RICHTER

Court File No.:

ROBERTS COMPANY CANADA LIMITED

REPORT OF RICHTER ADVISORY GROUP INC., IN ITS CAPACITY AS PROPOSED MONITOR

JUNE 26, 2020

TABLE OF CONTENTS

APPENDICES

Court File No.:

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 ROBERTS COMPANY CANADA LIMITED

REPORT OF THE PROPOSED MONITOR RICHTER ADVISORY GROUP INC.

JUNE 26, 2020

I. INTRODUCTION

1. Richter Advisory Group Inc. ("**Richter**" or the "**Proposed Monitor**") understands that Roberts Company Canada Limited ("**RCCL**" or the "**Applicant**") will make an application (the "**CCAA Application**") before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") returnable on June 29, 2020 (the "**Proposed Filing Date**"), seeking an Initial Order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act,* R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to obtain a stay of proceedings in favour of the Applicant until July 9, 2020, and to seek other related relief, with a view to allowing RCCL an opportunity to restructure its business and affairs. The Applicant's CCAA proceedings is referred to herein as the "**CCAA Proceedings**".

2. The Proposed Initial Order contemplates that Richter be appointed as Monitor of the Applicant in the CCAA Proceedings (in such capacity, the "**Monitor**").

II. PURPOSE OF REPORT

3. This report (the "**Report**") has been prepared by Richter as the Proposed Monitor of the Applicant in the CCAA Proceedings. The purpose of the Report is to provide information to the Court pertaining to:

    (i) Richter's qualifications to act as Monitor;

    (ii) background on the Applicant, including its corporate history, operations, financial position and creditors;

    (iii) the Applicant's decision to commence the CCAA Proceedings and to seek a stay of proceedings;

    (iv) the Applicant's thirteen-week cash flow forecast (the "**Cash Flow Forecast**") for the period from June 29, 2020 to September 25, 2020 (the "**Forecast Period**");

    (v) the charges proposed in the Proposed Initial Order;

    (vi) other relief being sought by the Applicant in the Proposed Initial Order with respect to creditor notice requirements;

    (vii) an update on the Applicant's intention to return to the Court for a motion (the "**Comeback Motion**") seeking various other relief; and

    (viii) the Proposed Monitor's conclusions and recommendations.

III. TERMS OF REFERENCE

4. Capitalized terms used but not defined in this Report are defined in the Affidavit of Ravi Williams-Singh sworn June 26, 2020 (the "**Williams-Singh Affidavit**"), filed by the Applicant as part of its materials in support of the CCAA Application and the Proposed Initial Order. This Report should be read in conjunction with the Williams-

Singh Affidavit, as certain information contained in the Williams-Singh Affidavit has not been included herein in order to avoid duplication.

5. In preparing this Report, the Proposed Monitor has relied solely on information and documents provided by the Applicant and its advisors, including unaudited financial information, declarations and the Williams-Singh Affidavit (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Report, Richter has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants of Canada Handbook* and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

6. Future orientated financial information contained in the Cash Flow Forecast is based on the Applicant's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved.

7. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. RICHTER'S QUALIFICATIONS TO ACT AS MONITOR

8. Richter was engaged by RCCL in April 2020 to provide advisory services and to assist the Applicant in reviewing various strategic options. Accordingly, Richter is familiar with RCCL's business and financial affairs and is in a position to immediately assist the Applicant in its CCAA Proceedings.

9. Richter is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). Richter is not subject to any of the restrictions to act as Monitor as set out in section 11.7(2) of the CCAA and, in particular, neither Richter nor any of its representatives has been at any time in the two preceding years:

   (i) a director, an officer or an employee of the Applicant;

   (ii) related to the Applicant or to any director or officer of the Applicant; or

   (iii) the auditor of the Applicant.

10. Should the Court grant the Applicant's request to make the Proposed Initial Order, Richter has consented to act as Monitor. A copy of Richter's consent to act as Monitor is attached as **Appendix "A"**. The Proposed Monitor has retained Borden Ladner Gervais LLP ("**BLG**") to act as its legal counsel in the CCAA Proceedings.

V. OBJECTIVES OF THE CCAA PROCEEDINGS

11. The primary objectives of the CCAA Proceedings are to (i) stabilize RCCL's business, (ii) ensure the Applicant has the necessary working capital to maximize the value of its business for the benefit of the Applicant's stakeholders, while providing the opportunity to restructure its business and affairs, and (iii) implement a process to identify one or more parties interested in pursuing a sale or other strategic transaction for the business or assets of the Applicant through a court-supervised sale and investment solicitation process ("**SISP**"). In the event that the Proposed Initial Order is granted by the Court, the Proposed Monitor understands that it is currently the intention of the Applicant to seek the Court's approval of a SISP at a later date.

