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

FIRST REPORT OF THE MONITOR

Dated April 7, 2020

INTRODUCTION

1. On March 31, 2020, the Applicants brought an application before this Court returnable on March 31, 2020, seeking an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs.

2. On March 31, 2020, the Court granted an initial order in these proceedings (the "**Initial Order**") that, among other things, appointed Ernst & Young Inc. ("**EY**") as monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**"), approved a stay of proceeds until and including April 9, 2020 (the "**Stay Period**"), granted certain Court-ordered charges, and approved FTI Consulting Canada Inc. continuing to act as Chief Restructuring Officer (the "**CRO**"). In addition, the Initial Order granted a limited stay of

proceedings during the Stay Period with respect to O Cannabis We Stand on Guard For Thee Corporation, Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and Cannabis Coffee and Tea Pod Company Ltd. staying any rights arising out of, related to, or triggered by the insolvency of any of the Applicants.

3. The comeback motion is scheduled to be heard on April 9, 2020.

PURPOSE

4. The purpose of this first report of the Monitor (the "**First Report**") is to provide information to the Court on:

(a) the Applicants' operations and communications with the stakeholders since the granting of the Initial Order;

(b) the Monitor's activities since its appointment;

(c) the Applicants' receipts and disbursements for the period from March 31, 2020 to April 5, 2020 compared to the cash flow forecast appended as Appendix "A" (the "**Initial Cash Flow Forecast**") to EY's report written in its capacity as the proposed Monitor dated March 31, 2020 (the "**Pre-Filing Report**");

(d) the Applicants' updated weekly cash flow forecast from April 6, 2020 to July 5, 2020, on a consolidated basis for all the Applicants (the "**Cash Flow Forecast**");

(e) the Applicants' motion for an order (the "**Proposed Amended and Restated Initial Order**") substantially in the form attached to the Supplementary Application Record of the Applicants dated April 6, 2020, among other things:

(i) extending the Stay Period to July 5, 2020;

(ii) increasing the maximum amount of each of the Administration Charge, the Directors' Charge and the Intercompany Charge, as defined in the Initial Order;

(iii) approving the execution of the engagement letter of Greenhill & Co. Canada Ltd. (the "**Financial Advisor Engagement Letter**") and appointment of the Greenhill & Co as financial advisor (the "**Financial Advisor**") and the terms within the Financial Advisor Engagement Letter;

(iv) approving the Transaction Fee Charge, as defined herein;

(v) approving the Key Employee Retention Plan (the "**KERP**"), the KERP Charge and sealing the KERP Summary; and

(vi) approving payment by the Applicants of pre-filing debts to Critical Suppliers, as defined herein, with the approval of the Monitor.

TERMS OF REFERENCE

5. In preparing this First Report and making the comments herein, the 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 First Report in respect of the Cash Flow Forecast:

(a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

(b) some of the information referred to in this First 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 First 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 Monitor's understanding of factual matters expressed in this First Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

9. All terms that are not defined herein are as defined the Proposed Amended and Restated Initial Order.

BACKGROUND

10. CannTrust was founded in 2013 and, prior to the partial suspension of its Cannabis Licences (as that term is defined below), was a licensed producer that supplied cannabis to the medical and adult-use recreational cannabis markets. The principal activities of CannTrust were the cultivation, processing, distribution, and sale of dried cannabis flower, cannabis soft gel capsules, and cannabis oil.

11. 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 ultimately supply the adult-use recreational market. As at March 31, 2019, wholesale revenue represented 32.5% of CannTrust's total revenue.

12. 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 under 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**" (each, a "**Cannabis Licence**"). As explained in the Pre-Filing Report dated March 31, 2020 and the initial affidavit of Greg Guyatt dated March 31, 2020 (the "**March 31 Guyatt Affidavit**"), CannTrust's Cannabis Licences are currently under suspension.

13. 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.

14. As explained in the Pre-Filing Report and the March 31 Guyatt Affidavit, on February 14, 2020, CannTrust reported to Health Canada that it had completed remediation activities 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 activities for the Vaughan Facility, with the stated goal of completing these remediation activities 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 Cannabis Licence.

15. Prior to commencing these proceedings, CannTrust was listed on the Toronto Stock Exchange under the ticker TRST and the New York Stock Exchange under the ticker CTST.

