

Court File No. CV-19-616077-00CL

**Imperial Tobacco Canada Limited and
Imperial Tobacco Company Limited**

SEVENTH REPORT OF THE MONITOR

February 13, 2020

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
IMPERIAL TOBACCO CANADA LIMITED AND IMPERIAL TOBACCO
COMPANY LIMITED

**SEVENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

A. GENERAL

1. In this Report, unless otherwise defined, all capitalized terms shall have the respective meanings specified in the glossary attached to this Report as Appendix "A". The first instance of each capitalized term throughout this Report, if defined in the glossary, is hyperlinked to its respective definition in the glossary.

B. INTRODUCTION

2. The principal purpose of these CCAA Proceedings, and the related Chapter 15 Proceedings, is to restructure and compromise Imperial's liabilities, specifically the liabilities arising from the Tobacco Claims, including the Quebec Appeal Judgment.
3. The Initial Order in these CCAA Proceedings was issued by this Court on March 12, 2019, as amended and restated as of April 5, 2019 and further amended and restated as of April 25, 2019.

4. A full listing of the previous orders made by this Court and the US Bankruptcy Court in these CCAA Proceedings can be found in the schedule attached to this Report as Appendix “B”.

C. BACKGROUND

5. Imperial is the largest distributor of Tobacco Products in Canada and operates two businesses: tobacco and logistics. The tobacco business includes the marketing and sale of Tobacco Products as well as Vapour Products. The logistics business distributes Tobacco Products and Vapour Products for tobacco manufacturers, as well as certain non-tobacco products and services.
6. Imperial is highly integrated with BAT and its affiliates. Imperial benefits from a wide range of services, licences and rights provided by certain of BAT’s affiliates. These services and functions have been and continue to be vital for preserving Imperial’s business and value.
7. Further information regarding these CCAA Proceedings and Imperial’s background is provided in the Monitor’s Reports.
8. All Court materials filed and orders issued in these CCAA Proceedings are available on the Monitor’s website at:
<http://cfcanada.fticonsulting.com/imperialtobacco>.

D. TERMS OF REFERENCE AND DISCLAIMER

9. In preparing this Report, the Monitor has relied upon certain financial information and forecasts prepared by Imperial and discussions and correspondence with, among others, the senior management and advisors to Imperial. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Report is based on Imperial’s management’s assumptions regarding

future events; actual results may vary from the forecast and such variations may be material.

10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
11. This Report should be read in conjunction with the February Thauvette Affidavit which can be found here.

E. PURPOSE OF THIS REPORT

12. The purpose of this Report is to provide this Court with information regarding:
 - i. an update on the Court proceedings;
 - ii. an update on the Mediation;
 - iii. Imperial's business activities, industry developments and trends impacting Imperial's business;
 - iv. certain cash management agreements with BNS and HSBC;
 - v. Imperial's budget to actual cash flow results for the 20-week period ending February 2, 2020;
 - vi. the Cash Flow Forecast for the 35-week period commencing the week of February 3, 2020 through the week of September 28, 2020;
 - vii. the new Tobacco Regulations and regulations governing vapour products;
 - viii. the status of Imperial's payment obligations to BAT Mexico in connection with the BAT MX Agreement;
 - ix. the Ryder Settlement;

- x. the IHGI Plan funding shortfall payments;
- xi. the activities of the Monitor and its counsel since November 26, 2019, the date of the Sixth Report;
- xii. Imperial's request for an Order extending the Stay of Proceedings to September 30, 2020; and
- xiii. the Monitor's comments and recommendations in respect of the foregoing matters.

F. UPDATE ON COURT PROCEEDINGS

- 13. On December 6, 2019, the Court heard a joint motion of the Tobacco Monitors seeking the appointment of Wagners as representative counsel for the TRW Claimants. On December 9, 2019, the Court issued a Representative Counsel Order, which appointed Wagners as representative counsel. A copy of the Representative Counsel Order can be found here.
- 14. On January 3, 2020, the Court released the Representative Counsel Reasons, in which the Court held that it was appropriate to appoint Wagners as representative counsel in part because the TRW Claimants are vulnerable individuals requiring representation, and the most efficient and cost-effective way to provide this representation is the appointment of a single law firm.

G. UPDATE ON THE MEDIATION

- 15. The Applicants have continued to populate the Imperial Data Room with financial information to assist Mediation Participants in their due diligence with respect to the Mediation. The Data Rooms are accessible only to the advisors of Mediation Participants who have executed NDAs.
- 16. The Monitor continues to work with Imperial to populate the Imperial Data Room with financial and other information relevant to these proceedings and to respond to information requests.

17. Since the Sixth Report, the Court-Appointed Mediator, with the assistance of the Tobacco Monitors, has continued to conduct the Mediation and engage in discussions with the Applicants and stakeholders. Although the Mediation is confidential, the Monitor can report that the parties are continuing to advance the Mediation with a view to facilitating a pan-Canadian global settlement of the Tobacco Claims.

H. IMPERIAL'S BUSINESS ACTIVITIES, INDUSTRY DEVELOPMENTS AND TRENDS IMPACTING IMPERIAL'S BUSINESS

18. As noted in the Monitor's Sixth Report, the tobacco industry in Canada appears to be experiencing a higher than historic downward trend in the volume of cigarettes sold. This trend has continued to the date of this Report.
19. The Monitor has been advised by Imperial that due to the implementation of the Tobacco Regulations described below and the accelerated sale of certain branded Tobacco Products, Imperial experienced temporary, short-term variations from historic levels and timings of receipts and disbursements. As required by the Tobacco Regulations, retailers ceased selling Tobacco Products in branded packages as of February 7, 2020. The retailers will return any unsold branded Tobacco Products to Imperial for destruction. The transition to plain packaging is largely complete and Imperial expects the timing of receipts and disbursements to return to historic levels in the coming weeks.
20. In the Sixth Report, the Monitor reported that Ms. Soraya Benchikh would assume the role of Chief Executive Officer at Imperial, effective May 2020. However, since the Sixth Report, the Monitor has been advised that Ms. Benchikh will be leaving the BAT Group, and Mr. Joe Fragnito will assume the role of Chief Executive Officer at Imperial, effective May 2020. Mr. Fragnito is currently the President and Chief Commercial Officer at R.J. Reynolds Tobacco Company, an affiliate of the BAT Group in the US.

