

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 CANNTRUST HOLDINGS INC., CANNTRUST INC.,
CTI HOLDINGS (OSOYOOS) INC., ELMCLIFFE INVESTMENTS INC. AND
ELMCLIFFE INVESTMENTS [NO.2] INC.**

Applicants

**APPLICATION RECORD
(CCAA Application)**

March 31, 2020

McCarthy Tétrault LLP

Suite 5300, Toronto Dominion Bank Tower
Toronto, ON M5K 1E6
Fax: 416-868-0673

R. Paul Steep LSO#: 21869L

Tel: 416-601-7998

E-mail: psteep@mccarthy.ca

James D. Gage LSO#: 34676I

Tel: 416-601-7539

E-mail: jgage@mccarthy.ca

Trevor Courtis LSO#: 67715A

Tel: 416-601-7643

Email: tcourtis@mccarthy.ca

Alexander Steele LSO#: 475719P

Tel: 416-601-8370

Email: asteele@mccarthy.ca

Lawyers for the Applicants

Index Tab

**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

**APPLICATION RECORD
(CCAA Application)**

INDEX

<u>TAB</u>	<u>DOCUMENT</u>
1.	Notice of Application
2.	Affidavit of Greg Guyatt sworn March 31, 2020
A.	Exhibit "A" – Organizational Chart
B.	Exhibit "B" – Draft 2019 Year-End Balance Sheets
C.	Exhibit "C" – PPSA Summary
D.	Exhibit "D" – Parcel Register: Fenwick Facility
E.	Exhibit "E" – Parcel Register: BC Outdoor Cultivation Lands
F.	Exhibit "F" – Cash Flow Forecast
G.	Exhibit "G" – CRO Engagement Letter, dated March 27, 2020
3.	Consent of Ernst & Young Inc. to act as Monitor
4.	Draft First Day Order
5.	Draft Amended and Restated Initial Order
6.	Blackline of First Day Order to Model Order
7.	Blackline of Amended and Restated Initial Order to Model Order
8.	Blackline of Amended and Restated Initial Order to First Day Order

Tab 1



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

Applicants

NOTICE OF APPLICATION

TO THE RESPONDENTS

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on a date and time to be fixed by the Commercial List Office, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyers or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least two days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: March 31, 2020

Issued by:



Local Registrar Almeida Medeiros Cardoso

Registrar, Superior Court of Justice

Address of
court office

330 University Avenue
Toronto, Ontario, M5G 1R7

TO: THE SERVICE LIST

APPLICATION

THE APPLICANTS MAKE APPLICATION FOR:

1. An initial order (the “**First Day Order**”) pursuant to the *Companies Creditors’ Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**”) substantially in the form attached as Tab 4 to the Application Record of the Applicants,¹ among other things:
 - (a) abridging the time for service of this Notice of Application and the materials filed in support of the Application so that this Application is properly returnable on the return date and dispensing with further service thereof;
 - (b) declaring that the Applicants are companies to which the CCAA applies and granting the Applicants the authority to file a plan of compromise or arrangement;
 - (c) appointing Ernst & Young Inc. (“**EYI**”) as an officer of this Court to monitor the assets, businesses and affairs of the Applicants (in such capacity, the “**Monitor**”);
 - (d) approving the engagement of FTI Consulting Canada Inc. as Chief Restructuring Officer (“**CRO**”) to provide certain financial advisory and consulting services to the Applicants;
 - (e) authorizing the Applicants to pay certain expenses incurred prior to, on or after the Filing Date in the ordinary course of business on terms consistent with existing arrangements or past practice;
 - (f) staying all Proceedings taken or that might be taken in respect of the Applicants, their directors and officers, the Monitor, the CRO or affecting the Business or the Property until April 10, 2020 (the “**Stay Period**”), except with the written consent of the Applicants and the Monitor, or with leave of this Court;

¹ Capitalized terms used but not defined herein have the meanings given to them in the affidavit of Greg Guyatt, sworn March 31, 2020, attached as Tab 2 to the Application Record of the Applicants (the “**Guyatt Affidavit**”), or the draft Amended and Restated Initial Order attached as Tab 5 to the Application Record of the Applicants.

