

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF  
ROTHMANS, BENSON & HEDGES INC.

Applicant

FIRST REPORT OF THE MONITOR  
April 3, 2019

INTRODUCTION

1. On March 22, 2019, Rothmans, Benson & Hedges Inc. ("**RBH**", the "**Company**" or the "**Applicant**") applied for and was granted protection from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act* ("**CCAA**"), pursuant to an Order of Mr. Justice Pattillo dated March 22, 2019 (the "**Initial Order**"), and Ernst & Young Inc. ("**EYI**" or the "**Monitor**") was appointed Monitor of the Applicant in this CCAA proceeding. The Initial Order provides a stay of proceedings until April 19, 2019 (the "**Stay Period**") with respect to the Applicant and a limited stay of proceedings in respect of the members of the PMI Group from certain proceedings and litigation, including the Other Pending Litigation (as defined in the Initial Order).

PURPOSE

2. The purpose of this first report of the Monitor (the "**First Report**") is to provide information to this Court with respect to:
  - i) the status of the CCAA proceedings;
  - ii) the actual receipts and disbursements of the Applicant from March 20, 2019 to March 31, 2019 as well as the Applicant's revised cash flow forecast for the period from April 1, 2019 to June 30, 2019;

- iii) the Applicant's request for an order amending and restating the Initial Order for, among other things:
  - a. the appointment of the Hon. Warren K. Winkler Q.C. as a Court Officer (as defined below);
  - b. the granting of a Charge in respect of the Court Officer;
  - c. extending the existing stays of proceedings under the Initial Order, in respect of the Pending Litigation or any Proceeding to any person named as a defendant or respondent in any of the Pending Litigation (such Persons, the "**Other Defendants**"); and
  - d. providing for a notice procedure for subsequent motions in these CCAA proceedings; and
- iv) the Applicant's request for an order that the stay of proceedings be extended up to and including June 28, 2019.

## **TERMS OF REFERENCE**

- 3. In preparing this First Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Applicant, the Luongo Affidavits (as defined below), and discussions with RBH management (collectively, the "**Information**"). Except as described in this Report in respect of the Applicant's Cash Flow Forecast:
  - i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited, or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

- ii) Some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in *Chartered Professional Accountants Canada Handbook*, has not been performed.
- 4. Future oriented financial information referred to in this First Report was prepared based on the Company's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
- 5. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this First Report concerning the Applicant and its business is based on the Information, and not independent factual determinations made by the Monitor.
- 6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
- 7. Capitalized terms used but not defined in this First Report are defined in the affidavit of Peter Luongo sworn March 22, 2019 (the "**Luongo Affidavit**"), the affidavit of Peter Luongo sworn March 28, 2019 (the "**March 28 Luongo Affidavit**" and together with the Luongo Affidavit, the "**Luongo Affidavits**"), the Proposed Monitor's Pre-filing Report dated March 22, 2019 (the "**Pre-filing Report**") and the Initial Order.

## OVERVIEW OF THE APPLICANT

- 8. The Applicant is a private company formed under the *Canada Business Corporations Act* with its head office in Toronto, Ontario. The ultimate parent of the Applicant is PMI. The Applicant's two primary business segments include:
  - i) **Traditional Cigarette and Tobacco Product Business** – the Applicant is the second largest supplier of traditional tobacco products in the tax-paid Canadian market. It manufactures and sells cigarettes and fine-cut tobacco, and distributes pipe tobacco and cigar products; and

- ii) **Reduced Risk Product Business: IQOS** – the Applicant sells and distributes IQOS products to consumers via the Applicant’s owned and 3<sup>rd</sup> party retail outlets, as well as via an online platform. IQOS is an electronic device that generates a nicotine-containing aerosol by heating tobacco products manufactured for use with the IQOS device.
9. The Applicant provides employment or consultant work to approximately 800 employees and 50 contractors in Canada<sup>1</sup>.
10. The Applicant is party to a number of intercompany arrangements with the PMI Group with respect to several operational and administrative functions of the business as summarized in the Pre-filing Report. The day-to-day operation of the Applicant’s business is dependant on these arrangements with the PMI Group related to goods, services and trademark licenses. The Monitor understands that if the Applicant was unable to continue such arrangements then a serious disruption to the business would result. The Applicant has asked the Monitor to review the intercompany arrangements and identify any concerns that the Monitor has with the continuation of such arrangements post-filing and payment for them by RBH.