VI. BACKGROUND

12. Detailed information with respect to the Applicant's business, operations, products and causes of insolvency are detailed extensively in the Williams-Singh Affidavit. The information contained herein represents only a summary of the background to the CCAA proceedings.

13. As noted in the Williams-Singh Affidavit, RCCL is a private company incorporated in 1987 under the Ontario *Business Corporations Act*. RCCL is also extra-provincially registered under the laws of each Canadian province, excluding Prince Edward Island, in order to facilitate its business throughout Canada.

14. RCCL is in the business of manufacturing, marketing and distributing a comprehensive range of flooring, installation tools, adhesives, accessories and other flooring-related products in Canada. RCCL is a direct wholly-owned subsidiary of Roberts Consolidated Industries, Inc. ("**RCI**"), a private corporation incorporated under the laws of Delaware, and an indirect wholly-owned subsidiary of Q.E.P. Co. Inc. ("**QEP**"), a public company incorporated under the laws of Delaware. RCCL has no subsidiaries or equity interests in other corporate entities in Canada.

15. RCCL operates from the following leased premises:

Location	Use	Business Segment	Lease Expiration Date
34 Hansen Road South, Brampton, ON	Headquarters[1]	Large Customer Segment	June 30, 2025
375 Pendant Drive, Mississauga, ON	Warehouse / Distribution	TPS Business Segment	March 1, 2023
15210-135th Avenue NW, Edmonton Alberta	Warehouse / Distribution	TPS Business Segment	June 30, 2022
65 Northfield Drive, Waterloo, ON	Office space	TPS Business Segment	Month-to-month

(1) Includes office space, a manufacturing facility and warehouse space

16. RCCL also utilizes third party logistics providers in Vancouver, Edmonton, Winnipeg, Calgary and Toronto (the "**3PLs**"). RCCL operates on a month-to-month contract with each of the 3PLs.

17. RCCL comprises two business segments: the large customer segment (the "**Large Customer Segment**") and the trading products sale segment (the "**TPS Business Segment**").

Large Customer Segment

18. The Large Customer Segment is RCCL's historical business that consists of manufacturing and distributing a variety of flooring, installation tools, adhesives, and other flooring-related products, to large home improvement chains such as Home Depot, Lowes, and Home Hardware, as well as large distributors such as Prosol for use by do-it-yourself consumers as well as construction, remodeling and installation professionals. The Large Customer Segment products are predominately sold under the ROBERTS®, QEP®, and Capitol® brands.

TPS Business Segment

19. The TPS Business Segment sells flooring and related products to independent dealers and distributors predominantly under the Kraus®, Harris® Wood, and Naturally Aged Flooring™ brands.

20. The Applicant launched the TPS Business Segment following the 2018 acquisition of substantially all the assets (and the assumption of certain liabilities) of a division of Kraus Canada LP and certain of its affiliates pursuant to an asset purchase agreement dated September 10, 2018 (the transaction closed in October 2018). According to the Williams-Singh Affidavit, RCCL acquired the TPS Business in order to expand its sales and distribution channels and its presence in the wood flooring market, adding approximately 1,200 dealers and distributors to distribute RCCL's products, as well as to allow RCCL to reduce its customer concentration risk by diversifying RCCL's customer base.

21. The Proposed Monitor understands that the TPS Business Segment is significantly more capital intensive compared to the Large Customer Segment. It has considerably more customers than the Large Customer Segment (approximately 450 customers vs. approximately 70 customers), requiring onerous overhead and other costs to adequately service them, including an extensive sales force, frequent and abundant supply of product samples / displays and logistics costs, including freight.

Employees

22. As noted in the Williams-Singh Affidavit, RCCL employed approximately 87 people (85 on a full-time basis and 2 on a temporary basis) as at April 29, 2020.

23. As further noted in the Williams-Singh Affidavit, of the Applicant's 87 employees as at April 29, 2020, approximately 60 are salaried employees and 27 are hourly employees. Certain of RCCL's employees also participate in a sales incentive plan and/or a bonus plan which provides for payments in addition to base salary. Further, certain salaried employees are also eligible to receive sales commissions on a monthly basis based on certain objectives / metrics.

24. RCCL sponsors a defined contribution pension plan provided by The Great-West Life Assurance Company. The Proposed Monitor understands that the Applicant is current on its contributions to the pension plan. RCCL's employees are not unionized nor are they subject to a collective bargaining agreement.

Historical Financial Results

25. Included in the Williams-Singh Affidavit are copies of the Applicant's unaudited financial statements for the twelve-month period ending February 29, 2020 and two-month period ending April 30, 2020. Set out below is a summary of the Applicant's segmented income statement for the twelve-month period ending February 29, 2020 and the two-month period ending April 30, 2020.