- (g) staying and suspending all rights and remedies of any Person against or in respect of the Affected Parties arising out of the Cross-Default Matters during the Stay Period except with the written consent of the relevant Applicant, the relevant Affected Party and the Monitor, or leave of this Court;
 - (h) authorizing Intercompany Advances from CannTrust Holdings Inc. ("**CannTrust Holdings**") to the other Applicants, to be approved by the Monitor;
 - (i) granting priority Charges as described in the proposed First Day Order;
 - (j) authorizing the decision by the Applicants to incur no further expenses in relation to making any Securities Filings that may be required by the Securities Provisions; and
 - (k) granting such further and other relief as this Honourable Court deems just.
2. An order (the "**Amended and Restated Initial Order**" and collectively with the First Day Order, the "**Initial Orders**") pursuant to the CCAA, to be sought at a subsequent hearing to be scheduled with the supervising judge prior to the expiry of the initial 10-day stay period, substantially in the form attached as Tab 5 to the Application Record of the Applicants, amending and restating the First Day Order by, among other things:
- (a) Extending the Stay Period;
 - (b) Staying and suspending the commencement or continuation of the Pending Litigation or any Proceeding in relation thereto against or in respect of the Other Defendants during the Stay Period except with leave of this Court;
 - (c) authorizing the Applicants to pay amounts payable pursuant to the CannTrust Capital Appreciation Plan (the "**CCAP**") (whether accrued prior to, on or after the Initial Filing Date) incurred in the ordinary course of business on terms consistent with existing arrangements or past practice;
 - (d) authorizing the Applicants to, with the consent of the Monitor, pay pre-filing amounts owing to critical suppliers;

- (e) approving the KERP established by the Applicants, authorizing the payments to the Key Employees pursuant to the KERP, granting the KERP Charge and sealing the unredacted version of the KERP Summary;
 - (f) increasing the maximum amount of the priority Charges as described in the Amended and Restated Initial Order; and
 - (g) granting such further and other relief as this Honourable Court deems just.
3. Such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THIS APPLICATION ARE:

General

1. The Applicants are insolvent.
2. The Applicants are companies to which the CCAA applies.
3. The claims against the Applicants exceed \$5 million.
4. The relief sought in the First Day Order is reasonably necessary for the continued operation of the Applicants in the ordinary course of business during the initial 10-day period.
5. The relief sought in the Amended and Restated Initial Order is appropriate in the circumstances.

Background

6. CannTrust is a licensed producer of cannabis in Canada with production and processing facilities in Fenwick and Vaughan, Ontario. CannTrust Holdings is publicly listed on the Toronto Stock Exchange (“TSX”) and New York Stock Exchange (“NYSE”) and its head and principal executive offices are located in Vaughan, Ontario.
7. Prior to June 2019, CannTrust operated a business that was experiencing operational growth and expanding into new markets and product segments. However, following regulatory audits of CannTrust’s facilities in June and July 2019, Health Canada

determined, among other things, that CannTrust was growing and storing cannabis contrary to applicable laws. Following these findings, among other things:

- (a) CannTrust voluntarily placed a hold on the sale and shipment of all cannabis products;
- (b) Health Canada suspended, in part, CannTrust's licences such that CannTrust is permitted to cultivate and harvest cannabis being grown at the time of the suspension but is not permitted to propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis until its licenses are reinstated in full;
- (c) large customers of CannTrust returned products;
- (d) CannTrust determined that it needed to destroy a significant portion of its inventory and biological assets;
- (e) to reduce operating costs while CannTrust's licenses remained under partial suspension, CannTrust implemented cash conservation measures including several rounds of layoffs reducing its total headcount from approximately 800 at the end of June 2019 to approximately 280 currently;
- (f) CannTrust announced that certain of its securities disclosures would require restatement and has not filed any further securities disclosures since May 2019;
- (g) putative securities class actions were commenced in several provinces in Canada and at the State and Federal levels in the United States of America against CannTrust Holdings and certain of its current and former officers, directors, employees and other parties, seeking aggregate damages of at least \$500 million;
- (h) the Royal Canadian Mounted Police and the Joint Serious Offences Team of the Ontario Securities Commission initiated a criminal investigation; and
- (i) the market capitalization of CannTrust Holdings declined by almost 90% and its common shares are currently at risk of being delisted from the TSX and NYSE.

