

**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. (each an "Applicant" and, collectively, the
"Applicants" or "CannTrust")**

REPORT OF THE PROPOSED MONITOR

March 31, 2020

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that the Applicants have brought an application (the "**CCAA Application**") before this Court returnable on March 31, 2020 seeking an initial order (the "**Proposed First Day Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs. The Applicants propose that EY be appointed as Monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**").
2. This report (the "**Report**") has been prepared by the Proposed Monitor prior to its appointment as Monitor, should this Court grant the Proposed First Day Initial Order, to provide information to this Court for its consideration in respect of the CCAA Application and the relief sought in the Proposed First Day Initial Order.
3. The Proposed Monitor further understands that the CCAA Applicants will be seeking an order (the "**Proposed Amended and Restated Initial Order**") at a subsequent hearing, to be scheduled with the supervising judge prior to the expiry of the initial 10-day stay period, granting certain broader relief. If appointed, the Monitor intends to file a further report in advance of that hearing to provide information on the relief sought in the Proposed Amended and Restated Initial Order.

PURPOSE

4. The purpose of this Report is to provide information to the Court on:
 - (a) EY's qualifications to act as Monitor;

- (b) an overview of the Applicants;
- (c) background on the circumstances leading to the Applicants' decision to commence CCAA proceedings;
- (d) an overview of the Applicants' thirteen-week cash flow forecast on a consolidated basis for all the Applicants (the "**Cash Flow Forecast**") and the Proposed Monitor's comments regarding the reasonableness thereof; and
- (e) certain relevant matters about the relief sought in the Proposed First Day Initial Order.

TERMS OF REFERENCE

5. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report in respect of the Cash Flow Forecast:
 - (a) the Proposed Monitor 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 such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - (b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
6. Future-oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
7. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

EY'S QUALIFICATION TO ACT AS MONITOR

9. EY is a licensed insolvency trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3. EY is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.
10. EY has an understanding of the Applicants' operations and cash flow, and will be able to quickly and seamlessly perform its responsibilities as Monitor, if appointed.
11. EY has previously provided advisory services to CannTrust with respect to internal controls over financial reporting in order to assist the Applicants in complying with their responsibilities under the *Sarbanes-Oxley Act of 2002* and related regulations. At no point has EY been the auditor of the Applicants.
12. The Proposed Monitor has retained Aird & Berlis LLP to act as its counsel.

OVERVIEW OF THE APPLICANTS

13. This Report should be read in conjunction with the affidavit of Greg Guyatt sworn March 31, 2020 (the "**Guyatt Affidavit**") for additional background and financial information with respect to the Applicants.
14. CannTrust was founded in 2013 and, prior to the partial suspension of its licences, detailed further below, was a licensed producer that supplied cannabis to the medical and adult-use recreational cannabis markets.
15. Anyone wishing to cultivate, process and/or sell cannabis in Canada must have a license from Health Canada to do so. In addition to issuing licences, Health Canada is responsible for ensuring compliance with, and enforcement of, the *Cannabis Act*, S.C. 2018, c-16 and the *Cannabis Regulations*, SOR/2018-144 (together, the "**Cannabis Legislation**"). CannTrust Inc., a wholly-owned subsidiary of CannTrust Holdings Inc., is a licensed producer of cannabis in accordance with the Cannabis Legislation, with production and processing facilities in Fenwick, Ontario (the "**Fenwick Facility**") and Vaughan, Ontario (the "**Vaughan Facility**"). The licences issued in respect of the Fenwick Facility and the Vaughan Facility are referred to herein as the "**Cannabis Licences**." CannTrust's Cannabis Licences are currently under suspension. Further discussion is provided herein.
16. Prior to the suspension of its licences, the principal activities of CannTrust were the cultivation, processing, distribution, and sale of dried cannabis flower, cannabis soft gel capsules, and cannabis oil (the products, collectively, the "**Cannabis Products**").
17. CannTrust derived the majority of its revenue from the sale of medical cannabis to registered patients for medical use. By March 31, 2019, CannTrust had approximately 68,000 registered patients in Canada, which was among the top tier of cannabis licence holders by patient count. CannTrust also sold its product in the wholesale market to provincial distributors which was ultimately used to supply the adult-use recreational

market. As at March 31, 2019, wholesale revenue represented 32.5% of CannTrust's total revenue.

18. In addition to its production and processing facilities in Ontario, CannTrust also owns 81 acres of land in British Columbia, through its wholly-owned subsidiary CTI Holdings (Osoyoos) Inc., which was purchased with the intent to commence outdoor cannabis cultivation. CannTrust applied to Health Canada for a licence to plant and cultivate on these lands. CannTrust has not been informed of Health Canada's decision to date.
19. CannTrust is listed on the Toronto Stock Exchange ("TSX") under the ticker TRST and the New York Stock Exchange ("NYSE") under the ticker CTST.