21. In the fall of 2019, Imperial advised the Monitor that as a result of the implementation of the plain packaging Tobacco Regulations, Imperial would need to acquire additional equipment for the production of certain cigarettes. After considering various options, including purchasing new equipment at a price of approximately \$8.2 million, Imperial entered into a sale transaction with BAT Mexico to acquire used equipment at its depreciated net book value of \$6.7 million. The equipment is to be used for two years until the slide and shell packaging requirements under the Tobacco Regulations are implemented in 2021, at which time the equipment will be destroyed and replaced with equipment that complies with the slide and shell packaging requirements. The Monitor has reviewed the necessity and business rationale for this purchase, as well as the consideration paid by Imperial, and approves of the transaction. This transaction is reflected in the Cash Flow Forecast.

I. CASH MANAGEMENT

22. As previously disclosed in the Fifth Report, following the commencement of these CCAA Proceedings, on May 22, 2019, Imperial entered into a letter agreement with BNS to amend the terms of certain cash management services provided to Imperial by BNS and letters of credit issued by BNS to secure certain of Imperial's pension and tax obligations. On July 29, 2019, Imperial entered into an amended and restated letter agreement with BNS. Under the terms of the amended and restated letter agreement: (a) the parties will amend the minimum cash balance that Imperial must maintain in its accounts with BNS; (b) BNS will issue additional letters of credit at its discretion; and (c) Imperial, at the request of BNS, will obtain an order for a charge in favour of BNS to secure its obligations under its outstanding letters of credit. No such order has been sought to date.
23. Imperial also has cash management agreements with HSBC including letters of credit issued by HSBC to secure certain of Imperial's pension and tax obligations that need to be renewed or extended on an ongoing basis.

24. In the fall of 2019, Imperial, in consultation with the Monitor, entered into discussions with HSBC to amend the terms of certain cash management agreements. An agreement as to the amended terms was reached and accordingly, on November 19, 2019, Imperial entered into a letter agreement with HSBC relating to the cash management services provided to Imperial and letters of credit issued by HSBC to secure certain of Imperial's pension and tax obligations. Under the letter agreement, Imperial has agreed to the amount of minimum cash that must be maintained in its accounts with HSBC, and HSBC has agreed to renew or extend existing letters of credit, and may at its discretion, issue additional letters of credit. Details regarding the letter agreement are outlined in paragraph 10 of the February Thauvette Affidavit.

J. RECEIPTS AND DISBURSEMENTS FOR THE 20-WEEK PERIOD ENDING FEBRUARY 2, 2020

25. Imperial's cash balance as of the week ended February 2, 2020 was \$869.0 million, an increase over the 20-week period from the beginning cash balance of \$825.9 million as of September 16, 2019.
26. Imperial's actual net cash inflow for the 20-week period ending February 2, 2020 was approximately \$43.0 million. When compared to the forecasted net cash outflow of \$29.5 million, this results in a positive variance of approximately \$72.5 million, as summarized below:

(CAD\$ in thousands)

VARIANCE REPORT	Actuals	Forecast	Variance
	For the 20-week period ending Feb 2, 2020		
RECEIPTS			
Trade Receipts	1,910,069	1,899,910	10,159
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Taxes and Levies	(1,485,865)	(1,512,508)	26,643
Operations	(379,770)	(412,533)	32,763
<i>Total Operating Disbursements</i>	(1,865,634)	(1,925,041)	59,406
OPERATING CASH FLOWS	44,435	(25,131)	69,565
<i>Financing Disbursements</i>			
Interest and Related Fees on Existing Facilities	6,649	7,286	(637)
<i>Restructuring Disbursements</i>			
Professional Fees	(8,061)	(11,664)	3,603
NET CASH FLOWS	43,023	(29,509)	72,531
CASH			
Beginning Balance	825,943	825,943	-
Net Cash Inflows / (Outflows)	43,023	(29,509)	72,531
ENDING CASH	868,966	796,435	72,531

27. The significant budget to actual variances and corresponding explanations are as follows:

- i. *trade receipts*: positive timing variance of \$10.2 million or 0.5% against the forecast, as part of the ordinary course of business given the forecasted collections were approximately \$1,900 million over the current reporting period;
- ii. *taxes and levies*: positive timing variance of \$26.6 million, primarily driven by the timing of lower than forecasted corporate income tax instalments paid during the current reporting period;

- iii. *operating disbursements*: positive timing variance of \$32.8 million, primarily driven by the deferral of the \$55 million forecasted payment to BAT Mexico for the write-off of machinery and packaging rendered obsolete by new plain-packaging regulations, as discussed in paragraph 40 of this Report, which is then partially offset by a negative timing variance due to increased working capital requirements and short-term build-up of inventory as a result of the transition to plain-packaging regulations that is expected to return to historic levels in the future forecast period; and
- iv. *professional fees*: positive variance of \$3.6 million that consists of a positive permanent variance of \$2.6 million and a positive timing variance of approximately \$1.0 million, which is expected to reverse in the future forecast periods as outstanding invoices are paid.

K. CASH FLOW FORECAST

- 28. Imperial, with the assistance of the Monitor, has prepared a Cash Flow Forecast for the 35-week period commencing the week beginning February 3, 2020 through the week of September 28, 2020. The Cash Flow Forecast is attached as Appendix “C” to this Report.
- 29. During the Forecast Period, total operating receipts are forecast to be approximately \$3,245 million and total operating disbursements are forecast to be approximately \$2,724 million, resulting in a net positive operating cash flow of approximately \$521 million. This includes the potential intercompany payments that are discussed in paragraph 40 below. In addition, Imperial forecasts interest income of approximately \$15 million in respect of cash balances on deposit in Canada and professional fees disbursements of approximately \$15 million, such that net cash flow is forecast to be approximately \$521 million.
- 30. Although net cash flows are positive during the Forecast Period, there are 9 weeks within this period which are forecasted to have negative operating cash flows.

These are largely driven by the timing of the payment of taxes and government levies due at the end of each month. As such, cash flows in the weeks that fall on or around month-end tax payments are expected to be negative, which are then offset by the receipt of the positive cash flows during the remainder of the month.

31. The Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed monitor by Section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. The Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practice include a standard for a Monitor fulfilling its statutory responsibilities under the CCAA in respect of its report on the Cash Flow Forecast.
32. In accordance with the standard, the Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to the Cash Flow Forecast and its underlying assumptions. The Monitor's procedures with respect to the assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Monitor also reviewed the support provided by Imperial's management for the assumptions and the preparation and presentation of the Cash Flow Forecast.
33. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material aspects, that:
 - i. the assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - ii. as at the date of this Report, the assumptions are not suitably supported and consistent with the plans of Imperial or do not provide a reasonable basis for the Cash Flow Forecast; or
 - iii. the Cash Flow Forecast does not reflect the assumptions.

