company of Canada;

- (mm) “**Subscription Receipt Agreement**” means the subscription receipt agreement between Terrace and the Subscription Receipt Agent dated September 9, 2020, as may the same may be supplemented, amended and/or amended and restated from time to time;
- (nn) “**Subscription Receipts**” means subscription receipts issued pursuant to the Subscription Receipt Agreement;
- (oo) “**Tax Act**” means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;
- (pp) “**Terrace**” means Terrace Global Inc., a corporation incorporated under the laws of Ontario;
- (qq) “**Terrace Arrangement Resolution**” means the special resolution of the Terrace Shareholders approving the this Plan of Arrangement, which is to be considered at the Terrace Meeting;
- (rr) “**Terrace Circular**” means the notice of the Terrace Meeting and accompanying management proxy circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the Terrace Shareholders and other securityholders of Terrace, as required by the Court in the Interim Order, in connection with the Terrace Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement;
- (ss) “**Terrace Meeting**” means the special meeting of the Terrace Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Terrace Arrangement Resolution, and for any other purpose as may be set out in the Terrace Circular if and as agreed to by Purchaser;
- (tt) “**Terrace Share Letter of Transmittal**” means the letter of transmittal to be delivered by Terrace to the Terrace Shareholders providing for the delivery of Terrace Shares to the Depositary;
- (uu) “**Terrace Shareholder**” means a holder of one or more Terrace Shares;
- (vv) “**Terrace Shares**” means issued and outstanding common shares in the capital of Terrace;
- (ww) “**Warrantholder**” means a holder of one or more Warrants; and
- (xx) “**Warrants**” means the common share purchase warrants to acquire Terrace Shares which are at such time outstanding.

Any capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Arrangement Agreement. In addition, words and phrases used herein and defined in the OBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the OBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an “Article”, “Section” or “paragraph” followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement.

1.3 Number

In this Plan of Arrangement, unless the context otherwise requires, words used herein importing the singular include the plural and *vice versa*.

1.4 Date of Any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Time

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in any letter of transmittal contemplated herein are local time (Toronto, Ontario) unless otherwise stipulated herein or therein.

1.6 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

ARTICLE 2 EFFECT OF THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms a part of the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

2.2 Binding Effect

This Plan of Arrangement will become effective at the Effective Time and shall be binding upon Purchaser, Terrace, the Subscription Receipt Agent, the Depositary, the registrar and transfer agent in respect of the Terrace Shares and all registered and beneficial Terrace Shareholders, Optionholders, Warrantholders and Subscription Receiptholders.

2.3 U.S. Securities Law Exemption

Notwithstanding any provision herein to the contrary, the Parties agree that the Arrangement will be carried out with the intention that all Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) issued on completion of the Arrangement in the United States will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof.

ARTICLE 3 ARRANGEMENT

3.1 The Arrangement

- (a) Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, without any further authorization, act or formality of or by Terrace, Purchaser or any other Person:
 - (i) all Purchaser Common Shares owned directly or indirectly by Terrace immediately prior to the Effective Time shall be hereby cancelled without any payment thereon;
 - (ii) each Terrace Share held by a Dissenting Shareholder in respect of which Dissent Rights have been duly and validly exercised shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to

Terrace and Terrace shall thereupon be obliged to pay the consideration therefor determined and payable in accordance with ARTICLE 4 hereof, and the name of such holder shall be removed as a holder of Terrace Shares from the register of Terrace Shares maintained by or on behalf of Terrace and Terrace shall be recorded as the registered holder of such Terrace Shares so transferred and shall be deemed to be the legal owner of such Terrace Shares, and such Terrace Shares shall thereafter be automatically cancelled;

- (iii) each Subscription Receipt outstanding immediately prior to the Effective Time shall, and shall be deemed to, have been converted, without any further act or formality, into one (1) Terrace Share and the Escrowed Funds (as defined in the Subscription Receipt Agreement) shall be released to Terrace (with all conditions and notices for release of the Terrace Shares and the Escrowed Funds deemed to have been satisfied and/or delivered to the Subscription Receipt Agent), and the Subscription Receiptholders outstanding immediately prior to the Effective Time shall, and shall be deemed to, cease to be the holder thereof and to have any rights as a holder thereof, and the name and holder thereof shall be removed from the register of Subscription Receipts maintained by and on behalf of Terrace and added to the register of holders of Terrace Shares;
- (iv) each outstanding Terrace Share (including Terrace Shares issued upon conversion of the Subscription Receipts pursuant to Section 3.1(a)(iii) above, but other than Terrace Shares held by a Dissenting Shareholder who has duly and validly exercised and not withdrawn such holder's Dissent Rights (which Terrace Shares will have been transferred pursuant to Section 3.1(a)(ii) above)) will, without further act or formality by or on behalf of a holder of Terrace Shares, be irrevocably assigned and transferred by the holder thereof to Purchaser (free and clear of all Liens) in exchange for payment of Consideration in accordance with Section 5.1 less any amounts withheld in accordance with Section 5.4, and
 - A. the holder of such Terrace Share shall cease to be the holder thereof and to have any rights as a holder of such Terrace Share other than the right to receive payment in accordance with this Plan of Arrangement;
 - B. such holder's name shall be removed from the register of the Terrace Shares maintained by or on behalf of Terrace; and
 - C. Purchaser shall be deemed to be the transferee and the legal and beneficial holder of such Terrace Share (free and clear of all Liens) and shall be entered as the registered holder of such Terrace Share in the register of the Terrace Shares maintained by or on behalf of Terrace.
- (v) Each Option outstanding immediately prior to the Effective Time shall be exchanged for a Purchaser Replacement Option to purchase from Purchaser, without further act or formality, the number of Purchaser Common Shares equal to the product of: (A) the number of Terrace Shares that were issuable upon exercise of such Option immediately before the Effective Time; and (B) the Consideration, provided that if the foregoing would result in the issuance of a fraction of a Purchaser Common Share on any particular exercise of Purchaser Replacement Options, then the number of Purchaser Common Shares otherwise issued shall be rounded down to the nearest whole number of Purchaser Common Shares. The exercise price per Purchaser Common Share subject to any such Purchaser Replacement Option shall be an amount equal to the quotient of: (A) the exercise price per Terrace Share of the exchanged Option immediately prior to the Effective Time divided by (B) the Consideration, rounded up to the nearest whole cent. Except as set out above, all terms and conditions of a Purchaser Replacement Option, including the term to

expiry, exercise price, conditions to and manner of exercising, will be the same as the Option for which it was exchanged and any document evidencing an Option shall thereafter evidence and be deemed to evidence such Purchaser Replacement Option. If the exchange contemplated by this paragraph results in a disposition of Options, it is intended that the provisions of subsection 7(1.4) of the Tax Act apply to any such disposition. Notwithstanding the terms of the Option Plan and any stock option agreement pursuant to which Options were granted, the Option Plan and all stock option agreements shall be terminated, and neither Terrace nor Purchaser shall have any Liability with respect to such plans and agreements other than the delivery of the Purchaser Replacement Options in accordance with this Plan of Arrangement;

- (vi) Each issued and outstanding Warrants immediately prior to the Effective Time shall be exchanged, without further action or formality by or on behalf of the holders thereof, for a Purchaser Replacement Warrant to purchase from Purchaser the number of Purchaser Common Shares equal to the product of: (A) the number of Terrace Shares that were issuable upon exercise of such Warrant immediately before the Effective Time; and (B) the Consideration, provided that if the foregoing would result in the issuance of a fraction of a Purchaser Common Share on any particular exercise of Purchaser Replacement Warrants, then the number of Purchaser Common Shares otherwise issued shall be rounded down to the nearest whole number of Purchaser Common Shares. The exercise price per Purchaser Common Share subject to any such Purchaser Replacement Warrant shall be an amount equal to the quotient of: (A) the exercise price per Terrace Share of the exchanged Warrant immediately prior to the Effective Time divided by (B) the Consideration, rounded up to the nearest whole cent. Except as set out above, all terms and conditions of a Purchaser Replacement Warrant, including the term to expiry, exercise price, conditions to and manner of exercising, will be the same as the Warrant for which it was exchanged and any document evidencing a Warrant shall thereafter evidence and be deemed to evidence such Purchaser Replacement Warrant. Notwithstanding the terms of any warrant agreement or indenture pursuant to which Warrants were granted, the warrant agreements or indenture shall be terminated, and neither Terrace nor Purchaser shall have any Liability with respect to such plans and agreements other than the delivery of the Purchaser Replacement Warrants in accordance with this Plan of Arrangement.
- (b) The transfers and exchanges provided for in this Section 3.1 will be deemed to occur on the Effective Date, notwithstanding that certain of the procedures related thereto are not completed until after the Effective Date.