Health Canada Audit Reports and Partial Licence Suspension

20. As further detailed in the Guyatt Affidavit, prior to June 2019, CannTrust's business was experiencing operational growth and expansion.
21. As part of its mandate, Health Canada conducts periodic inspections of licensed producers, including CannTrust. In July 2019, CannTrust announced that as a result of inspections by Health Canada, Health Canada had issued a non-compliance report regarding the Fenwick Facility (the "**Fenwick Audit Report**").
22. In August 2019, CannTrust announced that as a result of further inspections by Health Canada, Health Canada had issued a non-compliance report regarding the Vaughan Facility (the "**Vaughan Audit Report**").
23. In or around September 2019, Health Canada partially suspended CannTrust's Cannabis Licences pursuant to the Cannabis Legislation. The partial suspension affects CannTrust's ability to process, sell, and conduct cannabis research, and CannTrust was barred from propagating new lots or batches of cannabis. CannTrust was allowed to complete cultivation and processing of existing batches.

CannTrust's Response to the Audit Reports

24. As a result of the Fenwick Audit Report, CannTrust took a number of steps, including placing a hold on the sale and shipment of all Cannabis Products.
25. Also as a result of the Fenwick Audit Report, CannTrust formed a special committee of independent directors (the "**Special Committee**") with the mandate to, among other things, conduct an investigation on the allegations arising from the Fenwick Audit Report, which was ultimately expanded to include the Vaughan Audit Report. The Special Committee was also tasked with making recommendations and considering potential strategic alternatives available to CannTrust. The Special Committee recommended, and the Board agreed, to terminate the employment of the CEO of CannTrust, Peter Aceto, for cause, and demanded the resignation of the Chairman of the Board, Eric Paul, who promptly resigned.

26. As a result of the inability to cultivate new crops or sell cannabis inventory, operations at the Fenwick Facility and Vaughan Facility have been greatly reduced, and the Applicants focused on remediation efforts. To reduce operating costs, CannTrust reduced employee headcount from approximately 800 employees to approximately 280 employees.
27. On October 21, 2019, CannTrust submitted its remediation plan to Health Canada (the “**Remediation Plan**”) detailing actions to be taken to address the identified risks that resulted in the partial suspension of the Cannabis Licences. CannTrust announced that the Remediation Plan included the destruction of approximately \$77 million of inventory and biological assets that were not authorized by CannTrust’s Cannabis Licences.
28. On February 14, 2020, CannTrust reported to Health Canada that it had completed the Remediation Plan for the Fenwick Facility and requested the reinstatement of its Cannabis Licence for the Fenwick Facility. CannTrust is awaiting Health Canada’s decision. CannTrust continues to implement the Remediation Plan for the Vaughan Facility, with the stated goal of completing the Remediation Plan by the end of April 2020, subject to availability of resources during the COVID-19 pandemic, and thereafter will request the reinstatement of the Vaughan Facility licence.

CIRCUMSTANCES LEADING TO THE DECISION TO COMMENCE INSOLVENCY PROCEEDINGS

29. As further detailed in the Guyatt Affidavit, the circumstances leading to the Applicants’ decision to commence the CCAA Application include:
 - (a) the partial suspension of its Cannabis Licences, the result of which being that CannTrust has had no material revenue since July 2019;
 - (b) a general downturn in the Canadian cannabis industry that commenced in 2019;
 - (c) recent global developments which have made it difficult for CannTrust to attract new financing or strategic partners;
 - (d) the significant on-going costs that CannTrust has incurred, and continues to incur, in carrying out the Remediation Plan;
 - (e) the multiple putative securities class actions commenced in Canada and the United States against CannTrust and certain of its current and former officers, directors, employees and other parties, which seek estimated aggregate damages of at least \$500 million; and
 - (f) the potential for monetary penalties to be imposed by regulators and other authorities such as Health Canada, the Ontario Securities Commission (the “OSC”) and the Royal Canadian Mounted Police, among others.
30. These issues are compounded by the COVID-19 pandemic, which may impact Health Canada’s timing for any reinstatement of the Cannabis Licences and operations post-

licensing. Additional delay of the reinstatement of the Cannabis Licences further impacts the Applicants' liquidity.

