

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

THIRD REPORT OF THE MONITOR  
September 25, 2019

INTRODUCTION

1. On March 22, 2019, Rothmans, Benson & Hedges Inc. (“**RBH**”, the “**Company**” or the “**Applicant**”) applied for and obtained an initial order (the “**Initial Order**”) under the *Companies' Creditors Amendment Act* (“**CCAA**”) that, amongst other things, (i) granted a stay of proceedings in favour of the Applicant and a limited stay of proceedings in favour of members of the PMI Group from certain proceedings and Other Pending Litigation until April 19, 2019 (the “**Stay Period**”), and (ii) appointed EYI as Monitor of the Applicant in this CCAA proceeding (the “**CCAA Proceeding**”).
2. On April 4 and 5, 2019, this Court heard a motion brought by the Applicant (the “**Comeback Motion**”) and amended and restated the Initial Order and extended the stay period to June 28, 2019. The Comeback Motion was continued on April 25 and 26, 2019, and this Court issued a further amended and restated Initial Order on April 26, 2019 (the “**Second Amended and Restated Initial Order**”) and amongst other things, extended a limited stay of proceedings to Other Defendants (as further described herein). Pursuant to an Order dated June 26, 2019, the Stay Period was extended to October 4, 2019.

PURPOSE

3. The purpose of this third report of the Monitor (the “**Third Report**”) is to provide information to this Court with respect to:

- i) the status of the CCAA Proceeding;
- ii) the actual receipts and disbursements of the Applicant from June 10, 2019 to September 15, 2019;
- iii) the Applicant's updated cash flow forecast for the period from September 16, 2019 to March 8, 2020; and
- iv) the Applicant's request for an order that the stay of proceedings be extended up to and including March 6, 2020.

#### **TERMS OF REFERENCE**

- 4. In preparing this Third 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 Third Report:
  - 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 Third 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.
- 5. Future oriented financial information referred to in this Third 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.

6. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Third Report concerning the Applicant and its business is based on the Information, and not independent factual determinations made by the Monitor.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
8. Capitalized terms used but not defined in this Third Report are defined in the affidavit of Peter Luongo sworn September 24, 2019 in connection with the stay extension request (the "**Luongo September 2019 Stay Extension Affidavit**") and his prior affidavits (collectively, the "**Luongo Affidavits**"), the Proposed Monitor's Pre-filing Report dated March 22, 2019 and the Monitor's prior reports (together, "**Monitor's Reports**") and the Second Amended and Restated Initial Order.
9. Copies of the Monitor's Reports, including a copy of this Third Report, and all motion records and Orders in the CCAA Proceedings are available on the Monitor's website at [www.ey.com/ca/rbh](http://www.ey.com/ca/rbh). The Monitor has also established a toll-free phone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the CCAA Proceeding.

## **OVERVIEW OF THE APPLICANT**

10. The Applicant is a private company 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.

11. The Applicant provides employment or consultant work to approximately 800 employees and 50 contractors in Canada<sup>1</sup>.

### **STATUS OF THE CCAA PROCEEDING**

12. Since the granting of the Initial Order, the Applicant, with the assistance of the Monitor, has been operating on a business as usual basis, subject to the Second Amended and Restated Initial Order, and continues to operate its cash flow positive Business for the benefit of all stakeholders.

13. The Applicant, with the assistance of the Monitor, has responded to customers and suppliers regarding the CCAA proceeding as needed.

14. Pursuant to the Professional Fees Disclosure Order, dated May 16, 2019, the Monitor continues to disclose the Applicant’s professional fee disbursements, including the professional fees of the Monitor and its counsel, to the requesting parties.

15. On April 5, 2019, the Hon. Warren K. Winkler Q.C. (the “**Court-Appointed Mediator**”) was appointed as an officer of the court to act as a neutral third party to mediate a global settlement of the Tobacco Claims. Among other things, the Court-Appointed Mediator is empowered to do the following in carrying out his mandate:

- i) Adopt processes which, in his discretion, he considers appropriate to facilitate negotiation of a global settlement; and