Roberts Company Canada Limited
Consolidated Statement of Operations
(CAD$000's; unaudited)

	12 months ended 29-Feb-20			2 months ended 30-Apr-20		
	Large Customer Segment	**TPS Business Segment**	**Consolidated**	**Large Customer Segment**	**TPS Business Segment**	**Consolidated**
Total revenues, net	$ 22,055	$ 39,250	$ 61,305	$ 3,166	$ 5,092	$ 8,258
Cost of goods sold	17,104	29,271	46,375	2,384	4,117	6,501
Gross Profit	**$ 4,951**	**$ 9,979**	**$ 14,930**	**$ 782**	**$ 975**	**$ 1,757**
Costs and expenses						
Shipping Cost	$ 2,000	$ 7,293	$ 9,293	$ 108	$ 927	$ 1,035
Administrative Cost	708	4,418	5,126	72	395	467
Selling & Marketing Cost	1,612	5,433	7,045	373	481	854
Foreign Exchange	11	312	323	63	235	298
Other expenses (income)	-	(147)	(147)	-	1	1
Total costs and expenses	**$ 4,331**	**$ 17,309**	**$ 21,640**	**$ 616**	**$ 2,039**	**$ 2,655**
Income (loss) from operations	**620**	**(7,330)**	**(6,710)**	**166**	**(1,064)**	**(898)**
Interest expense	$ 3	$ 1,171	$ 1,174	$ -	$ 147	$ 147
Inter-company cost	596	-	596	80	-	80
Income (loss) before income taxes	**$ 21**	**$ (8,501)**	**$ (8,480)**	**$ 86**	**$ (1,211)**	**$ (1,125)**
Income tax expense (benefit)	-	-	-	-	-	-
Net income (loss)	**$ 21**	**$ (8,501)**	**$ (8,480)**	**$ 86**	**$ (1,211)**	**$ (1,125)**

Source: Information provided by the Applicants

26. As detailed above, the Applicant incurred net losses of approximately $8.5 million for the twelve-month period ending February 29, 2020 and approximately $1.1 million for the two-month period ending April 30, 2020, which were driven almost entirely from losses incurred by the TPS Business Segment. The losses are primarily due to

the significant overhead costs (shipping, administrative and sales and marketing) associated with operating the TPS Business Segment.

27. The Proposed Monitor understands that RCCL's operations have been funded, in large part, by QEP via intercompany advances and a reallocation of borrowing base availability from QEP and certain of its affiliates (defined below as the US Borrowers) to RCCL (as further discussed below). RCCL's business is not sustainable absent the financial support from QEP.

28. Set out below is RCCL's unaudited balance sheet as at April 30, 2020:

Roberts Company Canada Limited
Consolidated Balance Sheet - as at April 30, 2020
(CAD,000's; unaudited)

Assets			**Liabilities**		
Cash and cash equivalents	$	706			
Accounts receivable, net		7,273	Accounts payable	$	6,924
Inventory		15,702	Accrued expenses		5,344
Prepaid expenses and other current assets		697	Inter-company liability		2,246
Total current	**$**	**24,378**	**Total current**	**$**	**14,514**
Property and equipment, net		602	Bank of America Debt		23,053
Goodwill		1,040	Other Long Term Liabilities		2,922
Other intangible assets, net		-	**Total liabilities**	**$**	**40,489**
Other long-term assets		4,130	**Total shareholders' equity**		**(10,339)**
Total assets	**$**	**30,150**	**Total liabilities and shareholders' equity**	**$**	**30,150**

Source: Information provided by the Applicants

29. As presented above, RCCL had total assets with a book value of approximately $30.2 million as at April 30, 2020, which principally comprise inventory and accounts receivable. The book value of RCCL's total liabilities as at April 30, 2020 were approximately $40.5 million, the majority of which was related to long-term debt owing to Bank of America of $23.1 million (as discussed in further detail below). As at April 30, 2020, the date of the most recent internal financial statements, the book value of RCCL's total liabilities exceeded the book value of its total assets. As noted in the Williams-Singh Affidavit, the realizable value of certain categories of RCCL's asset may be lower than their book values.

Secured Creditors

30. The Proposed Monitor understands that RCCL is party to the Fourth Amended and Restated Loan Agreement dated as of January 31, 2017 by and among RCCL (the "**Canadian Borrower**"), QEP, RCI, Roberts Holding International Inc., Q.E.P. Zocalis Holding L.L.C., Boiardi Products Corporation, Roberts Capitol Inc., QEP – California Inc., QGrow Products, Inc., QEP – Tennessee Inc., Liberty Creek, Inc., Imperial Industries, Inc., All - Force Tool Company Inc., Q.E.P. Sun Valley Inc., Q.E.P. Oklahoma, Inc., Faus Group, Inc., Premix – Marbletite Manufacturing Co., A C Products Co. (collectively, the "**US Borrowers**" and together with the Canadian Borrower,