31. Further, without the benefit of CCAA protection, the Applicants will continue to incur significant on-going costs in investigating, preparing for, and defending the putative class actions.
32. The Applicants' ability to generate revenue is reliant on the reinstatement of the Cannabis Licences. There is uncertainty surrounding the timing and ultimate decision of Health Canada to reinstate CannTrust's Cannabis Licences. If the Cannabis Licences are reinstated, it would still take several months for CannTrust to earn revenue from cannabis plants that would need to be propagated, cultivated, processed and sold.
33. The CCAA proceedings afford time to the Applicants to complete their remediation efforts, obtain the reinstatement of the Cannabis Licences and resume operations at the Fenwick Facility and the Vaughan Facility, which should ultimately lead to the preservation of supply relationships, the preservation of, and increase of, jobs for the Applicants' employees, and the stability needed for the benefit of all the Applicants' stakeholders.

OVERVIEW OF APPLICANTS' THIRTEEN WEEK CASH FLOW PROJECTION

34. The Applicants, with the assistance of the Proposed Monitor, have prepared the Cash Flow Forecast for the 13 week period from March 30, 2020 to the week ending June 28, 2020 (the "**Cash Flow Period**") for the purpose of projecting the Applicants' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as Appendix "**A**" to this Report.
35. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") set out in the notes to the Cash Flow Forecast.
36. The Proposed Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
 - (a) the Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - (b) as at the date of this Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or
 - (c) the Cash Flow Forecast does not reflect the Assumptions.

37. The Applicants maintain 13 bank accounts with Bank of Montreal for their operations. The Applicants have no bank credit or overdraft facilities, aside from credit cards.
38. The Applicants' Cash Flow Forecast shows that during the Cash Flow Period, the Applicants project no receipts and project estimated total combined disbursements of approximately \$22.7 million. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity during the first thirteen weeks of the CCAA proceedings.

SELECT RELEVANT MATTERS ADDRESSED IN THE PROPOSED FIRST DAY INITIAL ORDER

Stay of Proceeding of Affected Parties

39. CannTrust holds significant equity interests in O Cannabis We Stand on Guard For Thee Corporation, Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and Cannabis Coffee and Tea Pod Company Ltd. (the "**Affected Parties**").
40. As a result of CannTrust's relationship with the Affected Parties, there are certain agreements that may have been entered between CannTrust, one or more Affected Parties and third parties that may trigger defaults as a result of the Applicants' insolvency proceedings. As such, the Applicants have requested a limited stay of proceedings to be extended to the Affected Parties with respect to the making or filing of these proceedings or any allegation, admission or evidence in these proceedings.
41. The Proposed Monitor is of the view that the limited stay should be extended to the Affected Parties so that there is no risk to disruption to their businesses solely due to the CCAA Application.

Priority of Charges

42. The Proposed First Day Initial Order provides for three priority charges (collectively, the "**Charges**") on the current and future assets, undertakings and properties of the Applicants, wherever located, including all proceeds thereof that rank in the following order:
 - (a) first, the Administration Charge (as that term is defined below);
 - (b) second, the Directors' Charge (as that term is defined below); and
 - (c) third, the Intercompany Charge (as that term is defined below).
43. The Proposed Monitor understands that, if the Proposed First Day Initial Order is granted, the Applicants will provide notice of the Proposed First Day Initial Order and the scheduled comeback motion to any parties who serve a Notice of Appearance in the proceeding or otherwise request service of such material or to be added to the service list, in advance of the comeback motion.

Administration Charge

44. The Proposed First Day Initial Order provides for a charge up to a maximum amount of \$700,000 (the “**Administration Charge**”) in favour of the counsel to the Applicants, the Monitor and its counsel, and FTI Consulting Canada Inc. as Chief Restructuring Officer of the Applicants, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings.
45. The proposed Administration Charge in the Proposed First Day Initial Order is based on the forecast fees of the above-listed professionals to the week ended April 12, 2020. The Proposed Monitor reviewed the calculation of the Administration’ Charge that was prepared by the Applicants and is of the view that the proposed Administration Charge is required and reasonable in the circumstances and believes the quantum of the Administration Charge limited to the amount necessary for the initial 10-day stay period, based upon a review and assessment of the anticipated professional costs to be incurred during this matter.
46. The Proposed Monitor understands that the Applicants will be seeking an increase of the Administration Charge to \$1.5 million on the comeback motion.