UPDATE ON APPLICANTS' OPERATIONS

16. Since the date of the Initial Order, the Applicants have maintained their existing operations.

17. To manage the existing relationships with their stakeholders, the Applicants prepared and executed a communications plan, which included:

(a) holding a virtual town hall on March 31, 2020 with all employees to discuss the strategic direction of the Applicants' operations and provide information regarding the CCAA process, and a virtual town hall on April 2, 2020 which included a question and answer period to address employee concerns and questions;

(b) contacting customers;

(c) contacting certain key suppliers and stakeholders;

(d) contacting Health Canada, the Royal Canadian Mounted Police, the Ontario Securities Commission, the Toronto Stock Exchange and the New York Stock Exchange;

(e) working with the Monitor to respond to inquiries from stakeholders regarding the CCAA proceedings; and

(f) issuing a press release.

MONITOR'S ACTIVITIES TO DATE

18. Since the granting of the Initial Order, the Monitor has been:

(a) in discussion with the Applicants with respect to their suppliers;

(b) responding to calls and e-mails received from creditors, employees and other parties with respect to these CCAA proceedings; and

(c) reviewing the disbursements and Intercompany Advances (as defined in the Initial Order) of the Applicants.

19. The Monitor has established a case website at www.ey.com/ca/canntrust (the "**Monitor's Website**"). All court documents and certain other documents will be posted on the Monitor's Website. Further, the Monitor has arranged for a toll-free hotline phone number 1-855-224-0800 (local: 416-943-2091) for calls related to this matter and an e-mail address CannTrust.monitor@ca.ey.com for e-mail correspondence with the Applicants' creditors and other parties related to the CCAA proceedings.

20. Pursuant to the Initial Order, the following notices have been posted on the Monitor's Website and/or sent via email, or hardcopy where email addresses were not available, to the Applicants' stakeholders since the date of the Initial Order:

(a) on March 31, 2020, the Monitor posted a copy of the CCAA application materials, the Pre-Filing Report, and the Initial Order on the Monitor's Website;

(b) on April 3, 2020, the Monitor sent a notice, which included information about the CCAA proceedings, the toll-free telephone number and the Monitor's email address (the "**Notice to Creditors**") to all known creditors, based on the contact information of such known creditors who have a claim against the Applicants of more than $1,000, provided by the Applicants (the "**Known Creditors**"), by email to all creditors where such information was available, and by prepaid ordinary mail for those where email addresses were not available. A copy of the Notice to Creditors was also posted on the Monitor's Website;

(c) on April 3, 2020, the Monitor posted on the Monitor's Website a list showing the names of the Known Creditors and amounts owing according to the Applicants' books and records; and

(d) on April 4, 2020, the Monitor published a notice to creditors in the Globe and Mail (National Edition) (the "**Statutory Ad**"). The second consecutive Statutory Ad as required under the CCAA is scheduled to be published on April 11, 2020.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

21. A summary of the Applicants' actual receipts and disbursements during the period from March 31, 2020 to April 5, 2020 (the "**Reporting Period**") as compared to the Initial Cash Flow Forecast (the "**Variance Analysis**") is attached as Appendix **"A"** to this First Report.

22. During the Reporting Period, the Applicants' operations generated a net cash flow of approximately $1,358,000. The receipt received is an HST refund and the disbursements relate mainly to payroll, co-generation utility contract fees, marketing contracts and rental expenses. As at April 6, 2020, the Applicants' cash on hand was approximately $136.3 million.

23. The favourable cash position variance for the Reporting Period of approximately $5.3 million is a result of the receipt of the HST refund and differences in payments relating to utilities and restructuring costs. Details of the differences, both permanent and timing differences are attached to the Variance Analysis. The Cash Flow Forecast has been amended during the Forecast Period (defined below) to include these timing differences in the subsequent weeks.

OVERVIEW OF APPLICANTS' CASH FLOW FORECAST OVER THE STAY PERIOD

24. The Applicants, with the assistance of the CRO, and in consultation with the Monitor, have prepared a cash flow forecast from April 6, 2020 to the week ending July 5, 2020 (the "**Forecast Period**"). The Cash Flow Forecast is attached as Appendix **"B"** to this First Report.

25. The Cash Flow Forecast shows that during the Forecast Period, the Applicants will not have any receipts, except for interest income earned, and estimate total combined net disbursements of approximately $25.34 million. The Cash Flow Forecast projects that the Applicants will have an ending cash balance at July 5, 2020 of approximately $111.0 million.