## **STATUS OF THE CCAA PROCEEDINGS**

11. As discussed in the Pre-filing Report, the Monitor has arranged for a website at [www.ey.com/ca/rbh](http://www.ey.com/ca/rbh) (the “Monitor’s Website”). All court documents and certain other documents will be posted on the Monitor’s Website. Further, the Monitor has arranged for a toll-free hotline phone number 1-866-943-2280 for calls related to this matter and an e-mail address [rbh@ca.ey.com](mailto:rbh@ca.ey.com) for e-mail correspondence with the Applicant’s creditors and other parties related to the CCAA proceedings.
12. Since the granting of the Initial Order, the Applicant, with the assistance of the Monitor, has been working to stabilize its operations and to address questions from its employees, suppliers and other stakeholders to advise them of the CCAA proceedings. As part of this process, the Applicant has specifically advised stakeholders that the CCAA process is not a

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<sup>1</sup> As of December 31, 2018

bankruptcy and instead provides for business to continue in the usual course, subject to the Initial Order.

13. The Monitor and its counsel have also met with the CCAA monitors appointed in the CCAA proceedings of JTI-Macdonald Corp. (“**JTIM**”) and Imperial Tobacco Canada Limited and Imperial Tobacco Company Limited (together, “**ITCAN**”) and their respective counsel to discuss the procedural coordination of the three CCAA proceedings to the greatest extent possible.
14. In that regard, certain stakeholders have filed motions or objections raising a number of issues for the comeback hearing and the Monitor has been working with the various parties to discuss and attempt to narrow the issues in dispute, including the following:
  - i) the mechanics and implications of the Applicant filing an application for leave to appeal to the Supreme Court of Canada from the decision of the Court of Appeal of Quebec;
  - ii) the ability of the Applicant to make certain inter-company post-filing payments;
  - iii) the frequency of taxation of accounts;
  - iv) whether taxation of the accounts of the Applicant’s legal counsel shall be required;
  - v) lifting the stay of proceedings to permit the Quebec Plaintiffs to bring a bankruptcy application as against the Applicant; and
  - vi) lifting the stay of proceedings to permit the Province of Ontario’s Health Care Actions to proceed.
15. Pursuant to the Initial Order:
  - i) on March 22 2019, the Monitor posted a copy of the CCAA application materials, the Pre-Filing Report and the Initial Order on the Monitor’s Website;

- ii) on March 25, 2019, the Monitor filed the first form (Form 1) with respect to the granting of the Initial Order and certain other information as required by the office of the Superintendent of Bankruptcy (the “**OSB**”);
  - iii) on March 26, 2019, the Monitor filed the second form (Form 2) with respect to the financial information and certain other information as required by the OSB;
  - iv) on March 27, 2019, the Monitor posted on the Monitor’s Website a list showing the names and addresses of the Known Creditors, (as defined below) excluding the names of individual creditors and employees;
  - v) on March 27, 2019, the Monitor sent a notice, which included information about the CCAA proceedings, the toll-free telephone number and the Monitor’s Website (the “**Notice to Creditors**”) to all known creditors, (excluding former and current employees of the Applicant) based on the contact information of such known creditors provided by the Applicant (the “**Known Creditors**”) by prepaid ordinary mail. A copy of the Notice to Creditors has also been posted on the Monitor’s Website; and
  - vi) on March 29, 2019, the Monitor published the Notice to Creditors in the national edition of the Globe and Mail newspaper (English) and in La Presse (French).
16. On March 22, 2019, both the Applicant and the Monitor sent letters to the Court of Appeal of Quebec advising of the stay of proceedings pursuant to the Initial Order. Copies of the letter are attached at Appendix “A”.
17. As discussed in the Luongo Affidavit, RBH had deposited a total of \$226 million into Court in Quebec, in full satisfaction of its obligations under the Deposit Posting Order (the “**Deposit Posting Order Funds**”) and continues to treat this amount as an asset of RBH. On March 25, 2019, the Applicant attended at the Court of Appeal of Quebec in respect of a motion brought by the Quebec Plaintiffs to access the funds posted under the Deposit Posting Order. The motions were adjourned *sine die* and the deposit will remain with the Quebec Court pending further order of this Court.