ARTICLE 4

DISSENT RIGHTS

4.1 Rights of Dissent

Pursuant to the Interim Order, each registered Terrace Shareholder may exercise rights of dissent ("**Dissent Rights**") under Section 185 of the OBCA as modified by this ARTICLE 4 as the same may be modified by the Interim Order or the Final Order in respect of the Arrangement, provided that the written objection to the Terrace Arrangement Resolution contemplated by Section 185 of the OBCA must be sent to and received by Terrace by 5:00 p.m. (Toronto time) at least two (2) Business Days before the Terrace Meeting. Terrace Shareholders who duly and validly exercise such rights of dissent and who:

- (a) are ultimately determined to be entitled to be paid fair value from Terrace, for the Dissenting Shares in respect of which they have exercised Dissent Rights, will be deemed to have irrevocably transferred such Dissenting Shares (free and clear of all Liens) to Terrace pursuant to Section 3.1(a)(ii) in consideration of such fair value; or

- (b) are ultimately not entitled, for any reason, to be paid fair value for the Dissenting Shares in respect of which they have exercised Dissent Rights, will be deemed to have participated in the Arrangement on the same basis as a Terrace Shareholder who has not exercised Dissent Rights;

but in no case will Terrace or Purchaser or any other person be required to recognize such holders as holders of Terrace Shares after the completion of the steps set forth in Section 3.1(a), and each Dissenting Shareholder will cease to be entitled to the rights of a Terrace Shareholder in respect of the Terrace Shares in relation to which such Dissenting Shareholder has exercised Dissent Rights and the register of Terrace Shares maintained by or on behalf of Terrace will be amended to reflect that such former holder is no longer the holder of such Terrace Shares from and after the Effective Time.

For greater certainty, and in addition to any other restriction under Section 185 of the OBCA, Terrace Shareholders who vote, or who have instructed a proxyholder to vote, in favour of the Terrace Arrangement Resolution, will not be entitled to any Dissent Rights.

Furthermore: (i) Optionholders; (ii) Warrantholders; and (iii) Subscription Receipholders are not entitled to any Dissent Rights and none of them are entitled to vote in respect of the Terrace Arrangement Resolution.

ARTICLE 5

CERTIFICATES AND PAYMENTS

5.1 Payment of Consideration and Delivery of Purchaser Replacement Options and Purchaser Replacement Warrants

- (a) Following the receipt of the Final Order and prior to the Effective Date, Purchaser shall deposit or arrange to be deposited with the Depositary sufficient number of Purchaser Common Shares in respect of Consideration payable in accordance with the provisions of Section 3.1(a) hereof, with the Consideration per Terrace Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration per Terrace Share for this purpose, net of applicable withholdings, which amount shall be held by the Depositary as agent and nominee for such Former Terrace Shareholders for distribution to such Former Terrace Shareholders in accordance with the provisions of this ARTICLE 5.
- (b) As soon as practicable following the later of the Effective Date and the surrender to the Depositary for cancellation of a certificate, if any, that immediately prior to the Effective Time represented outstanding Terrace Shares that were transferred under Section 3.1(a), together with a duly completed Terrace Share Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require and such other documents and instruments as would have been required to effect such transfer under the OBCA and the articles of Terrace after giving effect to Section 3.1(a), the former holder of such Terrace Shares shall be entitled to receive in exchange therefor, and the Depositary shall deliver on behalf of Purchaser to each holder who immediately before the Effective Time was a holder of Terrace Shares, such number of Purchaser Common Shares, in certificated form or uncertificated, representing the Consideration which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4, and any certificate so surrendered shall forthwith be cancelled.
- (c) Subject to Section 5.3, until surrendered as contemplated by this Section 5.1, each certificate which immediately prior to the Effective Time represented Terrace Shares (other than Terrace Shares in respect of which Dissent Rights have been validly exercised and not withdrawn) will be deemed after the time described in Section 3.1(a) to represent only the right to receive from the Depositary the Consideration that the holder is entitled to receive in accordance with Section 3.1 hereof, less any amounts withheld pursuant to Section 5.4.
- (d) As soon as practicable following the Effective Date each former Optionholder, as evidenced in the Options register of Terrace, shall be entitled to receive in exchange therefor, and the Purchaser

shall deliver to each holder who immediately before the Effective Time was an Optionholder, such number of Purchaser Replacement Options in certificated form or uncertificated, representing the Purchaser Replacement Options which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4. For greater certainty, neither a certificate nor a letter of transmittal need be surrendered by a former Optionholder in order for such former holder to receive the Purchaser Replacement Options that such former holder is entitled to receive pursuant to Section 3.1.

- (e) As soon as practicable following the Effective Date each former Warrantholder, as evidenced in the Warrants register of Terrace, shall be entitled to receive in exchange therefor, and the Purchaser shall deliver to each holder who immediately before the Effective Time was a Warrantholder, such number of Purchaser Replacement Warrants in certificated form or uncertificated, representing the Purchaser Replacement Warrants which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4. For greater certainty, neither a certificate nor a letter of transmittal need be surrendered by a former Warrantholder in order for such former holder to receive the Purchaser Replacement Warrants that such former holder is entitled to receive pursuant to Section 3.1.
- (f) No holder of Terrace Shares, Options, Warrants or Subscription Receipts shall be entitled to receive any consideration or entitlement with respect to such Terrace Shares, Options, Warrants or Subscription Receipts, other than any consideration or entitlement to which such holder is entitled to receive in accordance with Section 3.1, this Section 5.1 and the other terms of this Plan of Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

5.2 Loss of Certificates

In the event any certificate which immediately prior to the Effective Time represented any outstanding Terrace Shares that were acquired by Purchaser or Terrace pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of such Terrace Shares, the Depositary will deliver to such person or make available for pick up at its offices in exchange for such lost, stolen or destroyed certificate, the Consideration to which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4 in accordance with such holder's Terrace Share Letter of Transmittal. When authorizing such payment of the Consideration in relation to any lost, stolen or destroyed certificate, the former holder of such Terrace Shares will, as a condition precedent to the delivery of such Consideration, give a bond satisfactory to Purchaser and the Depositary in such sum as Purchaser may direct or otherwise indemnify Purchaser in a manner satisfactory to Purchaser against any Claim that may be made against Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed.

5.3 Extinction of Rights

If any Former Terrace Shareholder fails to deliver to the Depositary the certificates, documents or instruments required to be delivered to the Depositary under Section 5.1 or Section 5.2 in order for such Former Terrace Shareholder to receive the Consideration which such former holder is entitled to receive pursuant to Section 3.1, on or before the sixth anniversary of the Effective Date: (i) such former holder will be deemed to have donated and forfeited to Purchaser or its successors, any Consideration held by the Depositary in trust for such former holder to which such former holder is entitled; and (ii) any certificate representing Terrace Shares formerly held by such former holder will cease to represent a Claim of any nature whatsoever and will be deemed to have been surrendered to the Purchaser and will be cancelled. Neither Terrace nor Purchaser, or any of their respective successors, will be liable to any person in respect of any Consideration (including any consideration previously held by the Depositary in trust for any such former holder) which is forfeited to Terrace or Purchaser or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

5.4 Withholding Rights

The Parties, the Depositary and any Person making any payment on their behalf shall be entitled to deduct and withhold from any consideration or amount payable or otherwise deliverable to any Person hereunder and from all dividends, interest or other amounts payable to any Person (including, for greater certainty, any Terrace Shareholder, any Optionholder, any Warrantholder and any Dissenting Shareholder) such amounts as any of the Parties or the Depositary or any Person on their behalf may be required or permitted to deduct and withhold therefrom under any provision of applicable Law in respect of Taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

5.5 No Liens

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other Claims of third parties of any kind.

5.6 Paramountcy

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Terrace Shares, Options, Warrants and Subscription Receipts issued prior to the Effective Time; (b) the rights and obligations of the Terrace Shareholders, Optionholders, Warrantholders, Subscription Receiptholders, Terrace, Purchaser, the Depositary, the Subscription Receipt Agent and any transfer agent or other depositary or agent therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement; and (c) all actions, causes of action, Claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Terrace Shares, Options, Warrants and Subscription Receipts shall be deemed to have been settled, compromised, released and determined without Liability of Terrace or Purchaser except as set forth in this Plan of Arrangement.

ARTICLE 6 **AMENDMENTS**

6.1 Amendments to Plan of Arrangement

- (a) The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must: (i) be set out in writing (subject to the Arrangement Agreement); (ii) be approved by the Parties, each acting reasonably; (iii) filed with the Court and, if made following the Terrace Meeting, approved by the Court; and (iv) communicated to Terrace Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Parties at any time prior to the Terrace Meeting (provided that Purchaser and Terrace (subject to the Arrangement Agreement), as applicable, shall have consented thereto) with or without any other prior notice or communication to, and if so proposed and accepted by, the persons voting at the Terrace Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Terrace Meeting shall be effective only if: (i) it is consented to in writing by each of the Parties (in each case, acting reasonably); and (ii) if required by the Court, it is consented to by some or all of the Terrace Shareholders voting in the manner directed by the Court.

- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Purchaser, provided that it concerns a matter which, in the reasonable opinion of Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former holder of Terrace Shares, Options, Warrants or Subscription Receipts.
- (e) This Plan of Arrangement may be withdrawn prior to the Effective Time if the Arrangement Agreement is terminated in accordance with its terms prior to the Effective Time.

ARTICLE 7

FURTHER ASSURANCES

7.1 Further Assurances

Notwithstanding that the transactions and events set out herein will occur and are hereby deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of Terrace and Purchaser will make, do and execute, or cause to be made, done and executed, any such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

**APPENDIX D
INTERIM ORDER**

(begins on following page)



Court File No.: CV-20-00650136-00CL

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

THE HONOURABLE

JUSTICE

CAVANAGH

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THURSDAY, THE 13TH

DAY OF NOVEMBER, 2020

IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF
THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, Ch. B.16,
AS AMENDED AND RULES 14.05(2) AND 14.05(3) OF THE
RULES OF CIVIL PROCEDURE

AND IN THE MATTER OF a proposed arrangement of TERRACE
GLOBAL INC. involving THE FLOWR CORPORATION

TERRACE GLOBAL INC.