34. As described in the Terms of Reference above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the assumptions occur, and the variations could 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 the financial information presented in the Cash Flow Forecast or relied upon by the Monitor in preparing this Report.
35. The Cash Flow Forecast has been prepared solely for the purposes described above, and readers are cautioned that it may not be appropriate for other purposes.

L. NEW TOBACCO AND VAPOUR REGULATIONS

The Tobacco Regulations

36. As noted in the Sixth Report, the Tobacco Regulations came into force on November 9, 2019. These regulations require manufacturers of Tobacco Products to use plain, unbranded packaging. In accordance with the Tobacco Regulations, Imperial ceased selling branded Tobacco Products to wholesalers and retailers on November 9, 2019. Retailers ceased selling Tobacco Products in branded packages on February 7, 2020. Any products not sold by February 7, 2020, will be returned to Imperial for destruction.

The Regulation of Vapour Products

37. As discussed in the Sixth Report, vapour products are coming under increased scrutiny globally resulting in stringent regulation and, in some cases, bans.
38. Appendix “D” to this Report summarizes the various regulatory changes that are being considered and implemented across Canada.
39. As noted in the Sixth Report, the Monitor has been advised by Imperial that, due to the new vaping regulations, well publicized health concerns and the increased

scrutiny of vapour products globally, there is a high level of uncertainty as to the level of future sale of vapour products.

M. UPDATE ON PROPOSED BAT MEXICO PAYMENTS

40. As described in the Sixth Report, the Monitor has been advised by Imperial that BAT Mexico will be required to write off the undepreciated cost of manufacturing equipment used to package and wrap Tobacco Products for Imperial that has been rendered obsolete by the Tobacco Regulations, as well as some wrapping materials that can no longer be used for packaging due to the Tobacco Regulations which will be billed to Imperial under the terms of the BAT MX Agreement. The estimated payment amount of \$55 million was reflected in the cash flow forecast that was submitted to the Court in the Monitor's Fifth Report on September 25, 2019 and forecasted to be paid in December 2019 and January 2020, respectively. No payment has been made to date and the payment amount is currently reflected in the Cash Flow Forecast and forecasted to be paid in September 2020.
41. The Monitor is continuing to work with Imperial to review these proposed payments and underlying documents and will report to the Court prior to any payment being made.

N. RYDER SETTLEMENT

42. Following the implementation of the Tobacco Regulations on November 9, 2019, Imperial experienced short-term inventory fluctuations as a result of increased volume and accelerated sales of certain branded Tobacco Products. This change from the normal volume and timing of deliveries resulted in an increase in the scale of services provided by Ryder. Subsequently, a payment dispute arose between Imperial and Ryder, the vendor responsible for the delivery and logistics of Imperial's Tobacco Products, as to the amount due to Ryder. This dispute has now been settled. The Monitor was informed of the dispute and concurs with the settlement.

O. IHGI PENSION PLAN CONTRIBUTIONS

43. IHGI is a foreign subsidiary of ITCAN and holds certain legacy obligations as a result of the historical acquisition and restructuring of various companies. IHGI also holds various liabilities, including the IHGI Plan. The IHGI Plan, further described in the March Thauvette Affidavit at Sections 25(a), 54, 64, and Exhibit “C” thereto, is a US tax-qualified, registered defined benefit pension plan covering approximately 1,556 former US employees of Genstar Company, Hardee’s Food Systems Inc. and Fast Food Merchandisers Inc.
44. ITCAN makes annual contributions to the IHGI Plan; the quantum of the required contributions (if any) is determined by an independent actuary. The contributions payable in 2020 were determined by the independent actuary to total \$3.4 million USD, for which the payment was made in January 2020.

P. OVERVIEW OF THE MONITOR’S ACTIVITIES

45. Since the date of the Sixth Report, the Monitor and its counsel have held numerous meetings and/or discussions with Imperial and its counsel to: (a) monitor Imperial’s business activities; (b) monitor Imperial’s receipts and disbursements; (c) gather and review Information to be included in the Imperial Data Room; (d) address vendor and stakeholder inquiries; (e) review proposed capital expenditures; and (f) further their understanding of Imperial’s business environment and the factors expected to impact its future business prospects.
46. The Monitor has assisted Imperial in preparing the five-year financial forecast and responding to information requests from stakeholders.
47. The Monitor has also regularly attended meetings with the Mediator and stakeholders and has provided the Mediator with information necessary to advance the Mediation.
48. The Tobacco Monitors and their counsel have met regularly to discuss ongoing matters including the relief sought herein.

Statistics Canada Communications

49. As described in the Sixth Report, the Monitor understands that in response to a *Globe & Mail* article published on October 8, 2019, counsel to Phillip Morris International Inc. and Rothmans each sent a letter to counsel to the Consortium of Provinces: (a) confirming that the Provinces will not return or remove any data that is potentially relevant to the Provinces' actions against the Applicants and the Provinces' claims asserted in the Tobacco CCAA Proceedings; and (b) requesting the ability to review communications between Statistics Canada and the Provinces with respect to this issue.
50. In a letter dated December 20, 2019 the Province of Ontario denied the request to produce the Statistics Canada communications, and directed counsel to make such a request to the Ministry of Health. In this regard, the Province asserted that any communications between Ontario and Statistics Canada are matters of contract and fall outside the scope of the Tobacco CCAA Proceedings. Moreover, the Province advised that it has not made any changes to its data retention policies.
51. Similarly, in a letter dated December 20, 2019 the Consortium of Provinces denied the request and asserted that communications between members of the Consortium of Provinces and Statistics Canada are outside the scope of the Tobacco CCAA Proceedings. The Consortium of Provinces stated that they currently intend to rely solely on the report of Dr. Glenn Harrison (which was appended to the reply mediation brief of the Consortium of Provinces) and various other public information.

Professional Fee Disclosure

52. As described in the Fourth Report, an agreement was reached between the Tobacco Monitors, counsel to each of Imperial, JTIM and Rothmans, and the Quebec Litigation Plaintiffs regarding professional fee disclosure. Pursuant to the Professional Fee Disclosure Order, which can be found here, the Tobacco Monitors

agreed to provide the Quebec Litigation Plaintiffs and such other parties on Imperial's service list who request this information in writing, on or before the 15th day of each month commencing with the month of June 2019, the fees and disbursements paid to each of the CCAA Professionals, broken down by firm, for the prior month.