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

- ii) Consult with all Persons with Tobacco Claims, the Monitor, the Applicant, the Co-Defendants, other creditors and stakeholders of the Applicant and/or the Co-Defendants and any other persons the Court-Appointed Mediator considers appropriate.
16. The Monitor and its counsel continue to have meetings and discussions in connection with the mediation process with the following parties:
- i) the Court-Appointed Mediator,
  - ii) the Applicant and its counsel,
  - iii) JTIM and ITCAN's counsel and their respective monitors and their counsel, and
  - iv) certain of the Applicant's stakeholders in connection with matters relating to non-disclosure agreements and information requests, as applicable.
17. Since the last stay extension, the Applicant, JTIM and ITCAN have each established and populated separate data rooms with financial information to advance mediation discussions with key stakeholders. Stakeholder advisors have been admitted to the data rooms after execution of non-disclosure agreements. The Monitor continues to work with the Applicant to populate the Applicant's data room with financial and other information, as requested.
18. On August 1, 2019, the Applicant, JTIM, ITCAN and the Tobacco Claimants delivered mediation briefs. Reply mediation briefs were also submitted by certain Tobacco Claimants on September 12, 2019. A mediation plenary session with the above parties and each of the Monitors of the Tobacco Proceedings (as defined below) is scheduled to take place shortly.

19. A number of Court Orders have been issued since the Second Report. The following provides a summary and a brief description of the Court Orders and Endorsements issued in this CCAA Proceeding:

i) *Continuation of Rothmans SRAP and RCA*

- i. On June 26, 2019, this Court issued an Order that all rights, remedies and obligations of any Person under or in respect of the SRAP and RCA arising from the CCAA Events are stayed during the Stay Period.

ii) *Common Service Protocol*

- i. On June 26, 2019 the Court issued an Endorsement (the “**Common Service Protocol Endorsement**”) approving a Common Service Protocol which among other things:
  - approved a single, common service list for the CCAA proceedings of the Applicant, JTIM and ITCAN (together, the “**Tobacco Proceedings**”), which shall be made up of every party on each of the three individual service lists; and
  - approved that, subject to certain procedural requirements, motion records, pleadings, facta and other materials common to more than one of the Tobacco Proceedings may be served once and will be effective in each of the applicable Tobacco Proceedings.

iii) *Financial Advisor Order*

- i. On June 27, 2019 the Court issued an Order appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as financial advisor to the Court-Appointed Mediator. A&M’s role is to provide the Court-Appointed Mediator with financial and strategic advisory services.

iv) *Court-to-Court Communications Order*

- i. On July 9, 2019, the Court issued the Court-to-Court Communications Order to allow the Court, any other court in which the Pending Litigation was commenced or appealed, and the United States Bankruptcy Court for the Southern District of New York, to communicate and coordinate with one another with or without counsel present, but always with the Court being present.
20. A copy of each of these Court Orders and Endorsements can be found on the Monitor's Website. Additional details and background in respect of the motions leading to the Court Orders are provided in the Luongo Affidavits.
  21. The Monitor has been cooperating fully with the requests from the Court-Appointed Mediator and has followed the process established to facilitate the resolution of issues in this complex case. The Monitor will continue to work with the Court-Appointed Mediator and the other parties to advance the issues in the CCAA Proceeding.

**ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE PERIOD JUNE 10, 2019 TO  
SEPTEMBER 15, 2019**

22. For the period from June 10, 2019 to September 15, 2019, RBH had total receipts of approximately \$942.1 million and total disbursements of approximately \$718.7 million for net cash flow of approximately \$223.4 million.
23. Actual net cash flow was favourable to forecast by \$32.0 million. Significant items contributing to this overall favourable variance were as follows:
  - i) a permanent favourable variance of \$23.4 million in Taxes (Excise/Duty/GST/PTT) primarily as a result of lower manufacturing volumes resulting in lower than forecast excise taxes;
  - ii) a favourable variance of \$7.0 million in Payroll (Gross) and Benefits primarily as a result of lower than forecast payments in respect of expatriate taxes of approximately