Applicant

INTERIM ORDER

THIS MOTION made by the Applicant, Terrace Global Inc. (**Terrace**), for an interim order for advice and directions pursuant to section 182 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the **OBCA**) was heard this day at 330 University Avenue, Toronto, Ontario by videoconference.

ON READING the Notice of Motion, the Notice of Application issued on October 26, 2020, and the affidavit of Michael Galego, affirmed November 10, 2020 (the **Galego Affidavit**), including the Plan of Arrangement attached as Appendix "C" to the draft management information circular of Terrace (the **Information Circular**), which is attached as Exhibit "A" to the Galego Affidavit, and on hearing the submissions of counsel for Terrace and counsel for The Flowr Corporation (**Flowr**),

Definitions

1 **THIS COURT ORDERS** that all capitalized terms used in this Interim Order shall have the meaning given in the Information Circular unless specifically defined herein.

The Meeting

2 **THIS COURT ORDERS** that Terrace is permitted to call, hold and conduct a special meeting (the **Meeting**) of the holders (collectively, the **Shareholders**) of common shares of Terrace (**Terrace Shares**) to be held at the offices of Wildeboer Dellelce LLP, Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario M5H 2V1 on December 16, 2020 at 9:00 a.m. (Toronto time) in order for the Shareholders to consider and, if thought advisable, to pass, with or without amendment, a special resolution approving a plan of arrangement (the **Arrangement**) under section 182 of the *OBCA* (collectively, the **Arrangement Resolution**).

3 **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the *OBCA*, the notice of meeting of Shareholders, which accompanies the Information Circular (the **Notice of Meeting**) and the articles and by-laws of Terrace, subject to what may be provided hereafter and further order of this court.

4 **THIS COURT ORDERS** that the record date (the **Record Date**) for determination of the shareholders entitled to notice of, and to vote at, the Meeting shall be November 9, 2020.

5 **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

- (a) the Shareholders or their respective proxyholders;
- (b) (i) the holders of Terrace Options; (ii) the holders of Terrace Warrants; and (iii) the holders of Terrace Subscription Receipts;

- (c) the officers, directors, auditors and advisors of Terrace;
- (d) representatives and advisors of Flowr and Terrace; and
- (e) other persons who may receive the permission of the Chair of the Meeting.

6 **THIS COURT ORDERS** that Terrace may transact such other business at the Meeting as is contemplated in the Information Circular, or as may otherwise be properly before the Meeting.

Quorum

7 **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by Terrace and that the quorum at the Meeting shall be persons holding in the aggregate not less than 10% of the issued and outstanding Terrace Shares present in person at the opening of the Meeting who are entitled to vote at the Meeting either as Shareholders or proxyholders.

Amendments to the Arrangement and Plan of Arrangement

8 **THIS COURT ORDERS** that Terrace is authorized to make, subject to the terms of the Arrangement Agreement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraphs 12 and 13, hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement and communicated to Shareholders if and as required by this Honourable Court.

9 **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as Terrace may determine.

Amendments to the Information Circular

10 **THIS COURT ORDERS** that Terrace is authorized to make such amendments, revisions and/or supplements to the draft Information Circular as it may determine and the Information Circular, as so amended, revised and/or supplemental, shall be the Information Circular to be distributed in accordance with paragraphs 12 and 13.

Adjournments and Postponements

11 **THIS COURT ORDERS** that Terrace, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and any such adjournment or postponement shall not change the Record Date, and notice of any such adjournment or postponement shall be given by such method as Terrace may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12 **THIS COURT ORDERS** that, in order to effect notice of the Meeting, Terrace shall send the Information Circular (including the Notice of Application and this Interim Order), the Notice of

Meeting, the form of proxy and the letter of transmittal, along with such amendments or additional documents as Terrace may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the **Meeting Materials**), to the following:

- (a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:
 - (i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of Terrace, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of Terrace;
 - (ii) by delivery, in person or by recognized courier service to the address specified in (i) above or inter-office mail; or
 - (iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of Terrace, who consents to such transmission in writing and, if required by Terrace, who is prepared to pay the charges for such transmission;
- (b) non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
- (c) the respective directors and auditors of Terrace by facsimile or electronic transmission or, if the recipient objects to such delivery method, delivery in person, by recognized courier service pre-paid ordinary or first class mail at least twenty-

one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13 **THIS COURT ORDERS** that, in the event Terrace elects to distribute the Meeting Materials, Terrace is hereby directed to distribute the Information Circular (including the Notice of Application, and this Interim Order), and any other communications or documents determined by Terrace to be necessary or desirable (collectively, the **Court Materials**) to the holders of Terrace Options, Terrace Warrants and Terrace Subscription Receipts as of the Record Date by any method permitted for notice to Shareholders or auditors of Terrace as set forth in, as the case may be, paragraphs 12(a) through 12(c), above, concurrently with the distribution described in paragraph 12 of this Interim Order (provided that delivery need only be made once notwithstanding that a person may be entitled to Court Materials under more than one paragraph hereof). Unless distributed by inter-office mail, distribution to such persons shall be to their addresses as they appear on the books and records of Terrace or its registrar and transfer agent at the close of business on the Record Date.

14 **THIS COURT ORDERS** that accidental failure or omission by Terrace to give notice of the meeting or to distribute the Meeting Materials or Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Terrace, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of Terrace, it shall use its best efforts to rectify the same by the method and in the time most reasonably practicable in the circumstances.

15 **THIS COURT ORDERS** that Terrace is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials and Court Materials, as Terrace may determine in accordance with the terms of the Arrangement Agreement (**Additional Information**), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as Terrace may determine.

16 **THIS COURT ORDERS** that distribution of the Meeting Materials and Court Materials pursuant to paragraphs 12 and 13 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 12 and 13 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or the Court Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

Solicitation and Revocation of Proxies

17 **THIS COURT ORDERS** that Terrace is authorized to use the letter of transmittal and proxy substantially in the form of the drafts accompanying the Information Circular, with such amendments and additional information as Terrace may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. Subject to the terms of the Arrangement Agreement, Terrace and Flowr are authorized, at their expense, to solicit proxies, directly or through their officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as they may determine. Terrace may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by Shareholders, if Terrace deems it advisable to do so.

18 **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 110(4) of the *OBCA* (except as the procedures of that section are varied by this paragraph) by attending the Meeting and voting in person if such Shareholder is a registered Shareholder as of the Record Date, provided that any instruments in writing delivered pursuant to section 110(4)(a) of the *OBCA* may be deposited (a) with Terrace's transfer agent, Computershare Investor Services Inc. (the **Transfer Agent**), at its offices at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 at any time prior to 9:00 a.m. (Toronto time) on the last Business Day preceding the day of the Meeting or any adjournment or postponement thereof, prior to the commencement of the Meeting; (b) with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof; or (c) in any other manner permitted by law.

Voting

19 **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders who hold Terrace Shares as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

20 **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Terrace Share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be approved by:

- (a) the affirmative vote of not less than two-thirds ($66\frac{2}{3}\%$) of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting; and

- (b) a majority of the votes cast by Shareholders present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes of the persons whose votes may not be included under the minority approval requirements for a business combination under Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

Such votes shall be sufficient to authorize Terrace to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

21 **THIS COURT ORDERS** that in respect of such other business as may properly be brought before the Meeting or any adjournment or postponement thereof affecting Terrace (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each voting Terrace Share held.

Dissent Rights

22 **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 185 of the *OBCA* (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 185(6) of the *OBCA*, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to Terrace in the form required by section 185 of the *OBCA* and the Arrangement Agreement, which written objection must be received by Terrace not later than 5:00 p.m. (Toronto time) two business days prior to the Meeting (or any adjournment or postponement thereof), and must otherwise strictly comply with the requirements of the *OBCA*. For purposes of

these proceedings, the "court" referred to in section 185 of the OBCA means this Honourable Court.

23 **THIS COURT ORDERS** that, in accordance with section 185(4) of the OBCA, Terrace shall be required to offer to pay fair value for Terrace Shares held by Shareholders who duly and validly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Plan of Arrangement.

24 **THIS COURT ORDERS** that any Shareholder who validly exercises such Dissent Rights set out in paragraph 22 above and who:

- (a) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its Terrace Shares, shall be deemed to have irrevocably transferred such Terrace Shares (free and clear of all liens) to Terrace in consideration for a payment of such fair value; or
- (b) is ultimately determined by this Honourable Court not to be entitled, for any reason, to be paid fair value for his, her or its Terrace Shares in respect of which he, she or it has exercised Dissent Rights, will be deemed to have participated in the Arrangement on the same basis as Shareholders who have not exercised Dissent Rights;

but in no case will Terrace or Flowr or any other person be required to recognize such Shareholders as holders of Terrace Shares at or after the date upon which the Arrangement is completed and the register of Terrace Shares maintained by or on behalf of Terrace will be amended to reflect that such former Shareholders are no longer the holder of such Terrace Shares from and after the Effective Time.

Hearing of Application for Approval of the Arrangement

25 **THIS COURT ORDERS** that upon approval by the Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, Terrace may apply to this Honourable Court for final approval of the Arrangement.

26 **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Information Circular, when sent in accordance with paragraphs 12 and 13 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 27.