53. On December 11, 2019, January 14, 2020, and February 10, 2020, pursuant to the Professional Fee Disclosure Order, the Monitor provided to the Quebec Litigation Plaintiffs and other parties who requested such information, a summary, by firm, of the restructuring fees incurred on or after March 12, 2019 and paid to the CCAA Professionals during the months of November 2019, December 2019 and January 2020, respectively.

Q. STAY OF PROCEEDINGS

54. Imperial is seeking an extension of the Stay Period to September 30, 2020. The Monitor understands that such extension is necessary for Imperial to operate the business in the ordinary course as it continues to engage in the Mediation conducted by the Court-Appointed Mediator and as it continues to work towards developing a plan of compromise or arrangement for the pan-Canadian global settlement of the Tobacco Claims.
55. The Monitor supports an extension of the Stay of Proceedings for the following reasons:
- (a) Imperial is acting in good faith and with due diligence;
 - (b) Imperial is continuing to engage meaningfully in the Mediation with the Court-Appointed Mediator in an effort to reach a pan-Canadian global settlement of the Tobacco Claims;

- (b) the Cash Flow Forecast reflects that Imperial is projected to have sufficient funding to continue to operate in the normal course through the proposed extension to the Stay of Proceedings; and
- (d) no creditor will be materially prejudiced if the extension is granted.

The Monitor respectfully submits to the Court this Report.

Dated this 13th day of February, 2020.

FTI Consulting Canada Inc.

FTI Consulting Canada Inc.

in its capacity as Monitor of Imperial Tobacco Canada Limited and Imperial Tobacco Company Limited

APPENDIX “A” GLOSSARY

“**Applicants**” means, collectively, Imperial, JTIM and Rothmans.

“**BAT**” means British American Tobacco p.l.c., a public company listed on the London Stock Exchange.

“**BAT Group**” means, collectively, British American Tobacco p.l.c., B.A.T. International Finance p.l.c., B.A.T Industries p.l.c., British American Tobacco (Investments) Limited, Carreras Rothmans Limited or entities related to or affiliated with them other than Imperial and the ITCAN Subsidiaries.

“**BAT Mexico**” means British American Tobacco Mexico S.A. de C.V.

“**BAT MX Agreement**” means the BAT MX Agreement dated July 2, 2015 between BAT Mexico and ITCAN.

“**BNS**” means The Bank of Nova Scotia.

“**Cash Flow Forecast**” means the cash flow forecast of Imperial’s receipts and disbursements for the 35-week period commencing the week of February 3, 2020 through the week of September 28, 2020.

“**CCA**” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

“**CCA Proceedings**” means Court File No. CV-19-616077-00CL commenced by Imperial under the CCA.

“**CCA Professionals**” means the Monitor, counsel to the Monitor, counsel to Imperial, and any financial advisor Imperial has retained in connection with these CCA Proceedings, except for any financial advisor in respect of whose work Imperial properly asserts solicitor-client, settlement, litigation or other privilege.

“**Chapter 15 Proceedings**” means the proceedings commenced by ITCAN on March 13, 2019, for relief under Chapter 15 of the US Bankruptcy Code.

“**Comeback Motion**” means the Comeback Motion, as defined in the Initial Order, which was heard on April 4, 5, 25 and 26, 2019.

“**Consortium of Provinces**” means, collectively, the Province of British Columbia, the Province of Manitoba, the Province of New Brunswick, the Province of Nova Scotia, the Province of Prince Edward Island and the Province of Saskatchewan, in each province’s capacity as a plaintiff in the HCCR Claims.

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

“**Court-Appointed Mediator**” means the Honourable Warren K. Winkler Q.C., acting as an officer of the Court and as a neutral third party to mediate a pan-Canadian global settlement in the context of these Tobacco CCAA Proceedings.

“**Data Rooms**” means data rooms containing Information in respect of the Applicants which are responsive to requests submitted by Mediation Participants, and as well as other information, which the Tobacco Monitors considered relevant.

“**Deloitte**” means Deloitte Restructuring Inc.

“**Excluded Claims**” means the claims excluded from the definition of TRW Claimants for the purposes of the relief sought herein as described in paragraph 26 of Appendix “C” to the Sixth Report.

“**EY**” means Ernst & Young Inc.

“**Fifth Report**” means the report filed by the Monitor on September 25, 2019.

“**First Amended and Restated Initial Order**” means the Initial Order, as amended and restated as of April 5, 2019.

“**First Report**” means the report filed by the Monitor on April 3, 2019 in connection with the relief sought at the Comeback Motion.

“**February Thauvette Affidavit**” means the affidavit of Eric Thauvette, Vice President and Chief Financial Officer of Imperial, sworn February 13, 2020.

“**Forecast Period**” means the 35-week period commencing the week of February 3, 2020 through the week of September 28, 2020.

“**Foreign Recognition Order**” means an order of the US Bankruptcy Court recognizing the CCAA Proceedings as the main proceedings and staying proceedings against ITCAN in the US.

“**Fourth Report**” means the report filed by the Monitor on June 24, 2019.

“**FTI**” means FTI Consulting Canada Inc.

“**Genstar**” means Genstar Corporation, a subsidiary of ITCAN.

“**HCCR Claims**” means the claims started by each of the Provinces under each Province’s health care cost recovery legislation, to recover health care costs associated with smoking and the use of Tobacco Products.

“**HSBC**” means HSBC Bank Canada.

“**IHGI**” means Imasco Holdings Group Inc.

“**IHGI Plan**” means the US tax qualified, registered defined benefit pension plan covering approximately 1,556 former US employees of certain of Imperial’s predecessor companies, which was terminated effective as of December 31, 2018.

“**Imperial**” means collectively, ITCAN and Imperial Tobacco Company Limited.

“**Imperial Data Room**” means a data room containing Information in respect of Imperial.

“**Information**” means common categories of information in respect of the Applicants which are responsive to requests submitted by Mediation Participants, as well as other information which the Tobacco Monitors considered relevant.

“**Initial Order**” means the initial order granted by this Court on March 12, 2019, as amended and restated as of April 5, 2019 and further amended and restated as of April 25, 2019, which authorized, among other things, the Stay of Proceedings and FTI’s appointment as Monitor of Imperial’s CCAA Proceedings.

“**ITCAN**” means Imperial Tobacco Canada Limited.

“**ITCAN Subsidiaries**” means Imperial Tobacco Services Inc., Imperial Tobacco Products Limited, Marlboro Canada Limited, Cameo Inc., Medallion Inc., Allan Ramsay and Company Limited, John Player & Sons Ltd., Imperial Brands Ltd., 2004969 Ontario Inc., Construction Romir Inc., Genstar Corporation, Imasco Holdings Group, Inc., ITL (USA) limited, Genstar Pacific Corporation, Imasco Holdings Inc., Southward Insurance Ltd., Liggett & Myers Tobacco Company of Canada Limited or entities related to or affiliated with them other than Imperial and the BAT Group.