26. The Cash Flow Forecast includes certain limited capital expenditures relating to the continued construction related to the Applicants' remediation activities, construction of a new laboratory, and two new product lines that the Applicants believe will ultimately be strategic to its business: vape pens and pre-rolled cannabis products. These two projects will take a number of months to implement, but will require certain limited capital expenditures through the proposed stay extension period in order to advance them to be in a position to generate revenues as quickly as possible after the Applicants' Cannabis Licenses have been reinstated and processing operations are able to resume. Any capital expenditures will have to be reviewed and agreed to by the Monitor in advance of being incurred, but the Applicants, the CRO and the Monitor agreed that it is appropriate to include these potential disbursements in the Cash Flow Forecast.

STAY EXTENSION/AMENDED AND RESTATED INITIAL ORDER

27. The Amended and Restated Initial Order proposes certain amendments to the Initial Order to grant certain broader relief. Some of these details are highlighted below:

Stay Extension

28. The Stay Period is currently set to expire on April 9, 2020. The Applicants are requesting an extension of the Stay Period until July 5, 2020.

29. The Monitor is of the view that the requested extension of the Stay Period is appropriate for the following reasons:

    (a) the Applicants require the extension in order to continue their restructuring efforts;

    (b) the proposed extension will allow time for the Applicants to continue their remediation activities as well as work with Health Canada through the approval process for the reinstatement of their Cannabis Licenses;

    (c) the proposed extension will allow the Applicants to explore a potential resolution of the securities class actions and other litigation against them; and

    (d) the Applicants have continued to operate in good faith and with due diligence since the date of the Initial Order.

30. Based on the Cash Flow Forecast, the Monitor believes that the Applicants will have sufficient liquidity to fund their operations through the proposed extension of the Stay Period to July 5, 2020.

31. For the foregoing reasons, the Monitor supports the Applicants' request for an order extending the Stay Period to July 5, 2020.

Payment of the CannTrust Capital Appreciation Plan

32. CannTrust created the CannTrust Capital Appreciation Plan (the "**CCAP**") which began October 1, 2019 to form an integral part of employee wages and replace existing stock-based and short-term incentive programs. The CCAP is a compensation plan that currently includes 59 employees with its first payment due within 15 days of its first anniversary, October 1, 2020. The CCAP payment is currently estimated to be $1.7 million. In addition, the CannTrust has the option to extend the program for an additional year to October 1, 2021.

33. The CCAP is an employee compensation program that existed prior to these CCAA proceedings and forms part of the employees' total compensation. The Monitor has reviewed the CCAP and supports the payment of the CCAP, including portions accrued pre-filing.

Critical Supplier Payments

34. CannTrust seeks approval to pay pre-filing amounts owed to third party suppliers, with approval from the Monitor if these suppliers (each a "**Critical Supplier**") are deemed critical to the operations of the Applicants or preservation of the Property and the payment is required to ensure ongoing supply.

35. The Monitor believes that a limited number of suppliers may be critical to the business as transitioning to an alternative vendor could cause disruption to the business that may erode its value or the ability of the Applicants to obtain the reinstatement of the Cannabis

Licenses. The Monitor will review the payment of pre-filing amounts to proposed Critical Suppliers with the Applicants on a case-by-case basis to make this assessment and report to the Court on any such payments in future reports.

Frequency of Rent Payments

36. The Applicants seek the flexibility to pay rent on a monthly basis (in advance), rather than every two weeks as provided for in the Initial Order.

37. The Monitor is of the view that a monthly payment option is appropriate in relation to any leases that the Applicants have no present intention to disclaim or restructure as there are sufficient funds to cover monthly payments, the landlords are not prejudiced by the amendment, and it is consistent with the existing payment schedule as per the lease agreements.

38. If the Applicants determine, in consultation with the Monitor, that it is more prudent to continue to pay rent twice monthly, the Applicants will retain the option to do so.

Stay of Proceedings for Pending Litigation

39. As detailed in the March 31 Guyatt Affidavit, in addition to the Applicants, various current and former directors, officers and employees of CannTrust, its auditors, certain underwriters and certain selling shareholders (the "**Co-Defendants**") are currently named as defendants in the Canadian Class Actions, the Zola Action and the US Class Actions, all as defined in the March 31 Guyatt Affidavit (collectively, with the other litigation against the Applicants, the "**Pending Litigation**"). The Applicants are also seeking to stay the Pending Litigation against the Co-Defendants in the proposed Amended and Restated Order.