8. To address these challenges, CannTrust has pursued a strategy of, among other things, (i) cooperating fully with Health Canada, (ii) designing a comprehensive remediation plan to address Health Canada's findings and anticipated concerns, (iii) implementing the remediation plan and then applying to Health Canada for reinstatement of its cannabis licences, and (iv) working towards correcting its financial and other disclosures, all with a view towards returning CannTrust to functional operations and, ultimately, to profitability.
9. CannTrust has recently completed the remediation work at its Fenwick Facility and has sought the reinstatement of its cannabis licence there. Its remediation work at its Vaughan Facility is expected to be completed before the end of April 2020, subject to resource constraints associated with the current COVID-19 pandemic.
10. Despite these efforts, the situation facing CannTrust is highly uncertain. CannTrust has had no revenue since July 2019. CannTrust does not have any assurances with respect to when, or whether, Health Canada will be in a position to reinstate its licences. Recent global developments – including an oil price shock and the COVID-19 pandemic – have exacerbated what were already difficult circumstances, making it even more difficult for CannTrust to attract new financing or a strategic partner and introducing further delay in Health Canada's review of CannTrust's applications for reinstatement of its licences.
11. Even if its cannabis licences are reinstated by Health Canada, it would take several months for CannTrust to earn revenue from cannabis plants that would need to be propagated, cultivated, processed and sold. Meanwhile, despite various cash conservation measures, CannTrust has had to incur significant ongoing costs to complete remediation measures required and address its operational, financial, legal and other reporting obligations.
12. CannTrust's ability to attract capital is now doubtful should it be required as CannTrust moves towards the restoration of its operations and resolution of the claims against it.

Applicants are Insolvent

13. In the circumstances:

- (a) CannTrust Holdings is insolvent because it appears that the realizable value of its assets is not sufficient to satisfy its existing liabilities and its contingent liability for the claims asserted in the Canadian Class Actions, the Zola Action and the US Class Actions, in which estimated damages claims exceed \$500 million in the aggregate, and its potential regulatory liabilities;
- (b) CannTrust Inc. (“**Opco**”) is insolvent because (i) it appears that the realizable value of its assets is not sufficient to satisfy its existing liabilities such as employee obligations, trade debt and contract commitments, its liability to CannTrust Holdings for intercompany advances, its contingent liability for the claims asserted in the Construction Action and its potential regulatory liabilities, and (ii) it has no revenue and is accordingly unable to meet its obligations as they generally become due;
- (c) Elmclyffe Investments Inc. (“**Elmclyffe**”) is insolvent because it has no revenue and is accordingly unable to meet its obligations (i.e. municipal taxes, etc.) as they generally become due; and
- (d) CTI Holdings (Osoyoos) Inc. (“**CTI Holdings**”) is insolvent because it has no revenue and is accordingly unable to meet its obligations (i.e. municipal taxes, etc.) as they generally become due.

Stay of Proceedings

14. A stay of proceedings against CannTrust, the Affected Parties with respect to the Cross-Default Matters, and the Other Defendants to the Pending Litigation, is necessary at this time to allow CannTrust breathing space so that it can maximize value for all affected stakeholders by, among other things:

- (a) completing the remainder of its remediation plan for its Vaughan Facility and submitting the related evidence package with Health Canada;

- (b) continuing to work with Health Canada to resolve any remaining *Cannabis Act* compliance issues, with a view towards obtaining reinstatement of its licences, restoring operations and returning CannTrust to profitability;
 - (c) exploring a CCAA plan of compromise or arrangement as a means for addressing the multiple putative class actions and other litigation brought against CannTrust in several jurisdictions, seeking to resolve all of the claims and contingent claims against CannTrust through a single forum; and
 - (d) facilitating the completion of the Board of Directors' review of strategic alternatives, including any potential sale of or other strategic transaction involving CannTrust, whether in addition to, or as an alternative to, a CCAA plan of compromise or arrangement.
15. The stay of proceedings would permit CannTrust to address its enforcement and litigation exposure in a collective manner and put all creditors and contingent creditors on an equal footing.

Monitor

16. EY has consented to act as the Monitor and is very experienced in similar matters.

CRO

17. It is appropriate to approve the CRO Engagement Letter and the appointment of the CRO pursuant thereto as the experience and expertise of the CRO will be beneficial to CannTrust and its stakeholders in achieving a positive outcome in these proceedings. The CRO is very experienced in restructuring proceedings of this nature.
18. CannTrust and the proposed monitor have reviewed the proposed fees and disbursements set out in the CRO Engagement Letter and believe them to be fair and reasonable in the circumstances.