## **ACTUAL RECEIPTS AND DISBURSEMENTS**

18. At the commencement of the CCAA proceedings on March 22, 2019, the Applicant had available cash of approximately \$1.7 billion.
19. From March 20, 2019 to March 31, 2019, the Applicant had total receipts of approximately \$104.8 million and total disbursements of approximately \$42.0 million for net cash flow of approximately \$62.8 million.

## **UPDATED CASH FLOW FORECAST**

20. The Applicant, with the assistance of the Monitor, has prepared a cash flow forecast (the “**Cash Flow Forecast**”) for the period from April 1, 2019 to June 30, 2019 (the “**Cash Flow Period**”). A copy of the Cash Flow Forecast is attached as Appendix “**B**”.
21. On March 31, 2019, the Applicant had available cash of approximately \$1.8 billion.
22. The Cash Flow Forecast estimates the Applicant will have total receipts of \$872.4 million and total disbursements of \$694.7 million for net cash flow of \$177.7 million during the Cash Flow Period.
23. The Cash Flow Forecast has been prepared by the Applicant for the purpose of the CCAA Application, using probable and hypothetical assumptions as set out below:
  - i) Accounts receivable collections have been estimated by the Applicant’s collection group based on revenue forecasts and customer collection experience;
  - ii) Pre-filing intercompany amounts owing are stayed;
  - iii) Pre-filing amounts owing to third party suppliers and service providers will be paid in the ordinary course;
  - iv) All post-filing goods and services from suppliers and service providers and all post-filing intercompany goods and services will be settled in the ordinary course;

- v) All outstanding and future wages, salaries, commissions, compensation, vacation pay, bonuses, incentive plan payments, employee and retiree pension and other benefits and related contributions and payments (including, without limitation, expenses related to employee and retiree medical, dental, disability, life insurance and similar benefit plans or arrangements, employee assistance programs and contributions to or any payments in respect of the Registered Pension Plans, the Non-Registered Pension Plans and the RRSP), reimbursement expenses, termination pay, salary continuance and severance pay, all of which is payable to or in respect of employees, independent contractors and other personnel, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements or with Monitor approval will be paid;
- vi) Restructuring Costs have been forecast based on anticipated run rates and includes an estimate of costs associated with the Court Officer. All outstanding fees and disbursements of Assistants retained or employed by the Applicant will be paid;
- vii) Any payment under or in respect of any Trade Program operated by the Applicant will be paid;
- viii) Post-filing expenses and capital expenditures necessary for the preservation of the Property or the business including, payments in respect of insurance (including directors' and officers' insurance), maintenance and security services, as well as certain capital expenditures to replace or supplement the Property or that are otherwise a benefit to the business, will be paid;
- ix) All statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province or other taxing authority that are required to be deducted from employee wages including, in respect of employee insurance, Canada Pension Plan, Quebec Pension Plan and income taxes will be remitted;
- x) All pre-filing and post-filing Sales & Excise Taxes accrued or collected in connection with the sale of goods and services by the Applicant will be remitted; and



- xi) Any payments in respect of the Quebec Class Actions and the Other Pending Litigation are stayed.
24. The Monitor understands the Applicant, with the consent of the Monitor, intends to pay in the ordinary course the pre-filing claims of third party trade creditors. The Applicant considers such payments to be necessary and desirable for the ongoing operations. The Monitor believes this course of action will preserve the Applicant's operations while it seeks to address the claims asserted against it in the Quebec Class Actions and Other Pending Litigation.
25. The Monitor's review consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the Company. Since the probable and hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Monitor also reviewed the support provided by the Company for the probable and hypothetical assumptions, and the preparation and presentation of the Cash Flow Forecast.
26. Based on the Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:
- i) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
  - ii) as at the date of this Report, the probable and hypothetical assumptions developed by the Company are not suitably supported and consistent with the restructuring plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or
  - iii) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
27. As described in the Terms of Reference above, the Cash Flow Forecast is based on assumptions regarding future events and actual results will vary from the information presented even if the hypothetical assumptions occur, and such variations may be material.