“**JTIM**” means JTI-Macdonald Corp.

“**JTIM Group**” means the entities currently or formerly related to or affiliated with JTIM.

“**June Stay Extension Order**” means an order of the Court, dated April 5, 2019, extending the length of the Stay of Proceedings to June 28, 2019.

“**March Stay Extension Order**” means an order of the Court, dated October 8, 2019, extending the length of the Stay of Proceedings to March 12, 2020.

“**March Thauvette Affidavit**” means the affidavit of Eric Thauvette, Vice President and Chief Financial Officer of Imperial, sworn March 12, 2019.

“**Mediation**” means the mediation process conducted by the Court-Appointed Mediator.

“**Mediation Participants**” means the Applicants, the Consortium of Provinces, the Provinces of Alberta, Newfoundland and Labrador, Ontario, and Quebec, the Quebec Litigation Plaintiffs, the “personal injury class action plaintiffs” represented by Merchant, the “tobacco light class action plaintiffs”, and the Ontario Flue-Cured Tobacco Growers Marketing Board.

“**Merchant**” means Merchant Law Group LLP.

“**Monitor**” means FTI Consulting Canada Inc.

“**Monitor’s Reports**” means collectively, the Pre-Filing Report, the First Report, the Second Report, the Third Report, the Fourth Report, the Fifth Report and the Sixth Report.

“**NDA**” means a non-disclosure agreement for the purposes of gaining access to the Data Rooms.

“**Notice Procedure Order**” means an order of the Court, dated May 14, 2019, approving the form and manner of notice of the Settlement Approval Hearing to the Represented Parties, among other things.

“**October Stay Extension Order**” means an order of the Court, dated June 26, 2019, extending the length of the Stay of Proceedings to October 4, 2019.

“**PEI**” means Prince Edward Island.

“**PMI Group**” means Phillip Morris International Inc. and all entities related to or affiliated with it, other than Rothmans.

“**Pre-Filing Report**” means the report filed by the Monitor on March 12, 2019, in its capacity as proposed Monitor of Imperial, in connection with Imperial’s initial application for relief under the CCAA.

“**Professional Fee Disclosure Order**” means an order of this Court which authorized, among other things, the disclosure of the professional restructuring fees in these CCAA Proceedings by the Monitor on or before the 15th of every month, beginning with June 2019.

“**Provinces**” means all of the provinces of Canada.

“**Quebec Appeal Judgment**” means the Court of Appeal of Quebec’s decision on the appeal of the Quebec Judgment whereby the Court of Appeal substantially upheld the Quebec Judgment with two notable modifications: (i) the total claim amount was reduced by just over \$1 million; and (ii) the interest schedule was adjusted, reducing the interest payable on the total claim amount.

“**Quebec Judgment**” means the Quebec Superior Court’s judgment on the “Letourneau action” and the “Blais action” released on May 27, 2015 in which the trial judge found the co-defendants jointly liable for \$15.6 billion, with Imperial’s share being approximately \$10.6 billion.

“**Quebec Litigation Plaintiffs**” means, collectively, the representative plaintiffs and the certified class members in each of the “Letourneau action” and the “Blais action”, as described in the March Thauvette Affidavit.

“Report” means this seventh report of the Monitor filed on February 13, 2019.

“Representative Counsel Order” means the order issued by this Court on December 9, 2019, appointing Wagners as representative counsel to the TRW Claimants.

“Representative Counsel Reasons” means this Court’s Reasons for the Representative Counsel Order, released on January 3, 2020.

“Representatives” means Vivian Brennan-Dolezar, Robert M. Brown and George A. Foster, the court-appointed representatives of the Represented Parties.

“Represented Parties” means all persons with entitlements under the Retirement Plans, including survivors and beneficiaries of such persons and any other person under the Representation Order.

“Retirement Plans” means, collectively, the following pension plans: (a) a deferred income plan for approximately 53 individuals who are either former senior management employees of Genstar or their surviving spouses; (b) a supplemental executive retirement plan for approximately 14 individuals who were either former Genstar employees or their surviving spouses; and (c) a supplementary pension plan for 3 individuals who were either former Genstar employees or their surviving spouses.

“Rothmans” means Rothmans Benson & Hedges Inc.

“Ryder” means Ryder Truck Rental Canada Ltd.

“Second Amended and Restated Initial Order” means the Initial Order, as amended and restated as of April 25, 2019.

“Second Report” means the report filed by the Monitor on April 24, 2019.

“Settlement” means the settlement entered into on April 25, 2019 between ITCAN and the Representatives in respect of the Retirement Plans.

“Settlement Approval Hearing” means the motion heard on June 26, 2019 for the approval of the Settlement.

“Settlement Approval Order” means an Order of this Court, approving the Settlement and the distribution of the Settlement among the Represented Parties, among other things.

“Sixth Report” means the report filed by the Monitor on November 26, 2019.

“Stay of Proceedings” means the stay of proceedings during the Stay Period in favour of Imperial and their non-applicant subsidiaries, including Liggett & Meyers Tobacco Company of Canada Limited, as well as a limited stay in favour of BAT and certain BAT affiliates.

“Stay Period” means the term of the Stay of Proceedings, to March 12, 2020.

“**Third Report**” means the report filed by the Monitor on May 13, 2019.

“**Tobacco CCAA Proceedings**” means these CCAA Proceedings, Court File No. 19-CV-615862-00CL commenced by JTIM under the CCAA and Court File No. CV-19-616779-00CL commenced by Rothmans under the CCAA.

“**Tobacco Claims**” means all claims brought or that could be brought under applicable law against the Applicants in relation to the development, manufacturing, production, marketing, advertising of, any representations made in respect of, the purchase, sale, and use of, or exposure to, the Tobacco Products.

“**Tobacco Monitors**” means, collectively, the Monitor, EY in its capacity as monitor for Rothmans, and Deloitte in its capacity as monitor for JTIM.

“**Tobacco Products**” means tobacco or any product made or derived from tobacco or containing nicotine that is intended for human consumption, including any component, part, or accessory of or used in connection with a tobacco product, including cigarettes, cigarette tobacco, roll your own tobacco, smokeless tobacco, and any other tobacco or nicotine delivery systems and shall include materials, products and by-products derived from or resulting from the use of any tobacco products, but does not include heat-not-burn tobacco products or Vapour Products.