27 **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the solicitors for Terrace, with a copy to counsel for Flowr, as soon as reasonably practicable, and, in any event, no less than 5 days before the hearing of this Application at the following addresses:

NORTON ROSE FULBRIGHT CANADA LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, Ontario M5K 1E7 CANADA
Attention: Andrew McCoomb

FASKEN MARTINEAU DUMOULIN LLP
333 Bay Street, Suite 2400, P.O. Box 20
Toronto, Ontario M5H 2T6
Attention: Samuel R. Rickett

28 **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

- (i) Terrace or its counsel;
- (ii) Flowr or its counsel;

- (iii) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*; and
- (iv) any person who is entitled to receive securities to be issued pursuant to the Arrangement and has filed a Notice of Appearance herein in accordance with the foregoing paragraph in this Interim Order.

29 **THIS COURT ORDERS** that any materials to be filed by Terrace in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

30 **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those persons who served and filed a Notice of Appearance in accordance with paragraph 27 shall be entitled to be given notice of the adjourned date.

Precedence

31 **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Terrace Shares, Terrace Options, Terrace Warrants or Terrace Subscription Receipts, or the articles or by-laws of Terrace, this Interim Order shall govern.

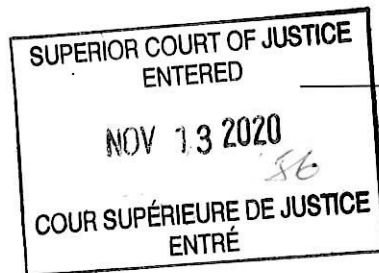
Extra-Territorial Assistance

32 **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the

United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

33 **THIS COURT ORDERS** that Terrace shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.



IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE BUSINESS CORPORATIONS
ACT, R.S.O. 1990, Ch. B.16 AS AMENDED AND RULES 14.05(2) AND 14.05(3) OF THE RULES OF
CIVIL PROCEDURE

Court File No.: CV-20-00650136-00CL

AND IN THE MATTER OF a proposed arrangement of TERRACE GLOBAL INC. involving THE FLOWR
CORPORATION

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL
LIST**

Proceeding commenced at TORONTO

INTERIM ORDER

NORTON ROSE FULBRIGHT CANADA LLP
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Fax: 416.216.3930

Lawyers for the Applicant

APPENDIX E
NOTICE OF APPLICATION FOR FINAL ORDER

(begins on following page)

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



IN THE MATTER OF AN APPLICATION UNDER SECTION 182
OF THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, Ch.
B.16 AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF
CIVIL PROCEDURE*

AND IN THE MATTER OF a proposed arrangement of TERRACE
GLOBAL INC. involving THE FLOWR CORPORATION

TERRACE GLOBAL INC.

Applicant

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a judge presiding over the Commercial List on a date and at a time to be determined at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: October 26, 2020

Issued by _____
Local registrar

Address of court office 330 University Avenue 9th Floor
Toronto, Ontario M5G 1R7

TO: All shareholders of Terrace Global Inc.

AND TO: All optionholders of Terrace Global Inc.

AND TO: All warrant holders of Terrace Global Inc.

AND TO: All subscription receipt holders of Terrace Global Inc.

AND TO: The Directors of Terrace Global Inc.

AND TO: The Auditor of Terrace Global Inc:

AND TO: The Flowr Corporation
c/o Fasken Martineau DuMoulin LLP
333 Bay Street, Suite 2400
Toronto, Ontario M5H 2T6
Attention: Sam Rickett

APPLICATION

- 1 The applicant, Terrace Global Inc. (the **Company**) makes an Application for:
 - (a) an interim order (the **Interim Order**) for advice and directions with respect to:
 - (i) a special meeting (the **Meeting**) of holders of common shares (the **Terrace Shareholders**) of the Company to consider, among other things, the Arrangement (as defined below); and
 - (ii) the approval of the Arrangement by Terrace Shareholders;
 - (b) an order pursuant to s. 182(5) of the *Business Corporations Act*, R.S.O. 1990, c. B.16 (the **OBCA**) approving a plan of arrangement (the **Arrangement**) as contemplated by an arrangement agreement entered into among the Company and The Flowr Corporation (**Flowr**) dated October 19, 2020, and in the form attached to the Notice of Special Meeting and Management Information Circular (together, the **Circular**) to be delivered to the Terrace Shareholders;
 - (c) such further orders or directions as are required for the administration of the Arrangement; and
 - (d) such other relief as counsel for the Applicant may request and this Honourable Court deems fit.
- 2 The grounds for the Application are:
 - (a) the Company is incorporated pursuant to the *OBCA* and has business and administrative operations in Toronto;
 - (b) Flowr is incorporated pursuant to the *OBCA*;

- (c) Pursuant to the arrangement agreement, Flowr intends, among other things, to acquire all of the issued and outstanding shares of the Company pursuant to a statutory plan of arrangement;
- (d) the Arrangement is an “arrangement” within the meaning of s. 182(1) of the *OBCA* and is being proposed for a *bona fide* business purpose;
- (e) all pre-conditions to the approval of the Arrangement by the Court will have been satisfied prior to the hearing of this Application;
- (f) the Arrangement is in the best interests of the Company and is put forward in good faith;
- (g) the Arrangement is fair and reasonable to the parties affected;
- (h) all applicable statutory requirements under the *OBCA* will have been satisfied prior to the hearing of the Application;
- (i) the directions set out and the approvals required pursuant to the Interim Order will be followed and obtained by the return date of this Application for final approval;
- (j) in accordance with the Interim Order, as an appendix to the Circular, this Notice of Application will be sent to all Terrace Shareholders, optionholders, warrant holders and subscription receipt holders;
- (k) the distribution and/or exchange of securities to Terrace Shareholders or other securityholders resident in the United States of America will be made in reliance on the exemption from the requirements to register such securities under Section 3(a)(10) of the *Securities Act of 1933*, as amended, of the United States of America, based on this Court’s approval of the Arrangement;

- (l) National Instrument 54-101;
- (m) section 182 of the *OBCA*;
- (n) rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 14.05(3), 16.04, 17.02, 37 and 38 of the *Rules of Civil Procedure*; and
- (o) such further and other grounds as counsel for the Company may advise and this Honourable Court may permit.

3 The following documentary evidence will be used at the hearing of the application:

- (a) an affidavit from a representative of the Company, to be sworn, outlining the basis for the Interim Order;
- (b) supplementary affidavit material outlining the basis for the final order approving the Arrangement, and reporting as to compliance with the Interim Order and the results of any meeting conducted pursuant to the Interim Order; and
- (c) such further and other material as counsel for the Company may advise and this Honourable Court may permit.

October 26, 2020

NORTON ROSE FULBRIGHT CANADA LLP
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Toronto, Ontario M5K 1E7 Canada

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Lawyers for the Applicant

IN THE MATTER OF AN APPLICATION UNDER SECTION 182 OF THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, Ch. B.16 AND RULES 14.05(2) AND 14.05(3) OF THE *RULES OF CIVIL PROCEDURE*

Court File No.:
CV-20-00650136-00CL

AND IN THE MATTER OF a proposed arrangement of TERRACE GLOBAL INC. involving THE FLOWR CORPORATION

**ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL
LIST**

Proceeding commenced at TORONTO

NOTICE OF APPLICATION

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Fax: 416.216.3930

Lawyers for the Applicant

APPENDIX F

SECTION 185 OF THE OBCA

Rights of dissenting shareholders

185 (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) amalgamate with another corporation under sections 175 and 176;
- (d) be continued under the laws of another jurisdiction under section 181; or
- (d.1) be continued under the *Co-operative Corporations Act* under section 181.1;
- (d.2) be continued under the *Not-for-Profit Corporations Act, 2010* under section 181.2; or
- (e) sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent.

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170 (1) (a), (b) or (c) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- (b) subsection 170 (5) or (6).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986.

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted.

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent.

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection.

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights.

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section.

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10).

Same

(14.1) A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

- (a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or
- (b) if a resolution is passed by the directors under subsection 54 (2) with respect to that class and series of shares,
 - (i) to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and
 - (ii) to be sent the notice referred to in subsection 54 (3).

Same

(14.2) A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection (10) is entitled,

- (a) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and
- (b) to be sent the notice referred to in subsection 54 (3).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms.

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders.

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

(a) has sent to the corporation the notice referred to in subsection (10); and

(b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions.

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

- (a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission.

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation.

APPENDIX G
FAIRNESS OPINION

(begins on following page)

October 19, 2020

Terrace Global Inc.

365 Bay Street, Suite 800
Toronto, Ontario, Canada
M5H 2V1

To the Board of Directors:

Hyperion Capital Inc. (“Hyperion” or “we”) understands that Terrace Global Inc. (“Terrace Global” or the “Corporation”) proposes to enter into a definitive arrangement agreement (the “Arrangement Agreement”) with The Flowr Corporation (“Flowr”), pursuant to which Flowr will acquire all of the issued and outstanding common shares of Terrace Global (the “Terrace Global Shares”) pursuant to a court approved plan of arrangement (the “Plan of Arrangement”) under the *Business Corporations Act* (Ontario) (the “Arrangement”). Under the terms of the Arrangement, each issued and outstanding Terrace Global Share (other than any Terrace Global Shares in respect of which their holders shall have validly exercised their dissent and appraisal rights under the OBCA) shall be exchanged for 0.4973 of a common share (each such whole common share, a “Flowr Common Share”) of Flowr (the “Consideration”).