40. The Monitor is of the view that this extended limited stay to the Co-Defendants is appropriate as, among other things, allowing the Pending Litigation to continue without the participation of the Applicants could negatively impact the Applicants. Further, such extension allows certain of the Co-Defendants who are still involved in the Applicants' business to focus on managing the Applicants through the CCAA process without having to divide their attention with defending the Pending Litigation.

Amendments to Charges

41. The Applicants propose to increase the maximum amount of the Administration Charge from \$500,000 to \$1,400,000. The amount requested and approved in the Initial Order was relative to the potential exposure of legal counsel to the Applicants, the CRO, the Monitor and legal counsel to the Monitor over the initial stay period. This amount has been increased to provide reasonable protection to the beneficiaries of the Administration Charge over the much longer Stay Period and was calculated based on the projected expenses in the Cash Flow Forecast over a four-week period.

42. The Monitor is of the view that the increase to the Administration Charge is required and reasonable in the circumstances. The Monitor believes the quantum of the increased Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter (including litigation, restructuring, regulatory, insurance and commercial matters and U.S. litigation and restructuring matters) as well as other CCAA proceedings of similar size and complexities.

43. The Applicants propose to increase the maximum amount of the Directors' Charge from $550,000 to $3,550,000. The amount of the Directors' Charge provided for in the Initial Order was relative to the potential exposure of the directors and officers of the Applicants over the initial stay period to April 9, 2020. This amount has been increased to reflect the potential exposure of directors and officers of the Applicants over the much longer Stay Period.

44. The amount of potential exposure is based on:

(a) two weeks gross payroll amount, plus an additional four days for processing, based on the forecast ramp up in operations after the reinstatement of the Cannabis Licence for the Fenwick Facility, of approximately $1.41 million;

(b) $1.7 million related to the CCAP, payable October 2020;

(c) estimated accrued vacation pay of $0.3 million; and

(d) estimated unpaid remittances and payroll deductions of $0.14 million.

45. The Monitor reviewed the calculation of the Directors' Charge that was prepared by the Applicants, taking into consideration the estimated payroll-related costs, the timing of such payroll related costs and the estimated peak vacation accrual, and the anticipated CCAP payment.

46. The Monitor is of the view that the requested increase to the Directors' Charge is required and is reasonable under the circumstances.

47. The Applicants propose to remove the maximum amount of the Intercompany Advances (and thus the Intercompany Charge) which was originally $4.2 million. The amount requested and approved in the Initial Order represented the amount of the Intercompany Advances that were anticipated to be required by the Applicants to continue the operation of the Business until April 9, 2020. CannTrust Inc., CTI Holdings (Osoyoos) Inc. and Elmcliffe Investments Inc. will continue to require advances from CannTrust Holdings Inc. in order to fund their operations during these CCAA proceedings. The Intercompany Charge is intended to minimize any prejudice that may be caused to creditors of CannTrust Holdings Inc. from these advances being made.

48. The Intercompany Advances indicated in the Cash Flow Forecast total $24.4 million during the Stay Period. As required by the Proposed Amended and Restated Initial Order, the Monitor will review and approve all Intercompany Advances requested by the Applicants.

Proposed KERP and KERP Charge

49. Under the terms of the KERP, the Applicants propose to make retention payments to specific individuals employed by CannTrust (collectively, the "**Key Employees**"). The Key Employees includes both executives and non-executives.

50. The KERP has two milestones. The first milestone (the "**First Milestone**") applies to both executive and non-executive Key Employees and is 60 days after the expiry of the appeal period for the Proposed Amended and Restated Initial Order. The second milestone is different for executive and non-executive Key Employees. Non-executive Key Employees will reach the Second Milestone on the earlier of (i) January 15, 2021, or (ii) the completion date of a going concern reorganization or transaction (the "**Going Concern Outcome**").

Executive Key Employees reach the Second Milestone on the completion date of a Going Concern Outcome (collectively the "**Second Milestone**").