“**Tobacco Regulations**” means *The Tobacco Products Regulations (Plain and Standardization Appearance)*, SOR/2019-17.

“**Tobacco-Related Wrongs**” means all claims or causes of action in respect of: (i) the development, manufacture, production, importation, marketing, advertising, distribution, purchase or sale of Tobacco Products; (ii) the historical or ongoing use of or exposure to Tobacco Products; or (iii) any representation in respect of Tobacco Products, including, without limitation, claims for contribution or indemnity, personal injury or tort damages, restitutionary recovery, non-pecuniary damages or claims for recovery grounded in provincial consumer protection legislation, but does not include the Excluded Claims.

“**TRW Claimants**” means all individuals (including their respective successors, heirs, assigns, litigation guardians and designated representatives under applicable provincial family law legislation) who assert or may be entitled to assert a claim or cause of action as against one or more of the Applicants, the ITCAN subsidiaries, the BAT Group, the JTIM Group or the PMI Group, or persons indemnified by such entities, in respect of Tobacco-Related Wrongs in Canada, or in the case of the Applicants, anywhere else in the world.

“**US**” means the United States of America.

“**US Bankruptcy Code**” means title 11 of the United States Code.

“**US Bankruptcy Court**” means the United States Bankruptcy Court for the Southern District of New York.

“Vapour Products” means potential reduced risk, rechargeable, battery-powered devices that heat liquid formulations – e-liquids – to create a vapour which is inhaled, and which are sold under the tradename of Vype.

“Wagners” means The Law Practice of Wagner & Associates, Inc.

APPENDIX “B” ORDERS

Please see below for a description of the orders issued by the Court and the US Bankruptcy Court in these CCAA Proceedings.

1. Initial Order:

The Initial Order of the Ontario Superior Court of Justice (Commercial List) made on March 12, 2019, as amended and restated as of April 5, 2019 and further amended and restated as of April 25, 2019, pursuant to which:

- (a) Imperial was granted an initial stay of proceedings under the CCAA until April 11, 2019; and
- (b) FTI was appointed as the Monitor.

2. Comeback Motion:

The Comeback Motion was heard on April 4 and 5, 2019. Following the Comeback Motion:

- (a) the Court extended the Stay of Proceedings to June 28, 2019, pursuant to the June Stay Extension Order;
- (b) the Hon. Warren K. Winkler, Q.C. was appointed as the Court-Appointed Mediator; and
- (c) the Court issued the First Amended and Restated Initial Order, a copy of which can be found here.

3. Foreign Recognition Order:

The Foreign Recognition Order was granted by the US Bankruptcy Court on April 17, 2019, which recognizes these CCAA Proceedings. The Foreign Recognition Order can be found here.

4. Second Amended and Restated Initial Order:

The Second Amended and Restated Initial Order was issued following the continuation of the Comeback Motion on April 25 and 26, 2019, a copy of which can be found here.

5. Notice Procedure Order:

The Notice Procedure Order was issued on May 14, 2019 and can be found here.

6. Professional Fee Disclosure Order:

The Professional Fee Disclosure Order was issued on May 14, 2019 and can be found [here](#).

7. Clarification of Insurance Lift-Stay Order

The Clarification of Insurance Lift-Stay Order was issued on May 14, 2019 and can be found [here](#).

8. Communication and Confidentiality Protocol Endorsement

The Communication and Confidentiality Protocol Endorsement was released on May 24, 2019, pursuant to which the Court approved the Communication and Confidentiality Protocol as between the Court and the Court-Appointed Mediator. The endorsement can be found [here](#).

9. October Stay Extension Order

The October Stay Extension Order was issued on June 26, 2019 and extended the Stay of Proceedings to October 4, 2019. A copy of the October Stay Extension Order can be found [here](#).

10. Genstar Settlement Approval Order

The Genstar Settlement Approval Order was issued on June 26, 2019. A copy of which can be found [here](#).

11. Order Appointing a Financial Advisor to the Court-Appointed Mediator

The Order Appointing a Financial Advisor to the Court-Appointed Mediator was issued on June 27, 2019. A copy of which can be found [here](#).

12. Court-to-Court Communications Order

The Court-to-Court Communications Order was issued on July 9, 2019. A copy of which can be found [here](#).

13. Order Recognizing the Genstar Settlement Approval Order

The US Bankruptcy Court granted an order recognizing the Genstar Settlement Approval Order on July 18, 2019. A copy of which can be found [here](#).

14. Order Recognizing the Court-to-Court Communications Order

The US Bankruptcy Court granted an order recognizing the Court-to-Court Communications Order on September 5, 2019. A copy of which can be found [here](#).

15. March Stay Extension Order

The March Stay Extension Order was issued on October 2, 2019 and extended the Stay of Proceedings to March 12, 2020. A copy of the March Stay Extension Order can be found [here](#).

16. Representative Counsel Order

The Representative Counsel Order was issued on December 9, 2019 and appointed Wagners as representative counsel to the TRW Claimants. A copy of the Representative Counsel Order can be found [here](#).

APPENDIX "C"
CASH FLOW FORECAST

Please see attached.

Imperial Tobacco Canada Limited

CCAA Cash Flow Forecast

(CAD\$ in thousands)