Intercompany Advances

19. The operations and expenses of Opco, Elmcliffe and CTI Holdings are funded in the ordinary course through non-interest-bearing advances from CannTrust Holdings. It is necessary and appropriate for CannTrust Holdings to be authorized to make Intercompany Advances, subject to Monitor approval, to each of Opco, Elmcliffe and CTI Holdings (each, an “**Intercompany Borrower**”), to be secured by an Intercompany Charge (as set out below).

KERP

20. CannTrust has established the KERP to incentivize certain Key Employees to remain in their employment during these CCAA proceedings. The Key Employees are integral to the ability of CannTrust to complete the remediation plan, obtain the reinstatement of its cannabis licences, return to functional and compliant operations, pursue a strategic transaction and/or otherwise successfully restructure its business. The KERP is appropriate and in the best interests of CannTrust and its stakeholders generally.

Court-Ordered Charges

21. The Applicants are seeking an Administration Charge and Directors’ Charge in the Initial Orders to secure the professional services required to complete the CCAA proceedings and ensure the continued cooperation of the Applicants’ directors and officers.
22. The Applicants are seeking an Intercompany Charge in the Initial Orders on all of the Property of each of the Intercompany Borrowers as security for the Intercompany Advances made to such Borrower. The Intercompany Charge will not secure any intercompany advances made by CannTrust Holdings to the Intercompany Borrowers before the Initial Filing Date.
23. The Applicants are seeking the KERP Charge in the Amended and Restated Initial Order to secure amounts owing to the Key Employees under the KERP.

24. The maximum amount of the Administration Charge, Directors' Charge and Intercompany Charge in the First Day Order is limited to what is reasonably necessary for the initial 10-day stay period.

CCAP and Critical Supplier Payments

25. The CCAP was established effective October 1, 2019 to provide a new incentive plan in place of existing programs which were not likely to result in any incentive payments or benefits to employees, due to the regulatory issues facing CannTrust, and thus not meeting compensation expectations. While the CCAP is an existing compensation arrangement, and thus authorized by the usual provisions in initial orders for the continued payment of employee compensation, it is appropriate to grant CannTrust express approval to make these payments for greater certainty.
26. The Applicants are also seeking approval in the Amended and Restated Initial Order to pay pre-filing amounts owing to critical suppliers, subject to Monitor approval.

Securities Disclosures

27. It is appropriate to authorize CannTrust Holdings to incur no further expenses in relation to Securities Filings that may be required by the Securities Provisions. The TSX, NYSE and OSC, as applicable, have indicated that the securities of CannTrust Holdings will be delisted and cease traded as a result of CannTrust commencing CCAA proceedings, regardless of whether CannTrust Holdings cures its disclosure defaults. Accordingly, the resources and time of CannTrust are better directed elsewhere.
28. CannTrust is not asking the Court to exempt it from its continuous disclosure obligations, or bar any securities regulators or stock exchanges from taking steps within their discretion as a result of the continued non-reporting by CannTrust.

Service and Notice

29. Given the limitations imposed as a result of the COVID-19 pandemic, it is appropriate for this Court to authorize CannTrust and Monitor to deliver the prescribed notices to known creditors by e-mail instead of physical mail.

Other Grounds

30. The Applicants also rely on:
- (a) the provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
 - (b) Sections 97 and 106 of the *Courts of Justice Act*, RSO 1990, c. C.43;
 - (c) Rules 2.03, 3.02, 14.05(3)(d), 14.05(2), 16, 38 and 57 of the *Rules of Civil Procedure*, RRO 1990, Reg 194; and
 - (d) Such further and other grounds as counsel for the Applicants may advise and this Honourable Court may permit.
31. The following documentary evidence will be used at the hearing of the application:
- (a) The affidavit of Greg Guyatt, sworn March 31, 2020;
 - (b) The pre-filing report of EYI, to be filed;
 - (c) The consent of EYI to act as the Monitor; and

- (d) Such further and other materials as counsel for the Applicant may advise and this Honourable Court may permit.