- \$3.5 million and lower than forecast employer portion of payroll source deductions of approximately \$2.4 million. A positive variance of approximately \$1 million primarily relates to pension related expenses that were forecast in the Payroll, but should have been forecast in Pension and PRB Contributions;
- iii) a favourable timing variance of \$9.9 million in Third Party Operating Costs primarily as a result of re-timing of certain supplier payments to subsequent periods;
  - iv) a favourable timing variance of \$2.6 million of Leaf Purchases that was forecast to be made in the second half of 2019 is now anticipated to be purchased during the subsequent period;
  - v) a favourable timing variance of \$3.3 million in post-filing intercompany payments as payments have been re-timed to be paid in the subsequent periods;
  - vi) a favourable variance of \$4.3 million in Restructuring Costs of which approximately \$3.3 million is a permanent variance as professional fees were lower than forecast, and approximately \$1.0 million is a timing variance as certain professional fees are be settled later than originally forecast; and
  - vii) partially offset by an unfavourable permanent variance of \$19.8 million in collections of accounts receivable primarily as a result of lower than forecast sales volume during the period.
24. A summary of the Applicant's actual receipts and disbursements as compared to the projection set out in the Second Report for period of June 10, 2019 to September 15, 2019, is attached as Appendix "A" to this Third Report.

#### **UPDATED CASH FLOW FORECAST**

25. The Applicant, with the assistance of the Monitor, has prepared a cash flow forecast (the "**September 2019 Cash Flow Forecast**") for the twenty-five (25) week period from September 16, 2019 to March 8, 2020 (the "**Cash Flow Period**"). A copy of the September 2019 Cash Flow Forecast is attached as Appendix "B".



26. On September 15, 2019, the Applicant had available cash and equivalents of approximately \$2.049 billion.
27. The September 2019 Cash Flow Forecast estimates the Applicant will have total receipts of approximately \$1.402 billion and total disbursements of approximately \$1.139 billion for net cash flow of approximately \$262.6 million during the Cash Flow Period.
28. The Cash Flow Forecast has been prepared by the Applicant for the purpose of the CCAA Proceeding, 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-Appointed Mediator. 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.
29. The Monitor understands the Applicant, with the consent of the Monitor, intends to continue paying 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.
30. On April 24, 2019, Health Canada's *Tobacco Products Regulations (Plain and Standardized Appearance)* came into effect. It is the Monitor's understanding that these regulations mandate, amongst other things, the appearance of tobacco products, their

packaging and the format of the packaging. RBH will continue to assess the impact of these regulations on its Business, including any necessary capital requirements to comply with these regulations.

31. The Monitor's review of the Cash Flow Forecast 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.
32. 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.
33. 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.

34. 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.

#### **REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

35. The Stay Period is currently set to expire on October 4, 2019. The Applicant is seeking the extension of the Stay Period up to and including March 6, 2020 in order for the Applicant to continue to operate its Business and participate in the process established by the Court-Appointed Mediator to resolve the Global Damages Award and all Other Pending Litigation claims.

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

37. It is the Monitor's view that the Applicant has acted in accordance with the Second Amended and Restated Initial Order and is working diligently and in good faith.

#### **CONCLUSION AND RECOMMENDATION**

38. For the reasons outlined in this Third Report, the Monitor supports the relief sought by the Applicant in their motions and respectfully recommends that this Court grant an order extending the Stay Period up to and including March 6, 2020, or as such other date the Court may determine.

All of which is respectfully submitted this 25<sup>th</sup> day of September, 2019.

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

Per:

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

Murray A. McDonald  
President

## APPENDIX A

## Rothmans, Benson & Hedges Inc. - June 10, 2019 to September 15, 2019

### CCAA Applicant

### Forecast Cash Flow - Variances

CAD (Millions)

	Forecast	Actuals	Variances
Start of period	10-Jun-19	10-Jun-19	10-Jun-19
End of period	15-Sep-19	15-Sep-19	15-Sep-19

#### 1 . Receipts & Disbursements

##### Receipts

Collection of Accounts Receivable	948.3	928.5	(19.8)
Other Receipts	11.9	13.6	1.7

##### Total Receipts

	960.2	942.1	(18.1)
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##### Disbursements

Payroll (Gross) and Benefits	33.3	26.3	7.0
Pension and PRB Contributions	3.7	4.2	(0.5)
Third Party Operating Costs	69.7	59.8	9.9
Leaf Purchases	2.9	0.3	2.6
Net Intercompany Disbursements	58.8	55.5	3.3
Capex	2.2	1.8	0.4
Corporate Income Taxes	60.3	60.6	(0.3)
Taxes (Excise / Duty / GST / PTT)	527.2	503.8	23.4
Restructuring Costs	10.7	6.4	4.3