Week Beginning (Monday)	3-Feb-20	10-Feb-20	17-Feb-20	24-Feb-20	2-Mar-20	9-Mar-20	16-Mar-20	23-Mar-20	30-Mar-20	6-Apr-20	13-Apr-20	20-Apr-20	27-Apr-20	4-May-20	11-May-20	18-May-20	25-May-20	1-Jun-20	
Forecast Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
RECEIPTS																			
Trade Receipts	[2]	50,060	69,293	67,518	70,502	72,710	75,130	79,448	88,615	90,934	90,215	87,244	90,897	92,144	93,425	97,043	95,033	97,574	100,420
DISBURSEMENTS																			
<i>Operating Disbursements</i>																			
Taxes and Levies	[3]	-	(20,453)	(25,469)	(22,327)	(102,842)	(31,180)	(39,773)	(3,149)	(109,433)	-	(63,880)	(37,982)	(141,944)	-	(78,098)	(38,781)	(33,826)	(120,811)
Operations	[4]	(2,890)	(23,581)	(3,154)	(51,470)	(6,846)	(21,426)	(3,525)	(48,730)	(6,766)	(17,593)	(12,853)	(12,466)	(39,170)	(9,325)	(17,496)	(3,416)	(29,153)	(4,828)
<i>Total Operating Disbursements</i>		(2,890)	(44,033)	(28,623)	(73,797)	(109,688)	(52,606)	(43,297)	(51,879)	(116,199)	(17,593)	(76,733)	(50,448)	(181,114)	(9,325)	(95,594)	(42,197)	(62,979)	(125,640)
OPERATING CASH FLOWS																			
		47,170	25,260	38,895	(3,295)	(36,978)	22,524	36,151	36,736	(25,265)	72,622	10,512	40,449	(88,969)	84,100	1,449	52,836	34,595	(25,220)
<i>Financing Disbursements</i>																			
Interest and Related Fees	[5]	-	-	-	1,442	-	-	-	1,608	-	-	-	1,770	-	-	-	-	1,940	-
<i>Restructuring Disbursements</i>																			
Professional Fees	[6]	(1,332)	(408)	(408)	(408)	(402)	(402)	(402)	(402)	(402)	(408)	(408)	(408)	(408)	(408)	(408)	(408)	(408)	(402)
NET CASH FLOWS																			
		45,838	24,852	38,487	(2,261)	(37,381)	22,122	35,749	36,334	(24,059)	72,214	10,104	40,041	(87,607)	83,692	1,041	52,428	36,127	(25,622)
CASH																			
Beginning Balance		868,966	914,804	939,656	978,143	975,882	938,501	960,623	996,372	1,032,706	1,008,647	1,080,861	1,090,965	1,131,006	1,043,399	1,127,091	1,128,133	1,180,561	1,216,688
Net Cash Inflows / (Outflows)		45,838	24,852	38,487	(2,261)	(37,381)	22,122	35,749	36,334	(24,059)	72,214	10,104	40,041	(87,607)	83,692	1,041	52,428	36,127	(25,622)
Other (FX)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING CASH		914,804	939,656	978,143	975,882	938,501	960,623	996,372	1,032,706	1,008,647	1,080,861	1,090,965	1,131,006	1,043,399	1,127,091	1,128,133	1,180,561	1,216,688	1,191,066

Notes to the CCAA Forecast:

- [1] The purpose of this cash flow forecast is to estimate the liquidity requirements of the Company during the forecast period.
- [2] Forecast Trade Receipts include collections from the sale of tobacco-related products and other categories, net of returns, and inclusive of sales taxes. The sales forecast is based on historical sales patterns, seasonality, and current management's expectations, including the estimated impact of transition to plain-packaging regulations. The cash flow forecast includes certain 2020 price increases. The Company's ability to maintain the price increase is dependent on market conditions.
- [3] Forecast Taxes and Levies disbursements reflect the remittance of the federal excise tax, provincial tobacco taxes, sales taxes, and the Company's corporate income taxes.
- [4] Forecast Operations disbursements include employee-related costs, selling, general, administrative costs and intercompany costs. Intercompany costs include costs relating to the purchase of tobacco-related products and other categories, and services including: innovation fees, consulting and advisory fees, IT-related costs, product development and testing, accounting and human resources. Included in the intercompany costs is a disbursement of \$55 million to BAT Mexico for costs associated with the retirement of certain equipment and materials that are obsolete after the implementation of the Tobacco Products Regulations (Plain and Standardized Appearance).
- [5] Forecast Interest and Related Fees reflect interest income earned net of any sundry payments relating to existing facilities.
- [6] Forecast Professional Fees include fees for the Company's Counsel, the Monitor, the Monitor's Counsel, the Company's US Counsel, the Monitor's US Counsel, the US Noticing Agent, the Court-Appointed Mediator, the Court-Appointed Mediator's Counsel and the Representative Counsel for the TRW Claimants.
- [7] Due to the transition to plain-pack regulations, the Company may experience return of certain branded tobacco products by retail customers that can no longer be sold after February 7, 2020. As a result, the Monitor understands that the Company anticipates variations from historical levels and timings of receipts and disbursements in the short term. The Company expects the timing of receipts and disbursements to return to historic norms once the transition to plain packaging is complete.

Imperial Tobacco Canada Limited

CCAA Cash Flow Forecast

(CAD\$ in thousands)

Week Beginning (Monday)	8-Jun-20	15-Jun-20	22-Jun-20	29-Jun-20	6-Jul-20	13-Jul-20	20-Jul-20	27-Jul-20	3-Aug-20	10-Aug-20	17-Aug-20	24-Aug-20	31-Aug-20	7-Sep-20	14-Sep-20	21-Sep-20	28-Sep-20	35-Week Total	
Forecast Week	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35		
RECEIPTS																			
Trade Receipts	[2]	101,612	108,131	117,597	77,751	106,412	106,504	105,616	106,375	102,304	103,043	101,912	100,671	101,516	99,191	100,180	99,401	98,286	3,244,710
DISBURSEMENTS																			
<i>Operating Disbursements</i>																			
Taxes and Levies	[3]	(49,332)	(36,682)	(46,025)	(193,581)	(55,652)	(46,132)	(55,522)	(173,758)	-	(54,973)	(59,651)	(30,028)	(124,198)	(46,086)	(32,154)	(46,457)	(160,613)	(2,080,792)
Operations	[4]	(18,061)	(1,808)	(37,290)	(4,215)	(18,207)	(8,647)	(15,120)	(34,304)	(4,570)	(17,991)	(2,903)	(55,254)	(3,710)	(20,117)	(1,388)	(27,310)	(57,642)	(643,225)
<i>Total Operating Disbursements</i>		(67,393)	(38,490)	(83,315)	(197,796)	(73,859)	(54,779)	(70,642)	(208,063)	(4,570)	(72,964)	(62,554)	(85,282)	(127,908)	(66,203)	(33,542)	(73,768)	(218,255)	(2,724,017)
OPERATING CASH FLOWS																			
		34,220	69,641	34,282	(120,045)	32,553	51,725	34,975	(101,688)	97,734	30,080	39,358	15,389	(26,392)	32,988	66,638	25,634	(119,969)	520,693
<i>Financing Disbursements</i>																			
Interest and Related Fees	[5]	-	-	-	1,918	-	-	-	2,160	-	-	-	-	2,035	-	-	-	2,236	15,109
<i>Restructuring Disbursements</i>																			
Professional Fees	[6]	(402)	(402)	(402)	(402)	(408)	(408)	(408)	(408)	(402)	(402)	(402)	(402)	(408)	(408)	(408)	(408)	(408)	(15,114)
NET CASH FLOWS																			
		33,817	69,239	33,880	(118,529)	32,145	51,317	34,567	(99,936)	97,332	29,677	38,956	14,987	(24,759)	32,580	66,230	25,226	(118,141)	520,688
CASH																			
Beginning Balance		1,191,066	1,224,883	1,294,122	1,328,002	1,209,473	1,241,618	1,292,935	1,327,502	1,227,566	1,324,898	1,354,575	1,393,531	1,408,518	1,383,759	1,416,339	1,482,569	1,507,795	868,966
Net Cash Inflows / (Outflows)		33,817	69,239	33,880	(118,529)	32,145	51,317	34,567	(99,936)	97,332	29,677	38,956	14,987	(24,759)	32,580	66,230	25,226	(118,141)	520,688
Other (FX)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING CASH		1,224,883	1,294,122	1,328,002	1,209,473	1,241,618	1,292,935	1,327,502	1,227,566	1,324,898	1,354,575	1,393,531	1,408,518	1,383,759	1,416,339	1,482,569	1,507,795	1,389,654	1,389,654