March 31, 2020

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
66 Wellington Street West
Toronto, ON M5K 1E6
Fax: 416-868-0673

James Gage LSO#: 34676I
Tel: 416-601-7539
Email: jgage@mccarthy.ca

Paul Steep LSO#: 21869L
Tel: 416-601-7998
Email: psteep@mccarthy.ca

Trevor Courtis LSO#: 67715A
Tel: 416-601-7643
Email: tcourtis@mccarthy.ca

Alexander Steele LSO#: 475719P
Tel: 416-601-8370
Email: asteele@mccarthy.ca

Lawyers for the Applicants

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 CANTRUST HOLDINGS INC. ET AL.

Cv-20-00638 Q30 - 00CL
Court File No.

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced in Toronto

NOTICE OF APPLICATION

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Toronto ON M5K 1E6
Fax: 416-868-0673

James Gage LSO#: 346761
Tel: 416-601-7539
Email: jgage@mccarthy.ca

Paul Steep LSO#: 21869L
Tel: 416-601-7998
Email: psteep@mccarthy.ca

Trevor Courtis LSO#: 67715A
Tel: 416-601-7643
Email: tcourtis@mccarthy.ca

Alexander Steele LSO#: 475719P
Tel: 416-601-8370
Email: astele@mccarthy.ca
Lawyers for the Applicants

DOC#: 20008348

Tab 2

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
CANSTRUST HOLDINGS INC., CANSTRUST INC.,
CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE INVESTMENTS INC.**

Applicants

**AFFIDAVIT OF GREG GUYATT
(Sworn March 31, 2020)**

I. INTRODUCTION.....	2
II. BACKGROUND REGARDING THE APPLICANTS	9
(I) CORPORATE STRUCTURE	9
A. CannTrust Holdings and OpCo.....	9
B. Elmcliffe and CTI Holdings.....	10
C. Other Equity Interests	10
(II) THE BUSINESS OF THE APPLICANTS	12
A. Medicinal Use Market.....	12
B. Adult-Use Recreational Market	13
(III) OPERATIONS OF THE APPLICANTS.....	14
C. Locations.....	14
Fenwick Facility.....	14
Vaughan Facility	15
BC Outdoor Cultivation Lands	16
D. Employees	16
CannTrust Capital Appreciation Plan	17
E. Licences, Permits and Authorizations.....	18
F. Distribution	19

G. Banking Arrangements.....	19
(IV) SUMMER 2019 HEALTH CANADA AUDITS	19
A. Fenwick Audit Report.....	20
B. Appointment of Special Committee and Leadership Changes	21
C. Vaughan Audit Report	22
D. Product Returns.....	23
E. Licence Suspension.....	23
F. CannTrust's Remediation Plan and Timeline for Reinstatement of Licences	25
G. Impact on Financial Statements	27
H. Cash Conservation Measures	31
I. Insurance	32
J. Board Renewal Process.....	33
K. Impact on Market Capitalization.....	33
(V) SIGNIFICANT DOWNTURN IN THE CANADIAN CANNABIS INDUSTRY .	34
(VI) SIGNIFICANT DOWNTURN IN THE GLOBAL CAPITAL MARKETS.....	36
(VII) FINANCIAL POSITION OF THE COMPANY	36
A. Capital Structure.....	37
Common Shares	37
Stock Option Plan	39
B. Assets	39
C. Liabilities	40
D. Intercompany Arrangements.....	41
E. Contingent Litigation Liabilities.....	41
Canadian Securities Class Actions.....	42
Other Canadian Actions	43
U.S. Securities Class Actions.....	43
F. Contingent Regulatory Liabilities.....	44
Health Canada	44
RCMP and OSC Investigation	45
III. CCAA PROCEEDINGS.....	45

(I) APPLICANTS ARE INSOLVENT	45
A. CannTrust Holdings: Balance Sheet Insolvency.....	46
Assets	46
Liabilities	47
B. Opco: Balance Sheet Insolvency.....	48
Assets	48
Liabilities	49
C. Opco, Elmcliffe and CTI Holdings: Liquidity Insolvency	49
(II) STAY OF PROCEEDINGS	50
A. Applicants	50
B. Co-Defendants.....	51
C. Affected Parties and Cross-Default Rights	52
(III) PAYMENTS DURING THE CCAA PROCEEDINGS.....	53
A. Employees and Assistants.....	53
B. CCAP Payments.....	54
C. Ordinary Course Expenses	54
D. Securities Reporting	54
(IV) FUNDING OF CANNTRUST.....	55
A. Cash Flow Forecast.....	55
B. Intercompany Advances.....	56
(V) APPROVAL OF CRO ENGAGEMENT.....	57
(VI) APPOINTMENT OF MONITOR	59
(VII) CHARGES	59
C. Administration Charge.....	59
D. Directors' Charge	60
E. Priorities of Charges.....	61
(VIII) SERVICE AND NOTICE.....	62
IV. CONCLUSION.....	63