51. Other major terms and conditions of the proposed KERP include:

(a) the total KERP payments of $2,194,000 include the amount payable following the First Milestone of $655,000, the amount payable following the Second Milestone of $1,339,000 and a discretionary fund of $200,000;

(b) the amounts distributed under the discretionary fund will be subject to the approval of the Monitor and be allocated to employees that are essential, for similar reasons as the Key Employees;

(c) the payment of the Second Milestone is conditional on the Applicants receiving a successful reinstatement of the Cannabis License at the Fenwick Facility. If the Cannabis License reinstatement is rejected between the First Milestone and Second Milestone, the amount payable for the Second Milestone will be the prorated amount from the date the First Milestone is paid to the date of rejection of the Cannabis License at the Fenwick Facility by Health Canada;

(d) a Key Employee must remain an employee at the time of the milestone in order to receive the payment unless terminated without cause. If terminated without cause after the First Milestone, non-executives will receive a pro-rata share of the Second Milestone payment while executives will only receive the Second Milestone payment on a successful Going Concern Outcome. Key Employees terminated without cause prior to the First Milestone, will still be entitled to receive the First Milestone payment.

52. The retention of Key Employees and their ongoing commitment to the Applicants are essential to the current operations, the reinstatement of the Cannabis Licenses and the successful restructuring efforts of the Applicants. The successful reinstatement of the Cannabis Licenses and the restructuring efforts are expected to maximize value for the Applicants' stakeholders. In particular, the Applicants believe:

(a) the Key Employees provide the critical leadership and execution required to continue the restructuring efforts of the Applicants while maintaining its operations and completing its remediation plan and other work necessary to obtain the reinstatement of the Applicants' Cannabis Licenses;

(b) certain Key Employees are critical to the management of the Fenwick Facility and the Vaughan Facility. They will be responsible for ramping up operations at those facilities upon the reinstatement of the Cannabis Licences thereby optimizing future revenue generation;

(c) none of the Key Employees could be readily or easily replaced internally and the process to find appropriately qualified replacements for the Key Employees externally would be lengthy, difficult and costly; and

(d) any replacements for the Key Employees would face a steep learning curve given the nascency of the industry and may require additional security clearance screening by Health Canada.

53. The Applicants believe the KERP will provide the necessary incentive to the Key Employees to remain as committed key members of the Applicants' senior management and operational teams during the restructuring proceedings.

54. In addition, the Applicants have indicated that some of the Key Employees have been approached by outside parties regarding employment opportunities with other companies that are currently operating in a more stable financial circumstance.

55. The summary of the KERP (the "**KERP Summary**") contains confidential and sensitive information regarding the compensation of the Key Employees and as such the Applicants will be seeking a sealing order with respect to the KERP Summary. Such information is not normally made publicly available and disclosure by the Applicants may cause significant harm or prejudice to the Key Employees and/or the Applicants. Accordingly, the Applicants request that the KERP Summary remain sealed unless ordered otherwise by the Court, and the Monitor supports such relief.

56. The Applicants are seeking approval of a charge to the maximum amount of $1.4 million, to rank in priority of all other security interests and in priority behind the Administration Charge and the Directors' Charge (the "**KERP Charge**"). The amount is based on the maximum exposure within the KERP which is the amount payable for the Second Milestone of $1.4 million.

57. Given the unique situation of CannTrust, the assistance of the Key Employees is key to the reinstatement of the Cannabis License which is necessary to resume operations. The Monitor is of the view that the KERP and the KERP Charge are reasonable and appropriate in the circumstances.

Financial Advisor Engagement

58. The Applicants, through the Special Committee, engaged the Financial Advisor to assist CannTrust to, among other things, conduct a review of strategic alternatives. Further details of the engagement are included in the affidavit dated April 6, 2020 of Greg Guyatt. The Applicants seek the approval to continue the Financial Advisor's engagement on the terms of the Financial Advisor Engagement Letter and to pay the fees contemplated thereby, which includes a transaction fee.

59. The transaction fee is in an amount equal to the sum of:

(a) $1,000,000 plus

(b) to the extent that the consideration payable to CannTrust Holdings, its shareholders or creditors pursuant to any Transaction (defined herein) exceeds $45,000,000, 4% of the consideration in excess of $45,000,000 (the "**Transaction Fee**").

60. "**Transaction**" is as defined in the Financial Advisor Engagement Letter, and includes:

(a) a sale, transfer or other disposition of all or substantially all of the assets of the Applicants;

(b) a sale of more than 20% of the outstanding voting or equity interest of the Applicants;

(c) any investment in 10% or more of the Applicants' equity or voting security; or

(d) any business combination.