We understand the Arrangement contemplated by the Arrangement Agreement will be effected pursuant to a court-approved Plan of Arrangement under the *Business Corporations Act* (Ontario) and will require the approval of at least 66 2/3% of the votes cast by Terrace Global Shareholders at the Special Meeting (as defined herein). We also understand that all of the material facts concerning the Arrangement, as well as the associated risks and the terms and conditions of the Arrangement Agreement, will be described in a management information circular (the “Circular”) being prepared by the Corporation in connection with a special meeting (the “Special Meeting”) of holders of the Terrace Global Shares (the “Shareholders”) at which Shareholders will be asked to pass a special resolution (the “Arrangement Resolution”) approving the Arrangement. In addition, we understand that all of the directors and officers of the Corporation, as well as certain other Shareholders (collectively, the “Locked-up Shareholders”) representing approximately 38% in the aggregate of the Terrace Global Shares as at October 19, 2020, will enter into voting support and lock-up agreements (the “Voting Support and Lock-Up Agreements”) with Flowr in connection with the Arrangement. Pursuant to the Voting Support and Lock-Up Agreements, the Locked-up Shareholders will agree, among other things and subject to certain conditions, to vote their Terrace Global Shares, in favour of the Arrangement Resolution at the Special Meeting.

All dollar amounts herein are expressed in Canadian dollars.

Engagement of Hyperion

On September 2, 2020, the Corporation orally engaged Hyperion, as its financial advisor in connection with the Corporation’s consideration of a proposal received by the Corporation from Flowr. Subsequently, the Corporation confirmed the terms of Hyperion’s engagement pursuant to a letter agreement dated September 15, 2020 (the “Engagement Agreement”), which formally confirmed the Corporation’s engagement of Hyperion to act as exclusive financial advisor to the Corporation and its board of directors (the “Board of Directors”) in connection with any material transaction involving Flowr.

Pursuant to the Engagement Agreement, the Board of Directors has asked for our written opinion (the “Opinion”) as to whether, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Shareholders. The effective date of this Opinion is October 19, 2020. Hyperion has not been asked to prepare and has not prepared a formal valuation of the Corporation or Flowr, or a

valuation of any of the securities or assets of the Corporation or Flowr and this Opinion should not be construed as such. We have not been requested to opine as to, and our opinion does not in any manner address, the underlying business decision to proceed with or effect the Arrangement, or the relative merits of the Arrangement as compared to other potential strategies or transactions that maybe available to the Corporation.

Hyperion will be paid a fixed fee upon delivery of this Opinion, which is not contingent upon completion of the Arrangement or any other transaction. The Corporation has also agreed to pay us an additional fee upon completion of the Arrangement or any other transaction, whether with Flowr or any third party, involving a change of control, merger or sale of all or substantially all of the Corporation's assets. In addition, the Corporation as agreed to reimburse Hyperion for its reasonable expenses (including the fees, disbursements and taxes of our external legal counsel) and to indemnify Hyperion and its representatives in respect of certain liabilities that might arise out of our engagement.

Hyperion understands that, subject to the terms of the Engagement Agreement and providing our separate written consent, this Opinion will be referred to, and a summary thereof will be included, in the Circular and a copy of this Opinion will be attached to the Circular.

Relationship with Interested Parties

Hyperion is not an insider, associate or affiliate (as each such term is defined in the *Securities Act* (Ontario)) (the "Securities Act") of either the Corporation or Flowr or any of their respective subsidiaries, associates or affiliates (collectively, the "Interested Parties"), nor is it a financial advisor to any Interested Party or any other person in connection with the Arrangement, except for acting as exclusive financial advisor to the Board of Directors in connection with the Arrangement. Without limiting the generality of the preceding sentence, Hyperion has not provided any financial or other advice to any of the Locked-up Shareholders in connection with their entering into the Voting Support and Lock-Up Agreements.

As the Corporation has been advised, except for the Engagement Agreement, during the two years preceding the date of this Opinion we have not been engaged by, performed any services for or received any compensation from the Corporation, Flowr or any of their respective affiliates. Except as set forth in the Engagement Agreement, there are no other understandings, agreements or commitments between Hyperion and any of the Interested Parties with respect to any current or future business dealings which would be material to this Opinion.

Hyperion may, in the ordinary course of business, provide financial advisory services to one or more of the Interested Parties from time to time.

Credentials of Hyperion

Hyperion is an independent advisory firm that offers advice on mergers and acquisitions and corporate restructurings. Hyperion's principals have extensive experience working at leading bank-owned and independent investment banks where they served diverse industries including healthcare, financial services, technology and agriculture. They have extensive experience providing advisory services on complex, transformative transactions and related capital markets activity.

Scope of Review

For purposes of this Opinion, we have reviewed or relied upon:

- a. a draft final copy of the Arrangement Agreement dated October 18, 2020;
- b. a final draft copy of the Corporation's Disclosure Letter;
- c. the Corporation's non-brokered private placement subscription receipt documentation;
- d. the Corporation and Flowr's audited consolidated financial statements and associated management's discussion and analysis as at and for the period from December 31, 2017 to June 30, 2020;

- e. publicly available documents regarding the Corporation and Flowr, including their respective annual and quarterly reports, financial statements, annual information forms, management circulars, recent press releases, material change reports and other public documents and filings deemed relevant that have been filed by the Corporation and Flowr, as applicable, on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com;
- f. discussions with the Corporation’s senior management concerning the Corporation’s financial condition, the industry and its future business prospects;
- g. financial projections provided by management of the Corporation for the fiscal years 2020 through 2021, ending December 31st, respectively, and discussions surrounding longer-term business and growth prospects;
- h. site visit of Flowr operations in British Columbia;
- i. certain other internal financial, operational and corporate information prepared or provided by the Corporation and Flowr’s management;
- j. discussions with the Corporation’s executive team and its Board of Directors;
- k. discussions with the Corporation’s legal counsel relating to legal matters including with respect to the Arrangement Agreement;
- l. select public market trading statistics and relevant financial information in respect of the Corporation, Flowr and other comparable public entities considered by Hyperion to be relevant;
- m. selected financial statistics and relevant financial information with respect to relevant precedent transactions;
- n. due diligence meetings with officers of the Corporation and Flowr concerning past and current operations and financial conditions and the prospects of the Corporation and Flowr;
- o. representations contained in certificates, addressed to Hyperion and dated the date hereof, from senior officers of the Corporation as to the completeness and accuracy of the information upon which this Opinion is based and certain other matters; and
- p. such other corporate, industry and financial market information, investigations and analyses as Hyperion considered necessary or appropriate at the time and in the circumstances.

In addition, we have participated in discussions with Norton Rose Fulbright Canada LLP, external counsel to the Board of Directors of the Corporation and with our external counsel, Blake, Cassels & Graydon LLP as well as in discussions with Flowr and their legal counsel, Fasken Martineau DuMoulin LLP, regarding their business and operations.

In preparing this Opinion, to the best of our knowledge, the Corporation did not deny access to any information requested by us.

Assumptions and Limitations

Our Opinion is subject to the assumptions, qualifications and limitations set forth below. With your permission, we have assumed and relied upon, without independent verification, the accuracy, completeness and fair presentation of all financial and other information, data, advice, opinions and representations obtained by us from publicly available sources, or supplied or otherwise made available to us by the Corporation, including the information and discussions referred to above under the heading “Scope of Review”. Hyperion did not meet with the Corporation’s auditors or any other third party to verify any such information.

With respect to any forecasts, projections, estimates and/or budgets, we have assumed that they were reasonably prepared on a basis reflecting the best currently available estimates, assumptions and good faith judgments of the management of the Corporation and that such forecasts, projections, estimates and/or budgets were prepared or reviewed using the assumptions identified therein and that such assumptions are (or were at the time) reasonable in the circumstances. We express no opinion with respect to the forecasts, projections, budgets or the assumptions upon which they are based, although we note that the preparation of any future-oriented financial information involves the application of management's subjective judgements about future conditions and is inherently subject to uncertainty. Actual results will likely be different from the results implied by the forecasts and any such differences could be material. We have not made any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Corporation or Flowr, nor have we been furnished with any such evaluation or appraisal.

We have assumed that the Arrangement will be consummated in accordance with the terms to be set forth in a final, executed Arrangement Agreement, which we have further assumed will be substantially in the form and substance of the latest draft thereof that we have reviewed, the representations and warranties of the parties to the Arrangement Agreement contained therein are complete, true and correct in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Arrangement Agreement, and all conditions to the obligations of such parties as specified in the Arrangement Agreement will be satisfied or waived without waiver or modification of any terms or conditions the effect of which would be in any way meaningful to our financial analysis.

We have further assumed that all shareholder, governmental, regulatory, stock exchange and other consents and approvals necessary for the consummation of the Arrangement will be obtained and, that in connection with any necessary approvals and consents, no limitations, restrictions or conditions will be imposed that would have an adverse effect on the Corporation or Flowr, the Arrangement or the contemplated benefits of the Arrangement that would be in any way meaningful to our financial analysis.

We are not legal, regulatory, accounting or tax experts and have relied on the assessments made by the Corporation and Flowr and their respective advisors with respect to all such matters.