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

Applicants

**AFFIDAVIT OF GREG GUYATT
(Sworn March 31, 2020)**

I, Greg Guyatt, of the City of Mississauga, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am the Chief Executive Officer (“CEO”) of CannTrust Holdings Inc. (“**CannTrust Holdings**”). I have served in this capacity since February 17, 2020. Prior to my appointment as CEO, I served as the Chief Financial Officer (“CFO”) of CannTrust Holdings since joining CannTrust Holdings on or around February 19, 2019. Prior to joining CannTrust Holdings, I served as the CFO of GreenSpace Brands Inc., a Canadian-based premium natural food product company.

2. I am a Chartered Professional Accountant and have more than 20 years of experience in the consumer packaged goods, retail, pharmaceutical and private equity sectors.

3. Through my current role as CEO, and my former role as CFO, of CannTrust Holdings, I am familiar with the operations, financial results and strategies of the Applicants. As such, I have personal knowledge of the matters to which I depose in this affidavit. Where I do not possess personal knowledge, I have stated the source of my knowledge and believe it to be

true.

4. This affidavit is sworn in support of an application by the Applicants pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") seeking:

- (a) an order (the "**First Day Order**") substantially in the form of the draft order included at Tab 4 of the Application Record, among other things, granting relief that is reasonably necessary for the continued operations of the Applicants within an initial 10-day stay period; and
- (b) an order (the "**Amended and Restated Initial Order**" and collectively with the First Day Order, the "**Initial Orders**") to be sought at a subsequent hearing to be scheduled with the supervising judge prior to the expiry of the initial 10-day stay period, substantially in the form of the draft order included at Tab 5 of the Application Record, granting broader relief that is appropriate in the circumstances.

5. For ease of reference, the Applicants will be collectively referred to herein as "**CannTrust**". All dollar references herein are Canadian dollars unless otherwise referenced.

I. INTRODUCTION

6. CannTrust is a licensed producer of cannabis in Canada, although portions of its two principal licenses are under partial suspension by Health Canada as a consequence of CannTrust's failure to comply with certain requirements of the *Cannabis Act* (Canada) and the regulations made thereunder, as further described herein.

7. CannTrust owns production and processing facilities in Fenwick and Vaughan, Ontario that support its ability to be a low-cost, high-quality producer with scale. The outstanding common shares of CannTrust Holdings (the “**Common Shares**”) are posted and listed for trading on the Toronto Stock Exchange (the “**TSX**”) and New York Stock Exchange (the “**NYSE**”).
8. Prior to June 2019, CannTrust operated a business that was experiencing operational growth and expanding into new markets and product segments. CannTrust was named *Licensed Producer of the Year* at the 2018 Canadian Cannabis Awards.
9. However, following regulatory audits of CannTrust’s facilities in June and July 2019, Health Canada determined, among other things, that CannTrust was growing and storing cannabis contrary to applicable laws.
10. In the period following Health Canada’s audits:
 - (a) The Board of Directors of CannTrust Holdings (the “**Board**”) formed a special committee of independent directors (the “**Special Committee**”) with a broad mandate to, among other things, conduct an investigation into the allegations arising from Health Canada’s audits and any other potential regulatory non-compliance, make recommendations to address the findings of that investigation, and consider potential strategic alternatives available to CannTrust;
 - (b) CannTrust voluntarily placed a hold on the sale and shipment of all cannabis products;

- (c) 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;
- (d) Health Canada suspended, in part, CannTrust's licences such that CannTrust was permitted to cultivate and harvest cannabis being grown at the time of suspension but is not permitted to propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis until its licenses are reinstated in full;
- (e) Large customers of CannTrust, such as the Ontario Cannabis Retail Corporation (the "**OCS**") and Alberta Gaming, Liquor and Cannabis Commission (the "**AGLC**"), returned CannTrust products;
- (f) CannTrust determined that it needed to destroy a significant portion of its inventory and biological assets that was not authorized by CannTrust's licence because it was acquired, grown or stored inappropriately;
- (g) To reduce operating costs while CannTrust's licenses remained under partial suspension, CannTrust implemented several rounds of layoffs and reduced its employee headcount from a high of approximately 800 to approximately 280 employees currently;
- (h) KPMG LLP, CannTrust's auditor, withdrew its audit report on CannTrust Holdings' financial statements for the year ended December 31, 2018 and