the “**ABL Borrowers**”), Bank of America, N. A. and the lenders from time to time party thereto (the “**Lenders**”), and Bank of America, N.A, as agent for the Lenders (in such capacity, the “**Agent**”), as amended by Amendment No.1 to Fourth Amended and Restated Loan Agreement dated as of October 5, 2018, Amendment No. 2 to Fourth Amended and Restated Loan Agreement dated as of January 22, 2019, Amendment No. 3 to Fourth Amended and Restated Loan Agreement and Waiver dated as of July 26, 2019, and Amendment No. 4 to Fourth Amended and Restated Loan Agreement dated as of January 27, 2020 (the “**ABL Agreement**”). The ABL Agreement provides for US$85 million (the “**ABL Commitment**”) in revolving credit to the ABL Borrowers. Pursuant to the ABL Agreement, RCCL (i.e. the Canadian Borrower) is not deemed to guarantee or be liable for any Obligations (as defined in the ABL Agreement) of the US Borrowers pursuant to section 2.30(a) of the ABL Agreement.

31. The ABL Agreement is structured such that up to US$23 million of the ABL Commitment may be allocated to RCCL (the “**Canadian ABL Commitment**”), subject to a borrowing base availability calculation based on RCCL’s eligible inventory and eligible accounts receivable. Of the total Canadian ABL Commitment, approximately US$8.5 million represents a reallocation of borrowing base availability from the US Borrowers to RCCL, in accordance with the terms of the ABL Agreement, which has been critical to sustaining RCCL’s operations.

32. According to the Applicant’s books and records, as at April 30, 2020, the outstanding principal balance owing by RCCL under the ABL Agreement was approximately $23.1 million (Canadian dollars).

33. As noted in the Williams-Singh Affidavit, pursuant to a security agreement dated December 30, 2008 (the “**ABL Security Agreement**”), RCCL granted security (the “**ABL Security**”) in favour of Bank of America to secure the payment and performance of its obligations under the ABL Agreement. Pursuant to the ABL Security Agreement, RCCL's Obligations (as defined in the ABL Security Agreement) are secured by first priority liens on all of the present and after-acquired property, assets and undertakings of RCCL. Upon the amendment of the ABL Agreement pursuant to Amendment No. 1 to the Fourth Amended and Restated Loan Agreement dated October 5, 2018, the Borrowers entered into a Ratification and Reaffirmation of Security Agreement pursuant to which RCCL ratified, reaffirmed and confirmed the terms and provisions of the ABL Security Agreement. The Proposed Monitor understands that Bank of America has registered the ABL Security in Ontario, British Columbia, Manitoba and Alberta.

34. As further noted in the Williams-Singh Affidavit, on April 17, 2020, Bank of America provided written notice to QEP of an Event of Default under the ABL Agreement resulting from the Borrowers’ violation of certain covenants thereunder. Bank of America reserved all of its rights under the ABL Agreement. The Proposed Monitor has been advised by the Applicant that, following discussions between Bank of America, QEP and the Applicant, Bank of America has consented to the Applicant bringing the CCAA Application, and, as noted in the Williams-Singh Affidavit, has executed a Forbearance Agreement and Amendment No. 5 to Fourth Amended and Restated

Loan Agreement (the “**Forbearance Agreement**”) with the ABL Borrowers (including the Applicant) to confirm its support. The Forbearance Agreement contemplates, among other things, that Bank of America will (i) forbear from exercising its rights and remedies under the ABL Agreement, (ii) continue to make its revolving asset-based loan facilities available to the ABL Borrowers under the ABL Agreement during the CCAA Proceedings, subject to the terms and conditions set out therein, and (iii) provide further accommodations to RCCL by increasing the borrowing base capacity. As provided for in the Proposed Initial Order, Bank of America shall not be affected by the stay provisions in the Proposed Initial Order. The ability of Bank of America to take enforcement measures against the Applicant is governed by the Forbearance Agreement.

35. The Proposed Monitor has not yet had an opportunity to review the ABL Security. The Proposed Monitor has instructed its independent legal counsel, BLG, to review the ABL Security. If appointed, the Monitor (in such capacity) intends to report to the Court on the results of the security review, after it has been completed.

36. In addition to the foregoing, the Proposed Monitor understands that LiftCapital Corporation (“**LiftCapital**”) has registered security in Ontario against certain manufacturing equipment of RCCL. The Proposed Monitor has been advised by the Applicant that, as of the Proposed Filing Date, there are no amounts owing by RCCL, secured or otherwise, to LiftCapital.

Unsecured Creditors

37. Based on the Applicant’s books and records, as at April 30, 2020, RCCL’s unsecured obligations totalled approximately $15.2 million (excluding any intercompany liabilities).