61. The Proposed Amended and Restated Initial Order contemplates that the Transaction Fee of the Financial Advisor will be secured by a charge (the "**Transaction Fee Charge**") on the Property of the Applicants with the following priority relative to the other court-ordered charges:

(a) First – the Administration Charge (to a maximum amount of $1.4 million);

(b) Second – the Directors' Charge (to a maximum amount of $3.55 million);

(c) Third – the KERP Charge (to a maximum amount of $1.4 million);

(d) Fourth – the Transaction Fee Charge; and

(e) Fifth – the Intercompany Charge.

62. The Financial Advisor has been working with the Applicants since August 1, 2019, and the Monitor understands that the Applicants believe the Financial Advisor's familiarity with the business and transaction options available to the Applicants will be valuable through the CCAA proceedings.

63. The Monitor has reviewed the Financial Advisor Engagement Letter and the proposed fee structure and is satisfied with the terms contemplated therein.

64. The existing efforts and knowledge of the Financial Advisor will be beneficial for any future sale and investment solicitation process; therefore, the Monitor is of the view that it is reasonable for the Applicants to continue the engagement of the Financial Advisor on the terms of the Financial Advisor Engagement Letter.

CONCLUSIONS AND RECOMMENDATIONS

65. For the reasons stated herein, the Monitor supports the relief sought by the Applicants in the Proposed Amended and Restated Initial Order, including but not limited to the KERP, the execution of the Financial Advisor Engagement Letter, and the amount and priority of the Charges, and recommends that the Court grant the Proposed Amended and Restated Initial Order if the Court sees fit.

All of which is respectfully submitted this 7th day of April, 2020.

ERNST & YOUNG INC., in its capacity as Monitor of the Applicants, and not in its corporate or personal capacity.

per:

Alex Morrison, CPA, CA
Senior Vice President

APPENDIX "A"
VARIANCE ANALYSIS FROM MARCH 31, 2020 TO APRIL 5, 2020

CannTrust Holdings Inc. Variance Report (CAD $000s)	Notes	Forecast	Actual	Variance
		For period March 31, 2020 to April 5, 2020		
Receipts				
Receipts from Operations		-	-	
Other Receipts	[1]	-	2,782	
Total Receipts		**-**	**2,782**	**2,782**
Operating Disbursements				
Payroll and benefits	[2]	(892)	(801)	91
Property Leases		(64)	(82)	(18)
Utilities	[3]	(608)	(292)	316
Other operating expenses	[4]	(1,790)	(249)	1,540
Capital expenditures		(51)	-	51
Total Operating Disbursements		**(3,404)**	**(1,424)**	**1,981**
Cash Flow From Operations		**(3,404)**	**1,358**	**4,763**
Restructuring Disbursements	[5]	(311)	-	311
Net Cash Inflows / (Outflows)		**(3,715)**	**1,358**	5,073
Cash				
Beginning Balance	[6]	134,708	134,958	250
Net Cash Inflows / (Outflows)		(3,715)	1,358	5,073
Ending Balance		**130,993**	**136,316**	**5,323**
Intercompany Advances	[7]	(3,619)	-	

Notes to the Variance Analysis:

[1] The Applicants received an HST refund and a return of funds held in trust by its legal counsel. Neither receipt was originally forecast in the Reporting Period.

[2] Benefits were forecast to be paid during the same week as payroll however they were paid in the previous week.

[3] This is a timing difference and has been adjusted in the Cash Flow Forecast.

[4] The Applicants are in discussions with vendors regarding post-filing payment terms. This variance is a timing difference that will reverse in future weeks.

[5] This variance is a timing difference that will reverse in future weeks.

[6] The opening cash balance was adjusted to match actual balances as at March 31, 2020. In addition, outstanding cheques were reversed which increased cash.

[7] There was no Intercompany Advance from CannTrust Holding Inc. to any subsidiaries during the Reporting Period as the subsidiaries had sufficient funds to cover their disbursements.