##### Total Disbursements

	768.8	718.7	50.1
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##### Net Cash Flow

	191.4	223.4	32.0
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FX Impact	-	-	-
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##### Opening Available Cash Balance

	1,826.0	1,826.0	-
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##### Closing Available Cash Balance

	2,017.4	2,049.4	32.0
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Restricted Cash	31.1	31.1	-
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Quebec Security Deposit	226.0	226.0	-
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##### Total Cash + Restricted Cash

	2,274.5	2,306.5	32.0
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## APPENDIX B

<b>Rothmans, Benson &amp; Hedges Inc.</b>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Forecast Cash Flow</b>							
millions, CAD	16-Sep-19	23-Sep-19	30-Sep-19	7-Oct-19	14-Oct-19	21-Oct-19	28-Oct-19
	22-Sep-19	29-Sep-19	6-Oct-19	13-Oct-19	20-Oct-19	27-Oct-19	3-Nov-19
<b>Receipts</b>							
Collection of Accounts Receivable	64.1	63.0	62.6	60.7	48.2	60.7	59.9
Other Receipts	0.0	0.4	0.0	2.3	0.7	3.2	1.1
<b>Total Receipts</b>	<b>64.1</b>	<b>63.4</b>	<b>62.6</b>	<b>63.0</b>	<b>48.9</b>	<b>63.9</b>	<b>61.0</b>
<b>Disbursements</b>							
Payroll (Gross) and Benefits	(1.9)	(1.2)	(2.9)	(0.6)	(2.1)	(1.3)	(2.0)
Pension and PRB Contributions	(0.3)	(0.4)	(0.2)	(0.1)	(0.1)	-	(0.9)
Third Party Operating Costs	(5.7)	(2.1)	(2.7)	(3.3)	(3.8)	(7.2)	(3.4)
Leaf Purchases	-	(1.3)	(1.3)	-	-	-	-
Net Intercompany Disbursements	(0.1)	(5.5)	(0.7)	(2.8)	(7.6)	(1.0)	(0.2)
Capex	(0.3)	(0.4)	-	-	-	-	-
Corporate Income Taxes	-	-	(20.1)	-	-	-	(20.1)
Taxes (Excise / Duty / GST / PTT)	(24.1)	(0.4)	(87.3)	(18.5)	(15.3)	(10.6)	(93.7)
Restructuring Costs	(1.0)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Total Disbursements</b>	<b>(33.4)</b>	<b>(11.7)</b>	<b>(115.6)</b>	<b>(25.7)</b>	<b>(29.3)</b>	<b>(20.5)</b>	<b>(120.7)</b>
<b>Net Cash Flow</b>	<b>30.7</b>	<b>51.7</b>	<b>(53.0)</b>	<b>37.3</b>	<b>19.6</b>	<b>43.4</b>	<b>(59.7)</b>
<b>Opening Available Cash Balance</b>	<b>2,049.4</b>	<b>2,080.1</b>	<b>2,131.8</b>	<b>2,078.8</b>	<b>2,116.1</b>	<b>2,135.7</b>	<b>2,179.1</b>
<b>Closing Available Cash Balance</b>	<b>2,080.1</b>	<b>2,131.8</b>	<b>2,078.8</b>	<b>2,116.1</b>	<b>2,135.7</b>	<b>2,179.1</b>	<b>2,119.4</b>
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>2,337.2</b>	<b>2,388.9</b>	<b>2,335.9</b>	<b>2,373.2</b>	<b>2,392.8</b>	<b>2,436.2</b>	<b>2,376.5</b>