Intercompany Transactions

38. The Proposed Monitor understands that, in the ordinary course of RCCL’s business, RCCL engages in intercompany transactions with QEP and certain of its subsidiaries. The Proposed Monitor further understands that all intercompany transactions and associated cash transfers are made on an unsecured basis. According to the Applicant’s records, as at April 30, 2020, RCCL has a net intercompany payable owing to QEP and certain of its subsidiaries of approximately $2.2 million.

39. As mentioned above, the US Borrowers, which includes QEP, also reallocated US$8.5 million of it’s borrowing base availability to RCCL in support of the RCCL’s borrowing base capacity, on the basis of which the Canadian ABL Commitment is calculated. The additional liquidity is used by RCCL to fund its operations.

VII. DECISION TO COMMENCE CCAA PROCEEDINGS AND SEEK A STAY OF PROCEEDINGS

40. According to the Williams-Singh Affidavit, RCCL's financial performance has suffered primarily as a result of the following factors:

    (i) *The high cost of operating the TPS Business Segment* – the TPS Business Segment, which requires significant fixed costs, including to maintain and operate its leased facilities and its vast distribution network, has incurred substantial losses since its acquisition in October 2018. Despite efforts to improve the financial performance of the TPS Business Segment by implementing certain cost saving initiatives, including workforce reductions and limiting sales and marketing related costs, the TPS Business Segment continues to severely impact RCCL's viability; and

    (ii) *Macroeconomic factors in Canada resulting from the COVID-19 pandemic* – The Proposed Monitor understands that the COVID-19 pandemic has had an immediate negative impact on RCCL's business and has impeded management's ability to successfully implement critical cost saving initiatives. Sales figures relating to RCCL's business have declined compared to their normal course amounts, as RCCL's customers have either been forced to temporarily close or drastically limit their ability to sell products to the end consumer.

41. The Proposed Monitor understands that the foregoing factors have contributed to RCCL's continued losses. Based on a revised sales budget and forecast, RCCL is projected to incur an additional $3.9M of losses between the period of May 2020 to February 2021.

42. The Proposed Monitor has been advised by the Applicant that, although RCCL has historically benefited from ongoing financial support provided by QEP, due to the current economic environment and RCCL's declining financial performance, QEP is not willing to advance new funds to RCCL absent a restructuring.

43. In consideration of the foregoing, RCCL is facing a liquidity crisis. According to the Williams-Singh Affidavit, it is without the realizable assets and will, upon the cessation of ongoing support from QEP in the near-term, be without the funds required to meet its obligations as they become due, including employee obligations, trade debt, rent and other contractual commitments. In the circumstances, RCCL is seeking protection under the CCAA to afford RCCL the necessary breathing room to stabilize its business and pursue its restructuring. The CCAA proceeding would provide a forum to explore a plan of compromise or arrangement under the CCAA that would seek to maximize creditor and stakeholder recoveries and facilitate the potential sale or other strategic transaction in addition to, or as an alternative to, a plan of compromise or arrangement, with the purpose of maximizing value for all stakeholders.

VIII. OVERVIEW OF THE CASH FLOW FORECAST

44. The Applicant, in consultation with the Proposed Monitor, has prepared the Cash Flow Forecast for the purpose of projecting the Applicant's estimated liquidity needs during the Forecast Period. A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"**.

Roberts Company Canada Limited 13-Week Cash Flow Forecast For the Period June 29, 2020 - September 25, 2020 In C$; unaudited	
Gross receipts	**9,335,000**
Disbursements	
Purchases	5,245,000
Payroll	1,481,719
Rent	672,946
Operating expenses	2,646,350
Professional fees	1,969,000
HST payables	540,000
Interest	450,000
Total disbursements	**13,005,014**
Net cashflow	**(3,670,014)**
Opening revolver balance	(20,850,000)
Net cash inflow / (outflow)	(3,670,014)
Subtotal	**(24,520,014)**
Availability block	(250,000)
Other reserves	(200,000)
Ending revolver balance	**(24,970,014)**
Canadian borrowing base	23,790,503
Availability	**(1,179,512)**

45. The Cash Flow Forecast projects that the Applicant will experience a net cash outflow of approximately $3.7 million over the Forecast Period, comprised of:

(i) cash receipts of approximately $9.3 million, primarily related to the collection of existing receivables and new sales generated from the sale of goods to various retails stores and distributors; and

(ii) cash disbursements of approximately $13.0 million, primarily related to procurement of post-filing inventory, payroll and benefits, rent, other operating expenses (including the payment of critical vendor deposits), sales taxes, interest and the costs of the CCAA Proceedings.