Notes to the CCAA Forecast:

- [1] The purpose of this cash flow forecast is to estimate the liquidity requirements of the Company during the forecast period.
- [2] Forecast Trade Receipts include collections from the sale of tobacco-related products and other categories, net of returns, and inclusive of sales taxes. The sales forecast is based on historical sales patterns, seasonality, and current management's expectations, including the estimated impact of transition to plain-packaging regulations. The cash flow forecast includes certain 2020 price increases. The Company's ability to maintain the price increase is dependent on market conditions.
- [3] Forecast Taxes and Levies disbursements reflect the remittance of the federal excise tax, provincial tobacco taxes, sales taxes, and the Company's corporate income taxes.
- [4] Forecast Operations disbursements include employee-related costs, selling, general, administrative costs and intercompany costs. Intercompany costs include costs relating to the purchase of tobacco-related products and other categories, and services including: innovation fees, consulting and advisory fees, IT-related costs, product development and testing, accounting and human resources. Included in the intercompany costs is a disbursement of \$55 million to BAT Mexico for costs associated with the retirement of certain equipment and materials that are obsolete after the implementation of the Tobacco Products Regulations (Plain and Standardized Appearance).
- [5] Forecast Interest and Related Fees reflect interest income earned net of any sundry payments relating to existing facilities.
- [6] Forecast Professional Fees include fees for the Company's Counsel, the Monitor, the Monitor's Counsel, the Company's US Counsel, the Monitor's US Counsel, the US Noticing Agent, the Court-Appointed Mediator, the Court-Appointed Mediator's Counsel and the Representative Counsel for the TRW Claimants.
- [7] Due to the transition to plain-pack regulations, the Company may experience return of certain branded tobacco products by retail customers that can no longer be sold after February 7, 2020. As a result, the Monitor understands that the Company anticipates variations from historical levels and timings of receipts and disbursements in the short term. The Company expects the timing of receipts and disbursements to return to historic norms once the transition to plain packaging is complete.

APPENDIX “D” REGULATION OF VAPOUR PRODUCTS

Please see below for a summary of the vaping regulations that are being considered and implemented across Canada.

1. *British Columbia* - On November 14, 2019, the Health Minister of British Columbia also announced new regulations on vapour products. These regulations: (1) restrict where the vapour products can be sold; (2) define nicotine as a “public health hazard” under the *Public Health Act*, giving the Province the power to limit the amount of nicotine used in vapour products to 20 milligrams per millilitre; and (3) require plain packaging with health warnings. The government plans to enact these regulations by April 1, 2020. The Province has also introduced legislation that made it the first province in Canada to have a specific tax rate of 20% for vapour products. This legislation came into effect on January 1, 2020.
2. *Yukon and Northwest Territories* - On November 27, 2019, the Yukon Legislative Assembly passed *the Tobacco and Vaping Products Control and Regulation Act*, which among other things, prohibits the sale of vapour products to young persons, and places general restrictions on the use, promotion and sale of vapour products. The Legislative Assembly of the Northwest Territories passed a substantially similar bill on February 27, 2019. The legislation in the Yukon and Northwest Territories will come into force on a day fixed by the Commissioner in Executive Council in those territories.
3. *PEI* - On November 28, 2019, PEI’s Bill 122 (previously discussed in the Sixth Report) received Royal Assent. This will amend PEI’s legislation to prohibit the sale of vapour products in retail locations other than tobacconist shops or vape shops and will raise the legal age to buy tobacco and vapour products from 19 to 21. The Bill will come into force no later than March 27, 2020, at which point PEI will have the highest age restriction on vaping in Canada.
4. *Saskatchewan* - On December 4, 2019, the government of Saskatchewan passed a law that, effective February 1, 2020, will restrict the sale, promotion and use of

- vapour products to align vaping regulations with those currently in place for tobacco in that province.
5. *Nova Scotia* - On December 4, 2019, the government of Nova Scotia issued an Order in Council to amend its tobacco and vaping regulations to prohibit the sale of all flavoured vapour products, except tobacco flavours. This amendment will come into force on April 1, 2020.
 6. *Federal* - On December 19, 2019, the federal government of Canada registered the *Vaping Products Labelling and Packaging Regulations* pursuant to the *Tobacco and Vaping Products Act* and the *Canada Consumer Product Safety Act*. The regulations, which come into force on July 1, 2020, restrict the level of nicotine concentration in any vapour product to 65 milligrams per millilitre and impose various packaging and labelling requirements for vapour products. Moreover, on December 21, 2019, the federal government published draft *Vaping Product Promotion Regulations*. If enacted, these regulations would prohibit the promotion of vapour products in any location where the promotion could be seen by young people and will require all other promotions to carry prescribed health warnings.
 7. *Ontario* - On January 1, 2020 the Province banned the promotion of vapour products in convenience stores and gas stations. Under the new vaping regulations, the promotion of vapour products is only permitted in speciality retail stores where individuals must be 19 years or older to enter. In February 2020, the Ontario government announced its intention to: (a) ban most flavoured vapour products from convenience stores and gas stations; and (b) limit the nicotine content of vapour products sold by those retailers to 20 milligrams a millilitre, which is the same level the B.C. government has proposed.
 8. *Alberta and Quebec* - Both Provinces have announced a review of their tobacco legislation to address the use and sale of vapour products, with developments expected in the spring of 2020.
 9. *Nunavut* – The Territory has announced that changes to the *Tobacco Control Act* in respect of vapour products are being considered for 2020.

10. *New Brunswick* – The Province has committed to introduce new measures to address youth vaping.

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 IMPERIAL TOBACCO CANADA LIMITED AND IMPERIAL TOBACCO COMPANY LIMITED

Court File No. CV-19-616077-00CL

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

Proceeding commenced at Toronto

**SEVENTH REPORT OF THE MONITOR
FEBRUARY 13, 2019**

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