APPENDIX "B"
CASH FLOW FORECAST AND NOTES

CANNTRUST HOLDINGS INC. [1]
CCAA Cash Flow Forecast

In thousands $CAD

Forecast Week Ending (Sunday)		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	05-Jul-20	13 Week Total
Forecast Week		1	2	3	4	5	6	7	8	9	10	11	12	13	
Receipts															
Receipts from Operations	[2]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receipts	[3]	-	-	-	20	-	-	-	20	-	-	-	-	20	60
Total Receipts		-	-	-	20	-	-	-	20	-	-	-	-	20	60
Operating disbursements															
Payroll and benefits	[4]	-	(822)	-	(881)	-	(795)	-	(873)	-	(820)	-	(929)	-	(5,120)
Property Leases	[5]	-	(74)	-	(74)	-	(74)	-	(74)	-	-	(74)	-	(74)	(446)
Utilities	[6]	(278)	(37)	-	(433)	(137)	(37)	-	(433)	(137)	(37)	-	-	(570)	(2,100)
Other operating expenses	[7]	(735)	(1,474)	(3)	(1,950)	(113)	(1,508)	(3)	(1,944)	-	(12)	(1,619)	-	(2,090)	(11,451)
Capital expenditures	[8]	(51)	(34)	(45)	(1,199)	(45)	(339)	-	(164)	(113)	-	-	-	-	(1,990)
Total operating disbursements		(1,064)	(2,442)	(48)	(4,537)	(295)	(2,754)	(3)	(3,488)	(250)	(870)	(1,694)	(929)	(2,734)	(21,107)
Cash from operations		**(1,064)**	**(2,442)**	**(48)**	**(4,517)**	**(295)**	**(2,754)**	**(3)**	**(3,468)**	**(250)**	**(870)**	**(1,694)**	**(929)**	**(2,714)**	**(21,047)**
Restructuring disbursements	[9]	(572)	(328)	(316)	(345)	(232)	(232)	(198)	(311)	(198)	(198)	(198)	(311)	(853)	(4,289)
Net Cash Inflows / (Outflows)		**(1,636)**	**(2,769)**	**(364)**	**(4,862)**	**(527)**	**(2,985)**	**(200)**	**(3,779)**	**(448)**	**(1,068)**	**(1,891)**	**(1,240)**	**(3,567)**	**(25,336)**
Cash															
Beginning Balance	[10]	136,316	134,680	131,911	131,546	126,685	126,158	123,172	122,972	119,193	118,746	117,678	115,787	114,547	136,316
Net Cash Inflows / (Outflows)		(1,636)	(2,769)	(364)	(4,862)	(527)	(2,985)	(200)	(3,779)	(448)	(1,068)	(1,891)	(1,240)	(3,567)	(25,336)
Ending Balance		**134,680**	**131,911**	**131,546**	**126,685**	**126,158**	**123,172**	**122,972**	**119,193**	**118,746**	**117,678**	**115,787**	**114,547**	**110,980**	**110,980**
Intercompany Advances	[11]														
Beginning Balance		-	(659)	(3,429)	(3,793)	(8,674)	(9,201)	(12,187)	(12,387)	(16,186)	(16,633)	(17,701)	(19,592)	(20,832)	
Intercompany Advances		(659)	(2,769)	(364)	(4,882)	(527)	(2,985)	(200)	(3,799)	(448)	(1,068)	(1,891)	(1,240)	(3,587)	
Cumulative Intercompany Advances		**(659)**	**(3,429)**	**(3,793)**	**(8,674)**	**(9,201)**	**(12,187)**	**(12,387)**	**(16,186)**	**(16,633)**	**(17,701)**	**(19,592)**	**(20,832)**	**(24,419)**	

Notes to CCAA Cash Flow Forecast

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 other receipts includes interest income, net of service charges during the forecast period.
4. 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.
5. Property leases include bi-weekly lease-related payments in respect of the Company's Vaughan processing facility, and the Keele St. head office.
6. 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.
7. 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 [4]. The production cost estimate includes potential payments in respect to critical suppliers.
8. Forecast capital expenditure disbursements are based on approved projects which are expected to require funding over the forecast period. This includes ongoing remediation and other projects related to the anticipated reinstatement of the Company's licenses.
9. Restructuring disbursements include the professional fees for legal and financial advisors associated with the CCAA proceedings and the first KERP milestone of $655,000 payable in the last forecast week ending July 5, 2020.
10. Beginning cash balance includes cash and short-term investments as at April 4, 2020.
11. 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.

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**.** ET AL.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

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April 7, 2020

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