46. The Cash Flow Forecast projects that RCCL will require interim financing during the Forecast Period. The Forbearance Agreement provides for certain accommodations that will increase RCCL's borrowing capacity, which will provide RCCL the interim financing it needs during the Forecast Period. The Proposed Monitor understands that the Applicant will be pursuing discussions with the Agent with respect to the structure of these accommodations, which may include the need for a debtor-in-possession ("**DIP**") financing facility. If, following discussions with the Agent, it is determined that a DIP facility is required, the Proposed Monitor understands that RCCL intends to return to Court to seek approval of DIP financing as part of the Comeback Motion. RCCL has sufficient liquidity to fund operations until the return date of the Comeback Motion.

47. The Cash Flow Forecast has been prepared by the Applicant on a conservative basis using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. The Cash Flow Forecast reflects the Applicant's estimates of receipts and disbursements on a weekly basis over the Forecast Period.

48. The Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the Applicant. Since the probable and hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by management of the Applicant for the probable and hypothetical assumptions, and the preparation and presentation of the Cash Flow Forecast.

49. Based on the Proposed 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 Applicant are not suitably supported and consistent with the restructuring plan of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast; or

    (iii) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

50. The Proposed Monitor notes that 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.

IX. PROPOSED CHARGES

51. The Proposed Initial Order provides for two priority charges (collectively the "**Charges**") on the current and future assets, undertakings and properties of the Applicant, wherever located, including all proceeds thereof, that rank in the following order:

(i) First, the Administration Charge (as defined below) (to the maximum amount of $500,000); and

(ii) Second, the Directors' Charge (as defined below) (to the maximum amount of $250,000).

Administration Charge

52. The Proposed Initial Order provides for a priority charge up to a maximum of $500,000 (the "**Administration Charge**") in favour of the Applicant's counsel, Bennett Jones LLP, the Proposed Monitor and its counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA Proceedings.

53. The amount of the Administration Charge sought by the Applicant was determined in consultation with the Proposed Monitor.

54. Given the complexities of the Applicant's proceedings and the services to be provided by the professionals involved in these proceedings, the Proposed Monitor is of the view that the proposed Administration Charge is reasonable in the circumstances.

Directors' Charge

55. The Proposed Initial Order provides for a charge to indemnify the current directors and officers of the Applicant (the "**Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of these CCAA proceedings (the "**Directors' Charge**").

56. The Directors and Officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent such coverage is insufficient to pay an indemnified amount. As canvassed in the Williams-Singh Affidavit, the Proposed Monitor understands that the Applicant maintains directors' and officers' liability insurance.

57. The amount of the Directors' Charge has been calculated by the Applicant, taking into consideration sales taxes, employee payroll and related expenses (including source deductions) as well as other employment related liabilities that attract potential liability for the Directors and Officers.

58. The Proposed Monitor has been informed (and as noted in the Williams-Singh Affidavit) that due to the potential for personal liability, the Directors and Officers are unwilling to continue their services and involvement in the CCAA Proceedings without the protection of the Directors' Charge. As the Applicant will require the participation and experience of the Directors and Officers to facilitate the successful completion of the CCAA Proceedings,

including participating in a potential SISP, the Proposed Monitor believes that the Directors' Charge (both the amount and the priority ranking) is required and reasonable in the circumstances.

X. OTHER RELEIF TO BE SOUGHT IN THE PROPOSED INITIAL ORDER

59. Given the limitations imposed on the ability of the Applicant and the Proposed Monitor to process and send notices to creditors by physical mail as a result of the COVID-19 pandemic and the fact that many businesses may not have staff on site to open such mailings, the Applicant is seeking the Court's authorization to allow for the notices to known creditors to be delivered by e-mail instead of physical mail. In the current circumstances, the Proposed Monitor and the Applicant are of the view that the notices are more likely to come to the prompt attention of known creditors if they are delivered by e-mail. The Proposed Monitor believes that such relief is appropriate and reasonable in the circumstances.

XI. COMEBACK MOTION

60. Should the Court grant the Proposed Initial Order, the Proposed Monitor understands that the Applicant intends to return to the Court within 10 days of the Proposed Filing Date for the Comeback Motion seeking:

    (i) an extension of the stay of proceedings established by the Proposed Initial Order;

    (ii) approval of DIP financing, if required;

    (iii) an expansion of the Proposed Initial Order to include the more fulsome restructuring provisions, as typically included in CCAA initial orders; and

    (iv) certain other relief as may be required to advance the Applicant's restructuring.

61. Subsequent to the granting of the Proposed Initial Order, Richter (in its then capacity as Monitor) will report to the Court in connection with the Comeback Motion, as well as any other relief sought by the Applicant.

XII. PROPOSED MONITOR'S CONCLUSION AND RECOMMENDATIONS

62. Without CCAA protection and access to interim financing, a shut-down of the Applicant's operations is inevitable, which would have an adverse impact on the Applicant's stakeholders, including employees and customers. The stay of proceedings and related relief granted under the CCAA will provide the Applicant with an opportunity to restructure its business and affairs for the benefit of its stakeholders.