Accordingly, the Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Monitor expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast, or relied upon by the Monitor in preparing this Report.

28. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

## **AMENDMENTS TO THE INTIAL ORDER**

### *Appointment of Court Officer and Court Officer Charge*

29. The Monitor understands RBH, ITCAN and JTIM have been involved in numerous discussions regarding the appointment of the Hon. Warren K. Winkler Q.C. as an officer of the court (the “**Court Officer**”), in a capacity intended to facilitate negotiations to reach a CCAA plan of compromise and arrangement, although the parties have not reached a consensus yet as to the specific terms for the appointment of the Court Officer.
30. The Monitor and its counsel have met with the proposed Court Officer to discuss his proposed role. It is the Monitor’s view that the appointment of the Court Officer is appropriate in the circumstances to assist the parties in coordinating, facilitating, and potentially mediating, in their efforts to reach a global resolution in respect of the Tobacco Claims.
31. In conjunction with the request to appoint the Court Officer, the Applicant is proposing that all reasonable fees and disbursements of the Court Officer and his legal counsel and financial and other advisors whether incurred prior to the date of this Order or which are incurred by them in relation to carrying out the mandate shall be paid by the Applicant (and ITCAN and JTIM to the extent he is appointed in their proceedings). The Applicant is also proposing, the Court Officer, his counsel and advisors be granted the Court Officer

Charge over the Property up to a maximum amount of \$1 million, to rank *pari passu* with the Administration Charge.

32. The Monitor also believes that, if the Court Officer is appointed by the Court, it is appropriate to grant a charge in favour of the Court Officer, his counsel and advisors for their fees and expenses incurred in connection with the CCAA Proceedings.

*Extension of Stay to Other Defendants*

33. The Initial Order provided an initial stay of proceedings with respect to the Applicant and a limited stay of proceedings in respect of the members of the PMI Group from certain proceedings and litigation, including the Other Pending Litigation (as defined in the Initial Order). RBH is seeking an amendment to provide a limited stay of proceedings in respect of the Pending Litigation against the Other Defendants.
34. On March 8, 2019, JTIM sought and obtained an order under CCAA (“**JTIM Initial Order**”). Pursuant to the JTIM Initial Order, a limited stay of proceedings was granted in respect of the Pending Litigation against Other Defendants. As further described in the March 28 Luongo Affidavit, the Applicant is seeking to amend the Initial Order for the same relief to eliminate conflicting or inconsistent judgments amongst all the defendants to the Pending Litigation.
35. The Monitor supports the amendment to ensure consistency of the limited stay of proceedings extended to the Other Defendants. The limited stay of proceedings extended to the Other Defendants will allow the Applicant to focus on its restructuring efforts within these CCAA proceedings and limit significant costs of monitoring and participating in such proceedings in order to ensure that the Applicant’s rights are not adversely affected.

### *Notice Procedures*

36. The Applicant is also seeking to amend the Initial Order approving its proposed notice procedure for subsequent motions in this CCAA proceeding.
37. As further described in the March 28 Luongo Affidavit, the proposed notice procedure sets out, amongst other things, prescribed time frames to bring and object to motions, hearing details, and a process to resolve disputes relating to scheduling of motions and filing materials.

### *Request For An Extension of the Stay Period*

38. The initial Stay Period is up to and including April 19, 2019. The Applicant is seeking the extension of the Stay Period up to and including June 28, 2019 in order for the Applicant, with the assistance of the Monitor, to continue to operate its business and to address in an orderly manner the claims against it, including the Global Damages Award and all Pending Litigation claims.
39. The continuation of the stay of proceedings contained in the Initial Order and the extension of the initial Stay Period is necessary to maintain the *status quo* and allow the Applicant to focus on its restructuring efforts within these CCAA proceedings.
40. As described above, the Applicant's Cash Flow Forecast projects that the Applicant will have sufficient liquidity and generate positive cash flow during the Cash Flow Period.
41. It is the Monitor's view that the Applicant has acted in accordance with the Initial Order and is working diligently and in good faith.