The Corporation has represented to us, in a certificate of two senior officers of the Corporation dated the date hereof, that (i) the financial and other information, data, advice, opinions, representations and other material (financial or otherwise) provided to us orally by or on behalf of the Corporation, or in writing by or on behalf of the Corporation or any of its subsidiaries (as defined in National Instrument 45-106 – *Prospectus Exemptions*) or any of its or their representatives in connection with our engagement, including the written information and discussions concerning the Corporation or Flowr referred to above under the heading “Scope of Review” (collectively, the “Information”), (A) in respect of the Corporation or any of its subsidiaries, was, at the date the Information was provided to us, and is as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the Securities Act), and (B) in respect of Flowr or any of its subsidiaries, to the best of their knowledge, was, at the date the Information was provided to us, and is as of the date hereof, complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the Securities Act), (ii) since the dates on which the Information was provided to us, except as has been disclosed in writing to us, (A) there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Corporation and its subsidiaries, taken as a whole, and there has been no change in any material fact or any material element of any of the Information or any new material fact, any of which is of a nature as to render any portion of the Information untrue or misleading in any material respect or which could reasonably be expected to have a material effect on the Opinion, and (B) to the best of their knowledge, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Flowr and its subsidiaries, taken as a whole, and there has been no change in any material fact or any material element of any of the Information or any new material fact, any of which is of a nature as to render any portion of the Information untrue or misleading in any material respect or which could reasonably be expected to have a material effect on the Opinion, and (iii) based on their understanding of the assumptions used, procedures adopted and scope of the review undertaken, they have no knowledge of any facts not contained in or referred to in the Information that could reasonably be expected to affect the Opinion, including the assumptions used, the procedures adopted, the scope of the review undertaken or the conclusion reached by us.

Our Opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this Opinion, and we do not have any obligation to update, revise, or reaffirm this Opinion. Without limiting the generality of the foregoing, the ongoing COVID-19 pandemic, current international protest movements and related social unrest, and other recent unanticipated and significant macroeconomic factors have together contributed to extraordinary equity market volatility, which have affected the market prices of the shares of both Terrace Global and Flowr. If those factors persist, they could also affect the values of the Terrace Global Shares and Flowr Common Shares, and the impact could differ significantly between the Corporation and Flowr.

This Opinion addresses only the fairness to the Shareholders, from a financial point of view, of the Consideration to be received by Shareholders pursuant to the Arrangement. We are not expressing any view or opinion as to any other terms or aspect of the Arrangement, including the form, terms or conditions of the Arrangement Agreement, the Voting Support and Lock-up Agreement, or any other agreement or instrument entered into or amended in connection with the Arrangement. We have not been asked to prepare, and have not prepared, an independent evaluation, formal valuation or appraisal of the securities or assets of the Corporation, Flowr or any of their respective affiliates, nor were we provided with any such evaluations, valuations or appraisals. Except as set forth above under “Scope of Review”, we did not conduct any physical inspection of the properties or facilities of the Corporation or Flowr. Our Opinion does not address the relative merits of the Arrangement as compared to other business strategies or potential transaction opportunities that may be available to the Corporation or the Shareholders. We are also not expressing any view or opinion as to the impact of the Arrangement on the solvency or the viability of the Corporation or Flowr or their respective ability to pay their obligations when they come due. We also express no view or opinion regarding any legal, regulatory, accounting, insurance, tax, environmental, executive compensation, corporate governance or other matters that may be relevant to any evaluation of the Arrangement.

Our Opinion has been provided to the Board of Directors for its exclusive use only in considering the Arrangement and may not be published, disclosed to or relied upon by any other person, or used for any other purpose, without our prior written consent. Our Opinion is not intended to be and does not constitute a recommendation to the Board of Directors as to whether they should approve the Arrangement Agreement, nor as a recommendation to any Shareholder as to how to vote at the Special Meeting, nor as an opinion or advice concerning the trading price or value of any securities of the Corporation or Flowr at any time, including following the announcement or completion of the Arrangement.

This Opinion is given as of the date hereof, and, although we reserve the right to change or withdraw our Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date of this Opinion.

The preparation of a fairness opinion is a complex process and is not necessarily capable of being partially analyzed or summarized. Hyperion believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Opinion. The Opinion should be read in its entirety.

Approach to Financial Fairness

In connection with the Opinion, Hyperion has performed a variety of financial and comparative analyses. In arriving at the Opinion, Hyperion has not attributed any particular weight to any specific analysis or factor, but rather has made qualitative judgments based on our experience in rendering such opinions and on the circumstances and Information as a whole.

Conclusion

Based upon and subject to the foregoing, including the assumptions, limitations and qualifications set forth therein and such other matters as Hyperion considered relevant, Hyperion is of the opinion that, as of the date hereof, the Consideration to be received by the Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Shareholders.

Yours very truly,

(Signed) "Hyperion Capital Inc."

Hyperion Capital Inc.

APPENDIX H

ADDITIONAL INFORMATION CONCERNING FLOWR

The following information concerning Flowr should be read in conjunction with the documents incorporated by reference into this Appendix H. The following information is presented on a pre-Arrangement basis and reflects the business, financial and share capital position of Flowr.

Upon completion of the Arrangement, each Shareholder (other than Dissenting Shareholders) will become a shareholder of Flowr.

General

Flowr is a reporting issuer in each of the provinces of Canada, other than Quebec. Flowr's head office and registered office is located at 60 Adelaide Street East, Suite 1000, Toronto, ON.

Flowr operates a large scale, vertically integrated, licensed cannabis company with expertise in GMP-certified cultivation and manufacturing, and a distribution platform for global markets. Flowr's focus in Europe and Australia is the medical cannabis market. In Canada, Flowr intends to continue to expand its product offerings in recreational and medical markets with high-quality cannabis produced cost-effectively and at scale.

Further information regarding the business of Flowr, its corporate structure, and its operations can be found in the Flowr AIF and other documents incorporated by reference herein.

Flowr Documents Incorporated by Reference

Information has been incorporated by reference in this Circular from documents filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, other than Quebec. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Flowr at 60 Adelaide Street East, Suite 1000, Toronto, Ontario M5C 3E4 telephone: 1.877.356.9726, and are also available electronically under Flowr's profile on SEDAR at www.sedar.com. Flowr's filings through SEDAR are not incorporated by reference in this Circular except as specifically set out herein.

The following documents filed by Flowr with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference in, and form an integral part of, this Circular:

- (a) Flowr's annual information form for the year ended December 31, 2019, dated April 29, 2020 ("**Flowr AIF**");
- (b) Flowr's audited annual financial statements as at and for the years ended December 31, 2019 and 2018, together with the notes thereto and the independent auditor's report thereon ("**Flowr Annual Financial Statements**");
- (c) Flowr's amended and restated management's discussion and analysis of financial condition and results of operations for the three and twelve months ended December 31, 2019 and 2018;
- (d) Flowr's condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2020 and the three and six months ended June 30, 2019;

- (e) Flowr's management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2020 and the three and six months ended June 30, 2019;
- (f) Flowr's management information circular dated September 21, 2020 for its special meeting of shareholders held on October 22, 2020;
- (g) Flowr's material change report dated April 27, 2020 in respect of a non-brokered private placement of units;
- (h) Flowr's material change report dated May 15, 2020 in respect of the Equity Line and Profit Sharing Agreement;
- (i) Flowr's material change report dated October 28, 2020 in respect of the Arrangement; and
- (j) Flowr's officer certificate in respect of compliance with its undertakings to the Canadian Securities Administrators (except in Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Northwest Territories, Yukon and Nunavut) dated April 29, 2020.

Any document of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 — *Short Form Prospectus Distributions* (excluding confidential material change reports), if filed by Flowr with a securities commission or similar regulatory authority in Canada after the date of this Circular disclosing additional or updated information including the documents incorporated by reference herein, filed pursuant to the requirements of the applicable securities legislation in Canada, will be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Making such a modifying or superseding statement shall not be deemed to be an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, untrue statement of a material fact, nor an omission to state a material fact that is required to be stated or necessary to make a statement not misleading in light of the circumstances in which it is made.

References to Flowr's website in any documents that are incorporated by reference into this Circular do not incorporate by reference the information on such website, and Flowr disclaims any such incorporation by reference.

Recent Developments

On October 26, 2020, Flowr announced that it closed on a sixth tranche of funding in the amount of \$1,500,000 pursuant to the Equity Line and Profit Sharing Agreement with Terrace. Flowr expects to use these funds to fund Flowr's outdoor medical cannabis site in Aljustrel, Portugal which is jointly operated with Terrace.

On October 20, 2020, Flowr announced the strategic acquisition of Terrace in respect of the Arrangement.

On October 10, 2020, Flowr announced that it closed on a fifth tranche of funding in the amount of \$1,000,000 pursuant to the Equity Line and Profit Sharing Agreement with Terrace. Flowr expects to use these funds to fund Flowr's outdoor medical cannabis site in Aljustrel, Portugal which is jointly operated with Terrace.

On September 9, 2020, Flowr announced that it closed on a fourth tranche of funding in the amount of \$703,000 pursuant to the Equity Line and Profit Sharing Agreement with Terrace. Flowr expects to use these funds to fund Flowr's outdoor medical cannabis site in Aljustrel, Portugal which is jointly operated with Terrace.

On September 17, 2020, Flowr issued 800,000 Flowr Shares pursuant to the conversion of 800,000 Flowr ULC Class A Shares.

On August 28, 2020 and August 4, 2020, Flowr issued 5,710,695 and 4,894,882 Flowr Shares, respectively, pursuant to the conversion of certain Series 1 Flowr Preferred Shares upon the completion of certain milestone events under the conversion agreement among Flowr, DFT Trading Limited and Pleiades Trading Ltd. entered into in connection with Flowr's acquisition of Holigen Holdings Limited.

Directors and Officers

The following table sets forth information regarding Flowr's directors and executive officers. Each of the directors is elected to hold office until the next annual meeting of Flowr or until a successor is duly elected or appointed.