63. For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicant is both appropriate and reasonable. The Proposed Monitor is also of the view that granting the relief requested will provide the Applicant the best opportunity to undertake a going-concern sale, or other restructuring under the

CCAA, thereby preserving value for the benefit of the Applicant's stakeholders. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and respectfully recommends that the Court grant the relief sought by the Applicant in the Proposed Initial Order.

All of which is respectfully submitted this 26th day of June, 2020.

Richter Advisory Group Inc.
In its capacity as Proposed Monitor of
Roberts Company Canada Limited
And not in its personal or corporate capacity

Per:

Paul van Eyk,
CPA, CA-IFA, CIRP, LIT, Fellow of INSOL
Senior Vice President

Duncan Lau,
CPA, CMA, CIRP
Vice President

Appendix “A”

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 ROBERTS COMPANY CANADA LIMITED

CONSENT TO ACT AS MONITOR

RICHTER ADVISORY GROUP INC. hereby consents to act as the Court-appointed Monitor of the Applicant, Roberts Company Canada Limited pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, in respect of these proceedings.

Dated at Toronto, Ontario this 26th day of June, 2020

RICHTER ADVISORY GROUP INC.

Per: ____________________
Name: Paul van Eyk

Appendix “B”

Court File No.

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 ROBERTS COMPANY CANADA LIMITED

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Roberts Company Canada Limited (the **"Applicant"**) has developed the assumptions and prepared the attached statement of projected cash flow as of the 26th day of June 2020, consisting of the period from June 29, 2020 to September 25, 2020 (the "**Cash Flow Forecast**"),

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow Forecast described in the notes therein, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 26th day of June 2020.

Roberts Company Canada Limited

____
Ravi Williams-Singh
Director / Chief Administrative Officer

Roberts Company Canada Limited 13-Week Cash Flow Forecast In C$; unaudited	Notes	1 03-Jul-20	2 10-Jul-20	3 17-Jul-20	4 24-Jul-20	5 31-Jul-20	6 07-Aug-20	7 14-Aug-20	8 21-Aug-20	9 28-Aug-20	10 04-Sep-20	11 11-Sep-20	12 18-Sep-20	13 25-Sep-20	Total
	1														
Gross Receipts	2	**710,000**	**710,000**	**750,000**	**750,000**	**755,000**	**755,000**	**755,000**	**755,000**	**755,000**	**660,000**	**660,000**	**660,000**	**660,000**	**9,335,000**
Disbursements															
Purchases	3	240,000	240,000	550,000	550,000	405,000	405,000	405,000	405,000	405,000	410,000	410,000	410,000	410,000	5,245,000
Payroll	4	14,000	184,000	107,300	184,000	14,000	184,000	107,300	184,000	14,000	184,000	107,119	184,000	14,000	1,481,719
Rent	5	112,158	-	112,158	-	-	112,158	-	112,158	-	112,158	-	112,158	-	672,946
Operating expenses	6	213,600	134,500	590,750	334,500	234,500	134,500	190,750	134,500	134,500	124,500	180,750	119,500	119,500	2,646,350
Professional fees	7	263,000	263,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	313,000	1,969,000
HST payables	8	-	-	180,000	-	-	-	180,000	-	-	-	180,000	-	-	540,000
Interest	9	150,000	-	-	-	150,000	-	-	-	150,000	-	-	-	-	450,000
Total Disbursements		**992,758**	**821,500**	**1,653,208**	**1,181,500**	**916,500**	**948,658**	**996,050**	**948,658**	**816,500**	**943,658**	**990,869**	**938,658**	**856,500**	**13,005,014**
Net Cashflow		**(282,758)**	**(111,500)**	**(903,208)**	**(431,500)**	**(161,500)**	**(193,658)**	**(241,050)**	**(193,658)**	**(61,500)**	**(283,658)**	**(330,869)**	**(278,658)**	**(196,500)**	**(3,670,014)**
Opening Revolver Balance		(20,850,000)	(21,132,758)	(21,244,258)	(22,147,465)	(22,578,965)	(22,740,465)	(22,934,123)	(23,175,173)	(23,368,830)	(23,430,330)	(23,713,988)	(24,044,857)	(24,323,514)	(20,850,000)
Net cash inflow / (outflow)		(282,758)	(111,500)	(903,208)	(431,500)	(161,500)	(193,658)	(241,050)	(193,658)	(61,500)	(283,658)	(330,869)	(278,658)	(196,500)	(3,670,014)
Subtotal		**(21,132,758)**	**(21,244,258)**	**(22,147,465)**	**(22,578,965)**	**(22,740,465)**	**(22,934,123)**	**(23,175,173)**	**(23,368,830)**	**(23,430,330)**	**(23,713,988)**	**(24,044,857)**	**(24,323,514)**	**(24,520,014)**	**(24,520,014)**
Availabilty Block		(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Other Reserves		(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Ending Revolver Balance		**(21,582,758)**	**(21,694,258)**	**(22,597,465)**	**(23,028,965)**	**(23,190,465)**	**(23,384,123)**	**(23,625,173)**	**(23,818,830)**	**(23,880,330)**	**(24,163,988)**	**(24,494,857)**	**(24,773,514)**	**(24,970,014)**	**(24,970,014)**
CDN Borrowing Base		25,091,071	24,869,098	24,674,568	24,631,488	24,588,408	24,459,619	24,359,192	24,258,766	24,158,339	24,057,913	23,968,776	23,879,639	23,790,503	23,790,503
Availability		**3,508,313**	**3,174,840**	**2,077,102**	**1,602,523**	**1,397,943**	**1,075,496**	**734,020**	**439,936**	**278,009**	**(106,075)**	**(526,081)**	**(893,875)**	**(1,179,512)**	**(1,179,512)**