### **CONCLUSION AND RECOMMENDATION**

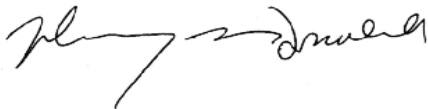
42. For the reasons outlined in this First Report, subject to resolution of the appointment terms and role of the Court Officer, the Monitor supports the relief sought by the Applicant in their motion and respectfully recommends and requests that this Court grant:

- i) an order extending the Stay Period to and including June 28, 2019; and
- ii) an order amending and restating the Initial Order in the form attached to the Applicant's Motion Record, subject to any necessary amendments with respect to the appointment terms and role of the Court Officer.

All of which is respectfully submitted this 3<sup>rd</sup> day of April, 2019.

**ERNST & YOUNG INC.**  
**In its capacity as the Monitor of**  
**Rothmans, Benson & Hedges Inc.**

Per:

A handwritten signature in black ink, appearing to read 'Murray A. McDonald', written over a horizontal line.

Murray A. McDonald  
President

# **APPENDIX “A”**



CASSELS BROCK  
LAWYERS

March 22, 2019

VIA EMAIL

Court of Appeal of Québec  
100, Notre-Dame East  
Montreal, QC H2Y 1B6  
courdappelmtl@judex.qc.ca

jdietrich@casselsbrock.com

tel: 416.860.5223

fax: 416.640.3144

Dear Sirs/Mesdames:

**Re: 500-09-025387-150: *Rothmans, Benson & Hedges c. CQTS et als.***

**500-09-025385-154: *Imperial Tobacco Canada ltée c. CQTS et als.***

**500-09-025386-152: *JTI-MacDonald c. CQTS et als.***

On March 22, 2019, Mr. Justice Pattillo of the Ontario Superior Court of Justice (Commercial List) (the "**Ontario Court**") issued an order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**"), which among other things appointed Ernst & Young Inc. ("**EY**") as monitor (the "**Monitor**") of Rothmans, Benson & Hedges Inc. ("**RBH**"). We are counsel to the Monitor.

In accordance with paragraph 18 of the Initial Order, until and including April 19, 2019 or such later date as the Court may order (the "**Stay Period**"), all proceedings in any court or tribunal against or in respect of RBH, or affecting the "Business" or "Property" of RBH in any way related to a "Tobacco Claim", or the funds deposited into this Court pursuant to the order of the Honourable Mr. Justice Schrager dated October 27, 2015, are stayed and suspended pending further order of the Ontario Court or written consent of the Monitor and RBH.

In accordance with paragraph 19 of the Initial Order, all proceedings in Canada against or in respect of the "PMI Group" that relate in any way to a "Tobacco Claim" or to RBH, its Business or Property, are stayed during the Stay Period and suspended pending further order of the Ontario Court or written consent of the Monitor and RBH.

As a result, under the Initial Order "Tobacco Claims", including the proceeding in Court File No. 500-09-025387-150, are stayed and suspended during the Stay Period. The Ontario Court was made aware of the motion in such proceedings scheduled to be heard on March 25, 2019 which is subject to the stay of proceedings.

Court materials relating to this proceeding, including a copy of the Initial Order, can be found on the Monitor's website at [www.ey.com/ca/rbh](http://www.ey.com/ca/rbh).

A comeback motion in respect of the relief granted in the Initial Order has been scheduled for April 4 and 5, 2019.

Please contact the undersigned should you have any questions.