CannTrust Holdings has not filed any further financial statements since May 2019;

- (i) CannTrust Holdings and certain of its current and former officers, directors, employees and other parties were named as defendants in several putative securities class actions commenced in several provinces in Canada and at the State and Federal levels in the United States of America. These putative class actions seek estimated aggregate damages of at least \$500 million; and
- (j) The Royal Canadian Mounted Police (“**RCMP**”) and the Joint Serious Offences Team of the Ontario Securities Commission (“**OSC**”) initiated a criminal investigation and CannTrust may be subject to potential other investigations and proceedings by criminal and regulatory authorities for violations of applicable law.

11. To address these challenges, the Special Committee and CannTrust have pursued a strategy of:

- (a) cooperating fully with Health Canada by proactively disclosing relevant facts uncovered by the Special Committee’s investigations as they proceeded;
- (b) cooperating with the RCMP and OSC investigations,
- (c) designing, with the assistance of external advisers, a comprehensive remediation plan to address the issues uncovered during the Special Committee’s investigation and in connection with Health Canada’s previously

disclosed and anticipated concerns;

- (d) implementing the remediation plan and then applying to Health Canada for reinstatement of its cannabis licences; and
- (e) working towards updating the financial statements and other public disclosures of CannTrust Holdings, all with a view towards returning CannTrust to functional and compliant operations and, ultimately, to profitability.

12. CannTrust recently completed the remediation work at its Fenwick Facility and has submitted a comprehensive package to Health Canada evidencing its remediation and seeking the reinstatement of its cannabis licence there. CannTrust's remediation work at its Vaughan Facility is almost complete and a remediation package is being assembled which is expected to be sent to Health Canada before the end of April 2020, subject to resource constraints associated with the current COVID-19 pandemic.

13. Despite these efforts by the Board and management, the situation facing CannTrust is still highly uncertain. Without its cannabis licences, CannTrust has had no revenue since July 2019. Recent global developments – including an oil price shock and the COVID-19 pandemic – have exacerbated what were already difficult circumstances, making it even more difficult for CannTrust to attract new financing or a strategic partner and introducing further delay in Health Canada's review of CannTrust's applications for reinstatement of its licences.

14. Although CannTrust has some existing inventory that could be sold in bulk, even if its cannabis licences are reinstated, it would take several months for CannTrust to earn revenue from cannabis plants that would need to be propagated, cultivated, processed and sold.

Meanwhile, despite various cash conservation measures, CannTrust has had to incur significant ongoing costs to complete remediation measures required and address its operational, financial, legal and other reporting obligations.

15. CannTrust has already expended significant time and resources investigating, preparing for and defending the putative class actions against it in multiple jurisdictions. Based on CannTrust's assessment of the overall litigation, the lengthy time it is taking for a lead plaintiff to be appointed in the US federal securities litigation, the uncertainty about the appointment of lead class counsel in Ontario due to a potential leave to appeal motion, the parallel litigation in Alberta, British Columbia and Quebec, and the current impact of the COVID-19 pandemic on the courts in both countries, it is not clear whether the litigation could be resolved within a reasonable time period and on a basis that would leave CannTrust with the financial resources necessary to restore operations and return to profitability.

16. If Health Canada decides to reinstate CannTrust's licences, CannTrust would require significant working capital to restore its operations and return to profitability. CannTrust faces material contingent liabilities associated with the class action litigation, as well as potential administrative, quasi-criminal and/or criminal proceedings in Canada and the United States, none of which can be reliably quantified at this stage. The current disruption of global capital markets and the recent downturn of the Canadian cannabis industry more specifically means that CannTrust's ability to attract capital is now highly doubtful.

