Court File No. CV-20-00638930-00CL

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 CANNTRUST HOLDINGS INC., CANNTRUST INC., CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE INVESTMENTS INC.

Applicants

UNOFFICIAL TRANSCRIPTION OF THE ENDORSEMENT OF THE HONOURABLE MR. JUSTICE HAINEY (April 9, 2020)

1. This application was heard by teleconference in accordance with the changes to the operation of the Commercial List in light of the Covid-19 crisis and the Chief Justice's Notice to the Profession dated March 15, 2020.

2. On March 31, 2020, I granted an Initial Order that included a stay of proceedings until today.

3. At today's comeback hearing, the Applicants seek an Amended and Restated Initial Order that includes the following:

(a) an extension of the stay period to July 5, 2020;

(b) approval of the proposed KERP and KERP charge;

(c) an order staying and suspending the commencement or continuation of the Pending Litigation or any proceeding in relation to the Other Defendants;

(d) approving the engagement of the Financial Advisor and the Transaction Fee Charge;

(e) increasing the maximum amount of other priority charges;

(f) authorizing CannTrust to make payments pursuant to the CannTrust Capital Appreciation Plan ("CCAP")

(g) authorizing CannTrust to pay certain pre-filing amounts to critical suppliers; and

(h) permitting CannTrust to pay rent to certain landlords.

4. The Applicants require this CCAA protection to allow them breathing space so that they can maximize value for all of their stakeholders by the following:

(a) completing the remediation plan for the Vaughan Facility;

(b) continuing to work with Health Canada to obtain the reinstatement of Cann Trust's cannabis licences;

(c) exploring a CCAA plan of compromise to resolve the multiple claims against the Applicants in a single forum; and

(d) facilitating the completion of the Board of Directors' review of strategic alternatives, including a potential sale, in addition to or as an alternative to a CCAA plan of compromise or arrangement.

5. I am satisfied that I should extend the stay of proceedings to July 5, 2020 pursuant to s. 11.02 (2) of the CCAA to give the Applicants breathing room to achieve the above and because the Applicants have acted and continue to act in good faith and with due diligence.

6. I am also satisfied that I should extend the stay of proceedings to the Other Defendants to allow the Applicants an opportunity to explore a plan to resolve the multiple claims against them and the Other Defendants in a single forum.

7. The Applicants have established the KERP to incentivize certain key employees to remain in their employment during these CCAA proceedings. I am satisfied that the KERP should be approved for the following reasons:

(a) The Monitor supports the KERP;

(b) The key employees would consider other employment without the KERP and the KERP charge;

(c) The continued employment of the key employees is integral to the Applicants' successful restructuring plan;

(d) The key employees have specialized knowledge and skills necessary for the continued operation of the Applicants' business and they cannot be readily or easily replaced;

(e) The terms of the KERP are fair and reasonable and the KERP charge of a maximum of $1.4 million is appropriate.

8. The KERP Summary contains commercially sensitive and personal information regarding the identity and compensation of the key employees, the disclosure of which could adversely affect CannTrust and the key employees. It should therefore be subject to a sealing order on the terms of para. 56 of the Amended and Restated Initial Order.

9. I am also satisfied that the Financial Advisor Engagement and Transaction Fee Charge should be approved. The expertise and institutional knowledge of the Financial Advisor will be beneficial in achieving a positive outcome in these CCAA proceedings. The proposed fees and disbursements in the Financial Advisor's Engagement Letter are fair and reasonable and supported by the Monitor. The Transaction Fee Charge is also fair and reasonable.

10. The Administration Charge of $1.4 million is granted pursuant to s. 11.52 of the CCAA. It is based upon a forecast of professional fees for four weeks. I am satisfied that the charge appropriately reflects the length and complexity of these CCAA proceedings and is necessary to ensure the active involvement and assistance of the necessary professionals for the proceedings.

11. The Directors' Charge of $3.55 Million is approved and granted pursuant to s. 11.51 of the CCAA. It is supported by the Monitor and appropriately reflects the potential personal liabilities of CannTrust's directors and officers during these CCAA proceedings and is necessary to ensure the directors and officers are committed to operating the Applicants' business during these CCAA proceedings.

12. The CCAP payments are approved, like the KERP, the CCAP payments are necessary to ensure that CannTrust retains its key employees during these CCAA proceedings.

13. The pre-filing critical suppliers' payments are approved, subject to the Monitor's approval, to ensure ongoing supply to the Applicants.

14. The Applicants' payment of rent to certain landlords is approved as recommended by the Monitor.

15. For these reasons, the Amended and Restated Initial Order is granted on the terms of the attached.

16. The order is effective today whether or not it is entered.

Hainey J.