Name and Position	Date of Initial Appointment as Director	# of Flowr Shares Beneficially Owned or Directly or Indirectly Controlled or Directed as of November 13, 2020	# of Flowr Options Beneficially Owned or Directly or Indirectly Controlled or Directed as of November 13, 2020
Steve Klein <i>Chairman and Chief Strategist</i>	September 2018	8,325,054 ⁽¹⁾	1,200,000
Vinay Tolia <i>Executive Director and Chief Executive Officer</i>	October 2018	669,332	3,635,530
Pauric Duffy <i>Executive Director and Managing Director</i>	August 2019	26,339,271	nil
Thomas Flow <i>Director and Managing Partner</i>	June 2020	26,025,000	nil

David Miller <i>Director</i>	September 2018	13,077	1,050,000
Dr. Lyle Oberg <i>Director</i>	September 2018	1,405,751	618,750
Karen Basian <i>Lead Independent Director</i>	December, 2018	48,780	30,000
Maurice Levesque <i>Independent Director</i>	December 2018	nil	30,000
Donald Duet <i>Independent Director</i>	April 2019	356,618	30,000
Lance Emanuel <i>President</i>	December 14, 2018	2,000	545,000

Notes:

- 1) Mr. Klein is a principal of Core Flow Canada Holdings Inc., which holds 8,325,054 Flowr Shares and 41,598,000 Flowr ULC Class A Shares (which are exchangeable at no additional consideration for Flowr Shares on a one for one basis at any time).

Consolidated Capitalization

There has not been any material change to Flowr's share and loan capital since June 30, 2020, the date of Flowr's most recently filed financial statements, except as set forth under the sections entitled "Recent Developments" and "Prior Sales" in this Appendix H.

Description of Share Capital

The authorized share capital of Flowr consists of an unlimited number of Flowr Shares and an unlimited number of preferred shares issuable in series without nominal or par value ("**Flowr Preferred Shares**"). As of the date of this Circular, 144,575,323 Flowr Shares were issued and outstanding and no Flowr Preferred Shares were issued and outstanding. In addition, as of the date of this Circular, there were 9,586,019 Flowr Shares issuable on the exercise of stock options, 51,773,734 Flowr Shares issuable on the exercise of common share purchase warrants, 1,591,501 Flowr Shares issuable upon the vesting of restricted share units, 37,205,172 Flowr Shares issuable upon the conversion of the Flowr Notes and 42,700,000 Flowr Shares issuable on the exchange of the Flowr ULC Class A Shares.

Holders of Flowr Shares are entitled to receive notice of any meetings of shareholders of Flowr and to attend and cast one vote per Flowr Share at all such meetings. Holders of Flowr Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Flowr Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Flowr Shares are entitled to an equal share in such dividends, if any, as and when declared by Flowr Board at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of Flowr are entitled to receive on a pro-rata basis the net assets of Flowr after payment of debts and other liabilities, in each case subject to the rights, privileges,

restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of Flowr Shares with respect to dividends or liquidation. The Flowr Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Price Range and Trading Volumes of the Flowr Shares

The Flowr Shares are listed and posted for trading on the TSXV under the symbol “FLWR” and on the OTC under the symbol “FLWPF”.

The following table sets forth information relating to the trading of the Flowr Shares on the TSXV for the months indicated.

Month	High (Cdn\$)	Low (Cdn\$)	Volume
November 2019	2.96	2.12	2,397,573
December 2019	2.35	1.86	1,092,991
January 2020	2.30	1.67	1,902,027
February 2020	1.75	0.57	4,657,301
March 2020	0.94	0.32	3,815,870
April 2020	0.82	0.49	2,872,533
May 2020	0.72	0.53	2,778,136
June 2020	0.59	0.50	1,404,878
July 2020	0.50	0.40	2,309,353
August 2020	0.53	0.37	1,102,613
September 2020	0.50	0.40	678,832
October 2020	0.50	0.40	871,654
November 2020 ⁽¹⁾	0.49	0.41	1,589,148

(1) From November 1, 2019 to November 12, 2020.

Prior Sales

The following table sets forth details regarding issuances of Flowr Shares by Flowr during the 12 months prior to the date of this Circular. Other than the issuances listed in the table below, Flowr has not issued any Flowr Shares within the 12 months preceding the date of this Circular.

<u>Date of Issuance</u>	<u>Security</u>	<u>Price per Security</u>	<u>Number of Securities</u>
November 28, 2019	Common Shares	N/A ⁽¹⁾	5,000
December 5, 2019	Common Shares	\$0.05 ⁽²⁾	93,750
February 26, 2020	Common Shares	N/A ⁽³⁾	13,053,018
April 3, 2020	Common Shares	N/A ⁽³⁾	2,447,441
May 8, 2020	Common Shares	\$0.05 ⁽²⁾	918,750
May 13, 2020	Common Shares	N/A ⁽¹⁾	16,667
May 14, 2020	Common Shares	N/A ⁽¹⁾	33,334
May 27, 2020	Common Shares	N/A ⁽¹⁾	10,000
June 2, 2020	Common Shares	N/A ⁽¹⁾	6,667
June 3, 2020	Common Shares	N/A ⁽¹⁾	31,667
June 10, 2020	Common Shares	N/A ⁽¹⁾	6,667
June 24, 2020	Common Shares	\$0.37 ⁽⁴⁾	1,472,308
June 26, 2020	Common Shares	N/A ⁽¹⁾	100,000
June 29, 2020	Common Shares	N/A ⁽¹⁾	129,167
July 8, 2020	Common Shares	N/A ⁽¹⁾	333
July 20, 2020	Common Shares	N/A ⁽¹⁾	21,667
July 23, 2020	Common Shares	N/A ⁽¹⁾	33,333
August 4, 2020	Common Shares	N/A ⁽³⁾	4,894,882
August 5, 2020	Common Shares	\$0.37 ⁽⁴⁾	961,538
August 6, 2020	Common Shares	N/A ⁽¹⁾	16,667
August 28, 2020	Common Shares	\$0.37 ⁽⁴⁾	673,077
August 28, 2020	Common Shares	N/A ⁽³⁾	5,710,695
September 17, 2020	Common Shares	N/A ⁽⁵⁾	800,000
September 9, 2020	Common Shares	\$0.37 ⁽⁴⁾	1,351,923
October 10, 2020	Common Shares	\$0.37 ⁽⁴⁾	1,923,077
October 26, 2020	Common Shares	\$0.37 ⁽⁴⁾	2,884,615

Notes:

- 1) Issued upon conversion of restricted share units.
- 2) Issued upon conversion of options.
- 3) Issued upon the conversion of Series 1 Flowr Preferred Shares which are convertible at no additional consideration for Flowr Shares on a one for one basis upon the completion of certain milestone events under the conversion agreement among Flowr, DFT Trading Limited and Pleiades Trading Ltd. entered into in connection with Flowr's acquisition of Holigen Holdings Limited.
- 4) Issued pursuant to the pursuant to the Equity Line and Profit Sharing Agreement.
- 5) Issued upon the conversion of 800,000 Flowr ULC Class A Shares which are exchangeable at no additional consideration for Flowr Shares on a one for one basis at any time at the option of the holders thereof.

The following table sets forth details regarding issuances of securities convertible into Flowr Shares by Flowr during the 12 months prior to the date of this Circular. Other than the issuances listed in the table below, Flowr has not issued any securities convertible into Flowr Shares within the 12 months preceding the date of this Circular.

<u>Date of Issuance</u>	<u>Security</u>	<u>Price per Security</u>	<u>Number of Securities</u>
November 28, 2019	Restricted Share Units	N/A	220,000
February 1, 2020	Restricted Share Units	N/A	50,000
February 10, 2020	Restricted Share Units	N/A	20,000
February 23, 2020	Restricted Share Units	N/A	135,000
March 10, 2020	Restricted Share Units	N/A	45,000
March 16, 2020	Restricted Share Units	N/A	15,000
March 23, 2020	Options	\$0.38	275,000
April 20, 2020	Restricted Share Units	N/A	30,000
April 27, 2020	Warrants	\$0.06 ⁽¹⁾	34,550,684
April 27, 2020	Convertible Debentures	\$999.94 ⁽¹⁾	20,041
May 2, 2020	Options	\$0.42	120,000
June 3, 2020	Warrants	\$0.06 ⁽¹⁾	2,651,512
June 3, 2020	Convertible Debentures	\$999.94 ⁽¹⁾	1,538
June 24, 2020	Warrants	\$0.15 ⁽²⁾	1,472,308
June 24, 2020	Restricted Share Units	N/A	105,000
July 13, 2020	Restricted Share Units	N/A	15,000
August 5, 2020	Warrants	\$0.15 ⁽²⁾	961,538
August 28, 2020	Warrants	\$0.15 ⁽²⁾	673,077
August 31, 2020	Restricted Share Units	N/A	10,000
September 9, 2020	Warrants	\$0.15 ⁽²⁾	1,351,923
October 10, 2020	Warrants	\$0.15 ⁽²⁾	1,923,077
October 26, 2020	Warrants	\$0.15 ⁽²⁾	2,884,615

Notes:

- 1) Issued in connection with a non-brokered private placement of units, each such unit comprised of: (i) one convertible debenture having a principal amount of \$1000 and (ii) 1,724 Flowr Share purchase warrants, with each warrant being exercisable to purchase one Flowr Share at an exercise price of \$0.76 per share.
- 2) Issued pursuant to the pursuant to the Equity Line and Profit Sharing Agreement.