Yours truly,



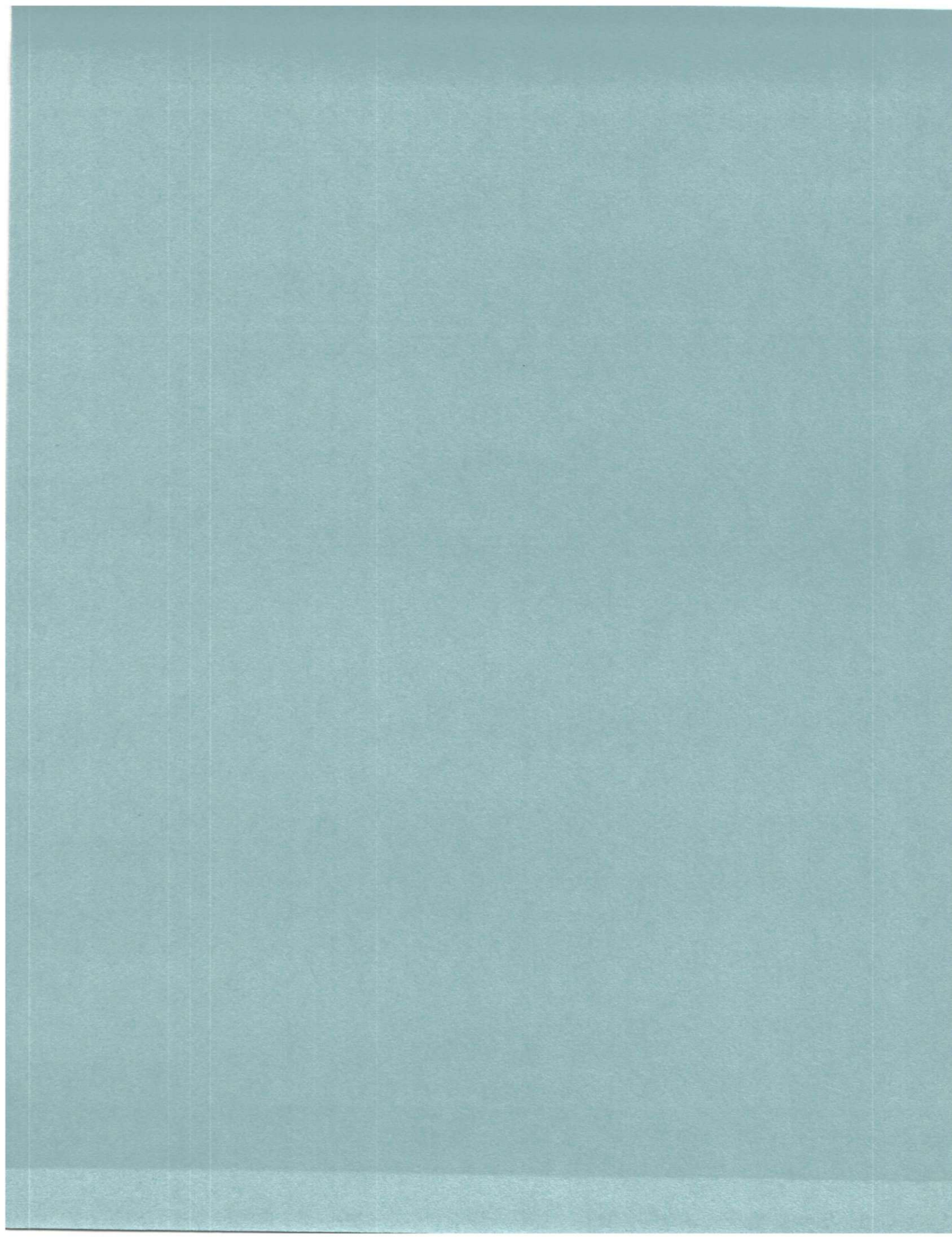
FOR:

Jane Dietrich  
Partner

JOD/mjc

cc. Murray A Macdonald, Ernst & Young Inc.  
The Honourable Stéphane Sansfaçon, Court of Appeal Quebec  
Mtres André Lespérance, Philippe H. Trudel, Bruce Johnston & Gabrielle Gagné, *Trudel, Johnston & Lespérance*  
Mtre Gordon Kugler & Pierre Boivin, *Kugler Kandestin*  
Mtre Marc Beauchemin, *DeGrandpré Chait*







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March 22, 2019

**Via Email to [courdappelmtl@judex.qc.ca](mailto:courdappelmtl@judex.qc.ca)**

Court of Appeal of Québec  
100, Notre-Dame East  
Montreal, QC H2Y 1B6

Dear Sirs/Mesdames:

**500-09-025387-150: *Rothmans, Benson & Hedges c. CQTS et als.***

**500-09-025385-154: *Imperial Tobacco Canada Ltée c. CQTS et als.***

**500-09-025386-152: *JTI-MacDonald c. CQTS et als.***

We are counsel for the Appellant Rothmans, Benson & Hedges Inc. (“**RBH**”). We write further to our letter of March 15, 2019 advising of the stay of proceedings granted by the Ontario Superior Court of Justice in respect of the proceedings commenced by the Appellants JTI-Macdonald Corp. and Imperial Tobacco Canada Limited under the *Companies’ Creditors Arrangement Act* (“**CCAA**”).

Earlier today, the Honourable Mr. Justice Pattillo of the Ontario Superior Court of Justice granted the enclosed order (the “**Initial Order**”) in respect of proceedings commenced by RBH pursuant to the CCAA.

In accordance with paragraph 18 of the Order, until and including April 19, 2019 or such later date as the Court may order (the “**Stay Period**”), all proceedings in any court or tribunal against or in respect of RBH, or affecting the “Business” or “Property” of RBH or the funds deposited into this Court pursuant to the order of the Honourable Mr. Justice Schrager dated October 27, 2015, are stayed and suspended pending further order of the Ontario Superior Court of Justice.

Accordingly, no steps can be taken in respect of these appeals during the Stay Period. During the hearing today before Mr. Justice Patillo, RBH’s counsel advised of the motion scheduled to be heard in this Court on March 25, 2019, now subject to the stay of proceedings.

We would be grateful for confirmation that the parties need not attend for the hearing previously scheduled for March 25, 2019.

Yours truly,

A handwritten signature in black ink, appearing to read "Simon V. Potter". The signature is fluid and cursive, with the first name "Simon" and last name "Potter" clearly legible.

Simon V. Potter Ad. E.

Encls.

cc: Mtres Guy Pratte, François Grondin, Kevin LaRoche & Patrick Plante, *Borden Ladner Gervais*  
Mtre Deborah Glendinning, Craig Lockwood and Alexandre Fallon, *Osler, Hoskin and Harcourt*  
Mtre Doug Mitchell and Catherine McKenzie, *Irving Mitchell Kalichman*  
Mtres André Lespérance, Philippe H. Trudel, Bruce Johnston & Gabrielle Gagné, *Trudel, Johnston & Lespérance*  
Mtre Gordon Kugler & Pierre Boivin, *Kugler Kandestin*  
Mtre Marc Beauchemin, *DeGrandpré Chait*

# **APPENDIX “B”**

<b>Rothmans, Benson &amp; Hedges Inc.</b>		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Forecast Cash Flow</b>								
millions, CAD		1-Apr-19	8-Apr-19	15-Apr-19	22-Apr-19	29-Apr-19	6-May-19	13-May-19
		7-Apr-19	14-Apr-19	21-Apr-19	28-Apr-19	5-May-19	12-May-19	19-May-19
<b>Receipts</b>								
Collection of Accounts Receivable		65.8	65.8	52.6	65.0	71.3	79.3	79.3
Other Receipts		2.0	2.9	1.8	0.7	0.5	-	0.3
<b>Total Receipts</b>		67.8	68.7	54.4	65.7	71.8	79.3	79.6
<b>Disbursements</b>								
Payroll (Gross) and Benefits		(1.6)	(2.1)	(1.6)	(1.2)	(3.1)	(0.7)	(2.1)
Pension and PRB Contributions		(0.2)	(0.1)	(0.2)	(0.7)	(0.2)	-	(0.1)
Third Party Operating Costs		(3.1)	(4.0)	(5.0)	(3.3)	(4.1)	(4.5)	(3.8)
Leaf Purchases		-	-	-	-	(0.5)	-	-
Net Intercompany Disbursements		-	-	-	-	(3.3)	-	(0.4)
Capex		-	-	-	-	(0.5)	-	-
Corporate Income Taxes		(20.1)	-	-	-	(20.1)	-	-
Taxes (Excise / Duty / GST / PTT)		(117.9)	(17.0)	(15.2)	(5.6)	(126.7)	(17.7)	(17.2)
Restructuring Costs		(0.4)	(0.4)	(1.9)	(0.5)	(0.6)	(0.5)	(0.5)
<b>Total Disbursements</b>		(143.3)	(23.6)	(23.9)	(11.3)	(159.1)	(23.4)	(24.1)
<b>Net Cash Flow</b>		(75.5)	45.1	30.5	54.4	(87.3)	55.9	55.5
<b>Opening Available Cash Balance</b>		1,771.2	1,695.7	1,740.8	1,771.3	1,825.7	1,738.4	1,794.3
<b>Closing Available Cash Balance</b>		1,695.7	1,740.8	1,771.3	1,825.7	1,738.4	1,794.3	1,849.8
Restricted Cash		31.1	31.1	31.1	31.1	31.1	31.1	31.1
Quebec Security Deposit		226.0	226.0	226.0	226.0	226.0	226.0	226.0
<b>Total Available, Restricted Cash &amp; Quebec Security Deposit</b>		<b>1,952.8</b>	<b>1,997.9</b>	<b>2,028.4</b>	<b>2,082.8</b>	<b>1,995.5</b>	<b>2,051.4</b>	<b>2,106.9</b>