Roberts Company Canada Limited
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

In the Matter of the CCAA Proceedings of Roberts Company Canada Limited ("RCCL" or the "Applicant").

Disclaimer

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), RCCL has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Cash Flow Forecast is presented in Canadian dollars. All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the Report of the Proposed Monitor dated June 26, 2020.

Note 1 Purpose of the Cash Flow Forecast

The purpose of the Cash Flow Forecast is to present the estimated cash receipts and disbursements of RCCL for the period from June 29, 2020 to September 25, 2020 (the "**Forecast Period**"), in respect of its proceedings under the CCAA. The Cash Flow Forecast has been prepared by management of RCCL ("**Management**") based on available financial information at the date of RCCL's application for the Initial Order in accordance with Section 10(2)b) of the CCAA. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 2 Receipts

Receipts comprise of income earned from the sale of goods to various retail stores, independent residential contractors and distributors. The Cash Flow Forecast assumes a reduced revenue plan based on Management's best estimate in light of COVID-19 and collections are based on historical payment terms of key customers.

Note 3 Purchases

RCCL purchases inventory from various third-party vendors. The Cash Flow Forecast assumes inventory is purchased 60 days in advance and purchases are reflective of the reduced revenue plan.

Note 4 Payroll

Payroll expenses include salaries and wages, payroll taxes and remittances, accrued vacation, and employee benefits paid to RCCL Employees. Payroll expenses are forecasted based on a headcount reduction plan and are paid bi-weekly, with an exception for payroll expenses related to manufacturing employees, which are paid on a weekly basis.

Note 5 **Rent**

Represents rental payments for the Applicant's four leased facilities. Rental payments include taxes, maintenance, insurance and other costs provided for in the respective leases. Rent is forecasted based on historical run-rates and paid in two equal payments on the first and fifteenth day of each month.

Note 6 **Operating Expenses**

Operating expenses comprise of general business expenses, including marketing, insurance, utilities, freight and shipping, general and administrative, research and development, among others.

Note 7 **Professional Fees**

Professional fees include payments to the Applicant's legal counsel, the Monitor, the Monitor's legal counsel, and the secured lender's legal counsel.

Note 8 **HST Payables**

The Applicant is projecting to be in a net HST payable position and files HST returns and remits HST on a monthly basis.

Note 9 **Interest**

Represents interest paid during the Forecast Period to Bank of America. Additionally, the Cash Flow Forecast assumes no principal payments during the Forecast Period.

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 ROBERTS COMPANY CANADA LIMITED

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash flow of Roberts Company Canada Limited (**"RCCL"** or the **"Applicant"**) prepared as of the 26th day of June 2020, consisting of the period from June 29, 2020 to September 25, 2020 (the "**Cash Flow Forecast**"), has been prepared by management of the Applicant for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Applicant. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

(a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

(b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or

(c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

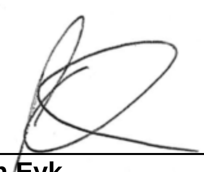
Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved.

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

Dated at Toronto, in the Province of Ontario, this 26th day of June 2020.

RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
ROBERTS COMPANY CANADA LIMITED
AND NOT IN ITS PERSONAL CAPACITY

Per:



Paul van Eyk
CPA, CA, CIRP, LIT, IFA, Fellow of INSOL

Court File No:

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 ROBERTS COMPANY CANADA LIMITED

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

REPORT OF THE PROPOSED MONITOR, RICHTER ADVISORY GROUP INC.

BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
East Tower, Bay Adelaide Centre
22 Adelaide St West #3400
Toronto, ON M5H 4E3

Roger Jaipargas
Tel: (416) 367-6266
Fax: (416) 361-7067
(LSO #43275C)

Lawyers for Richter Advisory Group Inc.

113961451:v2