Directors’ Charge

47. The Proposed First Day Initial Order provides for a charge in an amount not to exceed \$1.4 million (the “**Directors’ Charge**”) to secure an indemnity in favour of the current directors and officers of the Applicants (the “**Directors and Officers**”) against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of these CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of such director’s or officer’s gross negligence or willful misconduct.
48. 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 described above.
49. The proposed Directors’ Charge in the Proposed First Day Initial Order is based on approximately two weeks of payroll, current accrued vacation pay and current unremitted source deductions. The Proposed Monitor reviewed the calculation of the Directors’ Charge that was prepared by the Applicants and is of the view that the proposed Directors’ Charge is required and reasonable in the circumstances and believes the quantum of the Directors’ Charge is limited to the amount necessary for the initial 10-day stay period, based upon a review and assessment of the anticipated payroll and other employee costs to be incurred during this matter.
50. The Proposed Monitor understands that the Applicants will be seeking an increase of the Directors’ Charge to \$3.75 million to incorporate other employee amounts that are expected to be payable during the course of these CCAA proceedings, including \$1.7

million for the total estimated payments to be made in October 2020 at the end of the first year of the CannTrust Capital Appreciation Plan, a program further described in the Guyatt Affidavit.

Intercompany Charge

51. As detailed in the Guyatt Affidavit, CannTrust Holdings Inc. (the “**Intercompany Lender**”) will be required to fund the operations and expenditures of the other Applicants (each, an “**Intercompany Borrower**”) during the CCAA proceedings, consistent with historical practice.
52. The Proposed First Day Initial Order contemplates that the Intercompany Lender will be authorized to loan, and each Intercompany Borrower will be authorized to borrow, repay and re-borrow amounts to fund their ongoing expenditures and other permitted amounts (the “**Intercompany Advances**”). Intercompany Advances will be limited to \$4.2 million in the Proposed First Day Initial Order, which is the amount that is reasonably necessary for the continued operations of the Intercompany Borrowers in the ordinary course of business during the initial 10-day stay period. Intercompany Advances will be subject to review and approval by the Proposed Monitor if it is appointed as Monitor.
53. The Proposed First Day Initial Order also provides for a charge in favour of the Intercompany Lender (the “**Intercompany Charge**”) on all of the Property (as that term is defined in the Proposed First Day Order) of each of the Intercompany Borrowers as security for the intercompany advances made to such Intercompany Borrower.
54. The Proposed Monitor is of the view that the request for approval of the Intercompany Advances and the Intercompany Charge is required and is reasonable under the circumstances and will ensure that the stakeholders of each entity will not be prejudiced by necessary intercompany advances. The Proposed Monitor reviewed the calculation of the maximum amount of Intercompany Advances (and thus the maximum Intercompany Charge) that was prepared by the Applicants and is of the view that it is limited to the amount necessary for the initial 10-day stay period.
55. The Monitor will work with CannTrust to review, approve and track all such Intercompany Advances and will periodically report thereon to the Court.

Securities Reporting

56. The Monitor understands that each of the TSX, NYSE, and OSC, have indicated that, with respect to the applicable securities, the securities of CannTrust Holdings will likely be delisted and cease-traded as a result of the Applicants commencing these CCAA proceedings. Accordingly, the Applicants have determined that directing further time or resources to securities reporting is not appropriate in the circumstances. The Proposed Monitor supports this decision and recommends that the Court grant the relief sought in the Proposed First Day Initial Order authorizing the Applicants to proceed accordingly, should the Court see fit to do so.

Service and Notice

57. The Applicants are seeking the Court's authorization to deliver the prescribed notices to creditors by e-mail instead of physical mail. In the circumstances of the COVID-19 pandemic, the Monitor believes that such e-mail notices are more likely to come to the prompt attention of creditors, and thus will improve their ability to participate in these proceedings prior to the comeback hearing should they wish. The Proposed Monitor was authorized to deliver e-mail notices to creditors in another recent proceeding and believes that the process worked well. The Proposed Monitor supports this requested relief in the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

58. The Proposed Monitor has reviewed the Applicants' CCAA Application materials and has consented to act as the Monitor of CannTrust should this Court grant the Proposed First Day Initial Order.
59. For the reasons stated herein, the Proposed Monitor believes it is appropriate for CannTrust to be granted protection under the CCAA and respectfully request that the Court grants the Proposed First Day Initial Order, should the Court see fit to do so.

All of which is respectfully submitted this 31st day of March, 2020.

ERNST & YOUNG INC.