<b>Rothmans, Benson &amp; Hedges Inc.</b>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Forecast Cash Flow</b>							
millions, CAD	4-Nov-19 10-Nov-19	11-Nov-19 17-Nov-19	18-Nov-19 24-Nov-19	25-Nov-19 1-Dec-19	2-Dec-19 8-Dec-19	9-Dec-19 15-Dec-19	16-Dec-19 22-Dec-19
<b>Receipts</b>							
Collection of Accounts Receivable	56.6	45.3	56.6	56.6	72.3	72.3	72.3
Other Receipts	0.0	0.3	0.0	2.9	0.8	1.3	0.0
<b>Total Receipts</b>	<b>56.6</b>	<b>45.6</b>	<b>56.6</b>	<b>59.5</b>	<b>73.1</b>	<b>73.6</b>	<b>72.3</b>
<b>Disbursements</b>							
Payroll (Gross) and Benefits	(1.3)	(2.1)	(0.7)	(3.2)	(1.3)	(2.4)	(1.7)
Pension and PRB Contributions	(0.2)	(0.1)	(0.1)	(0.9)	(0.2)	(0.1)	(0.1)
Third Party Operating Costs	(4.1)	(3.1)	(4.2)	(2.8)	(3.9)	(4.2)	(4.3)
Leaf Purchases	-	-	-	-	-	-	-
Net Intercompany Disbursements	-	(9.1)	-	(2.6)	-	(9.5)	(0.6)
Capex	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Corporate Income Taxes	-	-	-	-	(20.1)	-	-
Taxes (Excise / Duty / GST / PTT)	(19.2)	(16.1)	(5.8)	(6.8)	(95.6)	(16.0)	(15.9)
Restructuring Costs	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Total Disbursements</b>	<b>(25.5)</b>	<b>(31.2)</b>	<b>(11.5)</b>	<b>(17.0)</b>	<b>(121.9)</b>	<b>(33.0)</b>	<b>(23.4)</b>
<b>Net Cash Flow</b>	<b>31.1</b>	<b>14.4</b>	<b>45.1</b>	<b>42.5</b>	<b>(48.8)</b>	<b>40.6</b>	<b>48.9</b>
<b>Opening Available Cash Balance</b>	<b>2,119.4</b>	<b>2,150.5</b>	<b>2,164.9</b>	<b>2,210.0</b>	<b>2,252.5</b>	<b>2,203.7</b>	<b>2,244.3</b>
<b>Closing Available Cash Balance</b>	<b>2,150.5</b>	<b>2,164.9</b>	<b>2,210.0</b>	<b>2,252.5</b>	<b>2,203.7</b>	<b>2,244.3</b>	<b>2,293.2</b>
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>2,407.6</b>	<b>2,422.0</b>	<b>2,467.1</b>	<b>2,509.6</b>	<b>2,460.8</b>	<b>2,501.4</b>	<b>2,550.3</b>

<b>Rothmans, Benson &amp; Hedges Inc.</b>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Forecast Cash Flow</b>							
millions, CAD	23-Dec-19	30-Dec-19	6-Jan-20	13-Jan-20	20-Jan-20	27-Jan-20	3-Feb-20
	29-Dec-19	5-Jan-20	12-Jan-20	19-Jan-20	26-Jan-20	2-Feb-20	9-Feb-20
<b>Receipts</b>							
Collection of Accounts Receivable	79.4	46.7	34.5	34.5	34.5	34.5	53.2
Other Receipts	0.9	0.5	0.5	1.0	1.8	7.9	1.0
<b>Total Receipts</b>	<b>80.3</b>	<b>47.2</b>	<b>35.0</b>	<b>35.5</b>	<b>36.3</b>	<b>42.4</b>	<b>54.2</b>
<b>Disbursements</b>							
Payroll (Gross) and Benefits	(1.8)	(2.6)	(0.5)	(3.4)	(2.1)	(2.7)	(1.9)
Pension and PRB Contributions	(0.7)	(0.3)	-	(0.1)	(0.2)	(0.9)	(0.1)
Third Party Operating Costs	(3.6)	(3.1)	(3.6)	(3.6)	(3.6)	(3.6)	(3.3)
Leaf Purchases	-	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)	(2.4)
Net Intercompany Disbursements	(3.0)	-	-	(6.4)	-	(6.0)	-
Capex	(0.9)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(1.0)
Corporate Income Taxes	-	(20.1)	-	-	-	(19.6)	-
Taxes (Excise / Duty / GST / PTT)	(6.8)	(88.3)	-	(28.4)	(16.4)	(85.6)	-
Restructuring Costs	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Total Disbursements</b>	<b>(17.2)</b>	<b>(116.9)</b>	<b>(6.6)</b>	<b>(44.4)</b>	<b>(24.8)</b>	<b>(120.9)</b>	<b>(9.1)</b>
<b>Net Cash Flow</b>	<b>63.1</b>	<b>(69.7)</b>	<b>28.4</b>	<b>(8.9)</b>	<b>11.5</b>	<b>(78.5)</b>	<b>45.1</b>
<b>Opening Available Cash Balance</b>	<b>2,293.2</b>	<b>2,356.3</b>	<b>2,286.6</b>	<b>2,315.0</b>	<b>2,306.1</b>	<b>2,317.6</b>	<b>2,239.1</b>
<b>Closing Available Cash Balance</b>	<b>2,356.3</b>	<b>2,286.6</b>	<b>2,315.0</b>	<b>2,306.1</b>	<b>2,317.6</b>	<b>2,239.1</b>	<b>2,284.2</b>
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>2,613.4</b>	<b>2,543.7</b>	<b>2,572.1</b>	<b>2,563.2</b>	<b>2,574.7</b>	<b>2,496.2</b>	<b>2,541.3</b>