Rothmans, Benson & Hedges Inc. Forecast Cash Flow millions, CAD	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	20-May-19	27-May-19	3-Jun-19	10-Jun-19	17-Jun-19	24-Jun-19	1-Apr-19
	26-May-19	2-Jun-19	9-Jun-19	16-Jun-19	23-Jun-19	30-Jun-19	30-Jun-19
<b>Receipts</b>							
Collection of Accounts Receivable	63.4	79.3	59.9	59.9	59.9	59.9	861.4
Other Receipts	-	-	0.9	0.9	1.0	-	11.0
<b>Total Receipts</b>	63.4	79.3	60.8	60.8	60.9	59.9	872.4
<b>Disbursements</b>							
Payroll (Gross) and Benefits	(2.0)	(2.5)	(2.0)	(2.2)	(1.7)	(8.7)	(31.5)
Pension and PRB Contributions	(0.2)	(0.7)	(0.2)	(0.1)	(0.2)	(0.7)	(3.6)
Third Party Operating Costs	(4.7)	(3.1)	(3.8)	(4.5)	(3.8)	(3.3)	(51.0)
Leaf Purchases	-	-	-	-	-	-	(0.5)
Net Intercompany Disbursements	(0.3)	(14.1)	-	(0.3)	(0.4)	(12.4)	(31.2)
Capex	-	(0.4)	-	-	-	(0.3)	(1.2)
Corporate Income Taxes	-	(20.1)	-	-	-	-	(60.3)
Taxes (Excise / Duty / GST / PTT)	(2.8)	(132.5)	-	(32.9)	(13.9)	(7.9)	(507.3)
Restructuring Costs	(0.5)	(0.6)	(0.5)	(0.5)	(0.6)	(0.6)	(8.1)
<b>Total Disbursements</b>	(10.5)	(174.0)	(6.5)	(40.5)	(20.6)	(33.9)	(694.7)
<b>Net Cash Flow</b>	52.9	(94.7)	54.3	20.3	40.3	26.0	177.7
<b>Opening Available Cash Balance</b>	1,849.8	1,902.7	1,808.0	1,862.3	1,882.6	1,922.9	1,771.2
<b>Closing Available Cash Balance</b>	1,902.7	1,808.0	1,862.3	1,882.6	1,922.9	1,948.9	1,948.9
Restricted Cash	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Quebec Security Deposit	226.0	226.0	226.0	226.0	226.0	226.0	226.0
<b>Total Available, Restricted Cash &amp; Quebec Security Deposit</b>	<b>2,159.8</b>	<b>2,065.1</b>	<b>2,119.4</b>	<b>2,139.7</b>	<b>2,180.0</b>	<b>2,206.0</b>	<b>2,206.0</b>

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ROTHMANS, BENSON & HEDGES INC.

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

PROCEEDING COMMENCED AT TORONTO

**FIRST REPORT OF ERNST & YOUNG INC.**

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