Risk Factors

An investment in Flowr Shares and the completion of the Arrangement are subject to certain risks. There are various risks, including those discussed in the Flowr AIF, which is incorporated herein by reference, that could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of Flowr. These risk factors, together with all of the other information included or incorporated by reference in this Circular, including information contained in the sections entitled “*Risks Factors Relating to the Arrangement*” of this Circular, should be carefully reviewed and considered by Shareholders before a decision concerning the Arrangement is made.

Auditor, Registrar and Transfer Agent

The auditors of Flowr are MNP LLP. The transfer agent and registrar for the Flowr Shares is Computershare Investor Services Inc. at its office located at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada, M5J 2Y1.

APPENDIX I

INFORMATION CONCERNING THE COMBINED COMPANY

Overview of the Combined Company after the Arrangement

On completion of the Arrangement, Flowr will directly own all of the outstanding shares of Terrace pursuant to the Arrangement.

After completion of the Arrangement, the business and operations of Terrace will be managed and operated as a subsidiary of Flowr. Flowr expects that the business and operations of Flowr and Terrace will be consolidated and the principal executive office will continue to be located at Flowr's current head office, 60 Adelaide Street East, Suite 1000, Toronto, ON. The Combined Company will continue to be a corporation existing under the laws of the Province of Ontario on completion of the Arrangement.

Description of Share Capital

The authorized share capital of Flowr following completion of the Arrangement will continue to be as described in Appendix H and the rights and restrictions of the Flowr Shares will remain unchanged. The issued share capital of Flowr will change as a result of the consummation of the Arrangement, to reflect the issuance of the Flowr Shares contemplated in the Arrangement. Based on the outstanding securities of Terrace as of the Record Date, Flowr expects to issue a maximum of 142,894,657 Flowr Shares in connection with the Arrangement. On completion of the Arrangement, assuming that (i) the current number of Terrace Shares and Flowr Shares outstanding does not change from the respective dates of the information provided herein and (ii) all outstanding Flowr Debentures are converted into Flowr Shares prior to closing of the Arrangement in accordance with the Flowr Debenture Indenture Amendments, it is expected that the total number of Flowr Shares issued and outstanding will be 349,657,289 on a non-diluted basis. Up to a maximum of 63,613,030 Flowr Shares will be issuable upon the exercise of outstanding convertible securities of Terrace and Flowr, including the Replacement Options and Replacement Warrants to be issued pursuant to the Arrangement (assuming all outstanding Flowr Debentures are converted into Flowr Shares prior to closing of the Arrangement in accordance with the Flowr Debenture Indenture Amendments). On completion of the Arrangement, assuming that (i) the current number of convertible securities of Terrace and Flowr does not change from the respective dates of the information provided herein and (ii) all outstanding Flowr Debentures are converted into Flowr Shares prior to closing of the Arrangement in accordance with the Flowr Debenture Indenture Amendments, it is expected that the total number of Flowr Shares issued and outstanding will be 455,970,319 on a fully-diluted basis.

See "*Consolidated Capitalization*" in Appendix H to this Circular.

Auditors, Transfer Agent and Registrar

The auditors of Flowr following completion of the Arrangement will continue to be MNP LLP and the transfer agent and registrar for the Flowr Shares will continue to be Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

APPENDIX J

ADDITIONAL INFORMATION CONCERNING TERRACE

Business Overview

The Corporation, through its Subsidiaries, is focused on the development and acquisition of cannabis assets and is engaged in cultivating recreational cannabis, manufacturing cannabis, and hemp assets in Uruguay, Spain and Portugal.

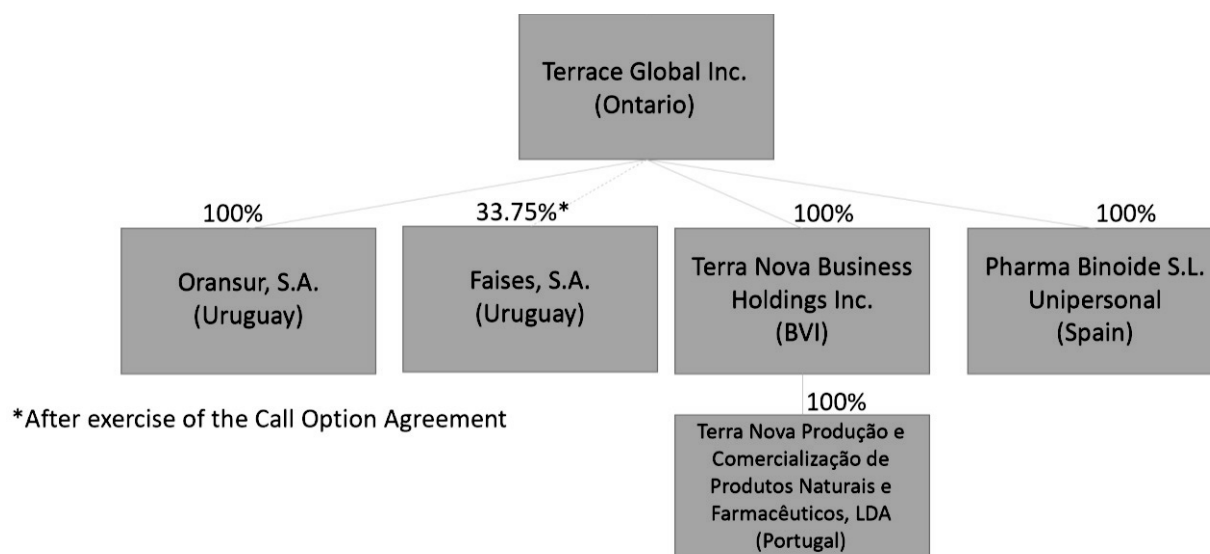
Company Overview

The Corporation was incorporated as Apolo II Acquisition Corp. under the OBCA on December 15, 2017. Terrace completed its initial public offering on March 6, 2018 by way of a prospectus dated February 21, 2018. The Terrace Shares became eligible to commence trading on the TSXV on March 12, 2018.

On November 14, 2019, Terrace completed a qualifying transaction (the “**Qualifying Transaction**”) with Terrace Inc., consisting of the acquisition of all the issued and outstanding common shares of Terrace Inc. by way of a “three-cornered amalgamation” pursuant to the provisions of the OBCA. In connection with the amalgamation, the Corporation changed its name from “Terrace Global Inc.” and consolidated the Terrace Shares on a basis on 2.5 pre-consolidation Terrace Share for every one post-consolidation Terrace Share. As a result of the Qualifying Transaction, the former shareholders of Terrace Inc. acquired control of the Corporation.

Terrace’s head office and registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. The Terrace Shares are listed under the symbol “TRCE” on the TSXV. The Corporation is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

The following chart sets out all of the Corporation’s subsidiaries as at the date hereof, their jurisdictions of incorporation and the Corporation’s direct and indirect voting interest in each of these subsidiaries.



Prior Sales

The following table sets out information relating to the distribution of Terrace Shares and securities convertible into Terrace Shares in the previous 12 months, not including the Terrace Shares issued in connection:

Date of Distribution	Number of Securities	Issuer Price per Security
September 9, 2020	120,000,000 Terrace Subscription Receipts	\$0.125

Price Ranges and Trading Volumes

The Terrace Shares are listed on the TSXV under the symbol “TRCE”. The following table sets forth the reported intraday high and low trading prices and the trading volume for the Terrace Shares on the TSXV, as applicable, for the period from November 2019 to November 12, 2020:

Period	High	Low	Volume
November, 2019	0.30	0.13	1,411,800
December, 2019	0.23	0.17	391,232
January, 2020	0.18	0.14	264,500
February, 2020	0.23	0.16	422,945
March, 2020	0.19	0.10	107,068
April, 2020	0.14	0.09	421,960
May, 2020	0.17	0.08	2,724,029
June, 2020	0.11	0.08	4,102,834
July, 2020	0.20	0.11	1,765,709
August, 2020	0.17	0.14	112,599
September, 2020	0.16	0.13	249,191
October, 2020	0.20	0.13	597,601
November 1 – 12, 2020	0.175	0.15	13,106

The closing price of the Terrace Shares on the TSXV on October 16, 2020, the date immediately prior to the public announcement of the Arrangement, was \$0.15. The closing price of the Terrace Shares on the TSXV on November 12, 2020 was \$0.175. If the Arrangement is completed, all of the Terrace Shares will be owned by Flowr and will be delisted from the TSXV, subject to the rules and policies of the TSXV.

Ownership of Securities

For complete details regarding the securities held by each officer and director of Terrace, please see “*The Arrangement - Interests of Certain Persons in the Arrangement*”.

Dividends

The Corporation has not paid any dividends since incorporation and it has no plans to pay dividends for the foreseeable future. There are no restrictions that could prevent the Corporation from paying dividends, other than the terms of the Arrangement Agreement.

Material Changes

Other than as disclosed in this Circular, there are no plans or proposals for material changes in the affairs of the Corporation expected to arise as a result of the completion of the Arrangement.

Arrangements between the Corporation and Securityholders

Other than as disclosed in this Circular, there are no agreements, commitments or understandings made or proposed to be made between the Corporation and a securityholder of the Corporation relating to the Arrangement. See “*The Arrangement – Voting Support Agreement*” and “*The Arrangement – Interests of Certain Persons in the Arrangement*”.

Auditor

The auditor of the Corporation is MNP LLP, Chartered Professional Accountants, located at 111 Richmond Street West Suite 300, Toronto, ON, M5H 2G4. MNP LLP, Chartered Professional accountants has served as the Corporation’s auditor since January 2018.