<b>Rothmans, Benson &amp; Hedges Inc.</b>	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Forecast Cash Flow</b>					
millions, CAD	10-Feb-20	17-Feb-20	24-Feb-20	2-Mar-20	16-Sep-19
	16-Feb-20	23-Feb-20	1-Mar-20	8-Mar-20	8-Mar-20
<b>Receipts</b>					
Collection of Accounts Receivable	53.2	42.6	53.2	53.4	1,370.9
Other Receipts	1.0	1.0	1.0	1.0	30.6
<b>Total Receipts</b>	<b>54.2</b>	<b>43.6</b>	<b>54.2</b>	<b>54.4</b>	<b>1,401.5</b>
<b>Disbursements</b>					
Payroll (Gross) and Benefits	(3.2)	(2.7)	(4.7)	(3.3)	(53.6)
Pension and PRB Contributions	(0.4)	(0.5)	(0.6)	(0.1)	(7.6)
Third Party Operating Costs	(3.3)	(3.3)	(4.3)	(4.8)	(94.9)
Leaf Purchases	(2.4)	(2.4)	(2.4)	(0.3)	(21.0)
Net Intercompany Disbursements	(6.4)	-	(4.2)	-	(65.7)
Capex	(1.0)	(1.0)	(1.0)	-	(10.0)
Corporate Income Taxes	-	-	(19.6)	-	(119.6)
Taxes (Excise / Duty / GST / PTT)	(10.4)	(11.8)	(82.9)	-	(755.9)
Restructuring Costs	(0.4)	(0.4)	(0.4)	(0.4)	(10.6)
<b>Total Disbursements</b>	<b>(27.5)</b>	<b>(22.1)</b>	<b>(120.1)</b>	<b>(8.9)</b>	<b>(1,138.9)</b>
<b>Net Cash Flow</b>	<b>26.7</b>	<b>21.5</b>	<b>(65.9)</b>	<b>45.5</b>	<b>262.6</b>
<b>Opening Available Cash Balance</b>	<b>2,284.2</b>	<b>2,310.9</b>	<b>2,332.4</b>	<b>2,266.5</b>	<b>2,049.4</b>
<b>Closing Available Cash Balance</b>	<b>2,310.9</b>	<b>2,332.4</b>	<b>2,266.5</b>	<b>2,312.0</b>	<b>2,312.0</b>
Restricted Cash	31.1	31.1	31.1	31.1	31.1
Quebec Security Deposit	226.0	226.0	226.0	226.0	226.0
<b>Total Available, Restricted Cash &amp; Quebec Security Deposit</b>	<b>2,568.0</b>	<b>2,589.5</b>	<b>2,523.6</b>	<b>2,569.1</b>	<b>2,569.1</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

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

**Cassels Brock & Blackwell LLP**

2100 SCOTIA PLAZA  
40 KING STREET WEST  
TORONTO, ON M5H 3C2

**R. Shayne Kukulowicz**

Tel: 416-860-6463

Email: [skukulowicz@casselsbrock.com](mailto:skukulowicz@casselsbrock.com)

**Jane Dietrich**

Tel: 416-860-5223

Email: [jdietrich@casselsbrock.com](mailto:jdietrich@casselsbrock.com)

**Joseph Bellissimo**

Tel: 416-860-6572

Email: [jbellissimo@casselsbrock.com](mailto:jbellissimo@casselsbrock.com)

**Monique Sassi**

Tel: 416-860-6886

Email: [msassi@casselsbrock.com](mailto:msassi@casselsbrock.com)

Lawyers for the Monitor