Solely in its role as proposed Court-appointed Monitor of CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osyoos) Inc. and Elmcliffe Investments Inc., and not in its personal or corporate capacity

per:



**Alex Morrison, CPA, CA
Senior Vice President**

APPENDIX “A”

CASH FLOW FORECAST AND NOTES

CANNTRUST HOLDINGS INC.
CCAA Cash Flow Forecast

In thousands \$CAD

Forecast Week Ending (Sunday)	05-Apr-20	12-Apr-20	19-Apr-20	26-Apr-20	03-May-20	10-May-20	17-May-20	24-May-20	31-May-20	07-Jun-20	14-Jun-20	21-Jun-20	28-Jun-20	13 Week Total
CCAA Filing Week	1	2	3	4	5	6	7	8	9	10	11	12	13	
Receipts [2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating disbursements														
Payroll and benefits [3]	(892)	-	(815)	-	(873)	-	(788)	-	(785)	(80)	(813)	-	(842)	(5,887)
Property Leases [4]	(64)	-	(64)	-	(64)	-	(64)	-	(64)	-	-	(64)	-	(384)
Utilities [5]	(608)	-	(37)	-	(471)	(137)	(37)	-	(471)	(137)	(37)	-	-	(1,935)
Other operating expenses [6]	(1,790)	(125)	(1,475)	(3)	(1,970)	-	(1,509)	(3)	(1,963)	-	(12)	(1,620)	-	(10,470)
Capital expenditures [7]	(51)	(45)	(79)	(45)	(119)	-	-	-	-	(113)	-	-	-	(452)
Total operating disbursements	(3,404)	(171)	(2,470)	(48)	(3,496)	(137)	(2,398)	(3)	(3,284)	(330)	(863)	(1,684)	(842)	(19,129)
Cash from operations	(3,404)	(171)	(2,470)	(48)	(3,496)	(137)	(2,398)	(3)	(3,284)	(330)	(863)	(1,684)	(842)	(19,129)
Restructuring Professional Fees [8]	(311)	(384)	(356)	(345)	(260)	(260)	(260)	(226)	(226)	(226)	(226)	(226)	(226)	(3,531)
Net Cash Inflows / (Outflows)	(3,715)	(555)	(2,826)	(392)	(3,756)	(397)	(2,658)	(229)	(3,510)	(556)	(1,089)	(1,910)	(1,068)	(22,660)
Cash														
Beginning Balance [9]	134,708	130,993	130,438	127,612	127,219	123,463	123,066	120,408	120,180	116,670	116,114	115,026	113,115	134,708
Net Cash Inflows / (Outflows)	(3,715)	(555)	(2,826)	(392)	(3,756)	(397)	(2,658)	(229)	(3,510)	(556)	(1,089)	(1,910)	(1,068)	(22,660)
Ending Balance	130,993	130,438	127,612	127,219	123,463	123,066	120,408	120,180	116,670	116,114	115,026	113,115	112,047	112,047
Intercompany Advances [10]	(3,619)	(555)	(2,826)	(392)	(3,756)	(397)	(2,658)	(229)	(3,510)	(556)	(1,089)	(1,910)	(1,068)	

Notes:

- [1] The purpose of this cash flow forecast is to estimate the liquidity requirements of CannTrust Holdings Inc. and its subsidiaries ("CannTrust" or the "Company") during the forecast period.
- [2] The cash flow forecast assumes that sales of the Company's cannabis products, and the collection of revenues from those sales, will commence beyond the cash flow forecast period.
- [3] Forecast Payroll and Benefits are based on the Company's payroll calendar and historical payroll amounts, adjusted for an expected increase in operations in anticipation of the re-instatement of the Company's production licenses. The increase in payroll is assumed to be partially offset by a reduction in benefit payments made on behalf of employees on temporary layoff whose employment will be terminated.
- [4] Property leases include bi-weekly lease-related payments in respect of the Company's Vaughan processing facility, and the Keele St. head office.
- [5] Forecast Utilities disbursements include hydro, gas and other utility payments as well as scheduled payments pursuant to the Company's co-generation agreement in respect of the Fenwick facility.
- [6] Other operating expense disbursements capture production costs, on-going marketing, and general and administrative costs and are based on historical expense and payments trends, adjusted for the expected increase in operating activity described in note [3].
- [7] Forecast capital expenditure disbursements are based on approved projects which are expected to require funding over the forecast period.
- [8] Restructuring professional fees include legal and financial advisor fees associated with the CCAA proceedings and are based on estimates provided by the advisors.
- [9] Beginning cash balance includes cash and short term investments as at March 30, 2020.
- [10] Pursuant to the proposed Initial Order, CannTrust Holdings Inc. (the "Intercompany Lender") will be authorized to provide loan funding to the other applicants (the "Intercompany Borrowers") to meet ongoing expenditures as needed. Intercompany Advances presented in the table above captures the net forecast amounts advanced by CannTrust Holdings Inc. to the Intercompany Borrowers.

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Proceeding commenced at Toronto

**PRE-FILING REPORT OF
THE PROPOSED MONITOR
March 31, 2020**

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