17. In the circumstances, CannTrust is insolvent and requires CCAA protection to allow CannTrust breathing space so that it can maximize value for all affected stakeholders by, among other things:

- (a) completing the remainder of its remediation plan for its Vaughan Facility and submitting the related evidence package with Health Canada;
- (b) continuing to work with Health Canada to resolve any remaining *Cannabis Act* compliance issues, with a view towards obtaining reinstatement of its licences, restoring operations and returning CannTrust to profitability;
- (c) exploring a CCAA plan of compromise or arrangement as a means for addressing the multiple putative class actions and other litigation brought against CannTrust in several jurisdictions, seeking to resolve all of the claims and contingent claims against CannTrust through a single forum; and
- (d) facilitating the completion of the Board of Directors' review of strategic alternatives, including any potential sale of or other strategic transaction involving CannTrust, whether in addition to, or as an alternative to, a CCAA plan of compromise or arrangement.

18. The stay of proceedings would also put all creditors and contingent creditors on an equal footing. It is in the best interest of CannTrust and its stakeholders for CannTrust to have the time and breathing room required to explore a CCAA plan and other strategic alternatives in a court-supervised process.

II. BACKGROUND REGARDING THE APPLICANTS

(i) *Corporate Structure*

A. *CannTrust Holdings and OpCo*

19. The business of CannTrust was founded in 2013 by a group of pharmacists with the incorporation of 2384634 Ontario Inc. (“**Opco**”) under the *Business Corporations Act* (Ontario) (“**OBCA**”). On June 4, 2013, Opco filed articles of amendment to change its name to Cannmedica Pharma Inc. On September 4, 2013, Opco filed articles of amendment to change its name to Cannamed Pharma Inc. On November 25, 2014, Opco filed articles of amendment to change its name to CannTrust Inc.

20. In 2015, its then-owners began steps to initiate a public offering of its shares pursuant to applicable securities legislation. CannTrust Holdings was incorporated under the OBCA and CannTrust Holdings and Opco completed a corporate reorganization resulting in Opco becoming a wholly-owned subsidiary of CannTrust Holdings.

21. The Common Shares of CannTrust Holdings began trading on the facilities of the Canadian Securities Exchange (the “**CSE**”) on August 21, 2017 under the ticker symbol “TRST”. On March 5, 2018, the Common Shares migrated from the CSE to the TSX and began trading on the TSX under the ticker symbol “TRST” and were voluntarily delisted from the CSE.

22. On February 25, 2019, the Common Shares also commenced trading on the NYSE under the ticker symbol “CTST”, such that the Common Shares were dually listed on the TSX

and NYSE.

23. CannTrust Holdings' head and principal executive offices are located in Vaughan, Ontario. An organizational chart of CannTrust and the other entities in which CannTrust holds an equity interest, described more fully below, is attached hereto as **Exhibit "A"**.

B. Elmcliffe and CTI Holdings

24. Elmcliffe Investments Inc. ("**Elmcliffe**") is an OBCA corporation that owns the real estate, buildings and related equipment for CannTrust's Fenwick Facility (defined below). Elmcliffe acquired these assets on March 6, 2017.

25. CTI Holdings (Osoyoos) Inc. ("**CTI Holdings**") is incorporated pursuant to the *Business Corporations Act* (British Columbia). CTI Holdings owns the BC Outdoor Cultivation Lands (defined below). CTI Holdings acquired these assets in March 2019. While the registered address of CTI Holdings is at a law firm in British Columbia, I am the sole director and officer of CTI Holdings and all operational decisions with respect to CTI Holdings are made from the CannTrust head office in Vaughan, Ontario.

C. Other Equity Interests

26. In addition to the wholly-owned subsidiaries listed above that are also Applicants in these proceedings, CannTrust owns equity interests in certain other entities.

27. Elmcliffe Investments [No. 2] Inc. ("**Elmcliffe No. 2**") is an OBCA corporation and a wholly-owned subsidiary of Opco. Elmcliffe No. 2 is the beneficial owner of shares of Meta Growth Corp. (formerly National Access Cannabis Corp.) ("**Meta**") representing 3% of the

outstanding common shares of Meta. The common shares of Meta are listed on the TSX Venture exchange and had a closing price of \$0.08 and a total market capitalization of approximately \$19 million at the close of markets on March 20, 2020.

28. Cannabis Coffee and Tea Pod Company Ltd. (“**CCTPC**”), an OBCA corporation, is a 50-50 joint venture between CannTrust and Club Coffee L.P. (“**Club Coffee**”). CCTPC was created to launch BrewBudz, a single-use Keurig-style pod for cannabis infused coffee. CannTrust Holdings holds 50% of the outstanding shares of CCTPC directly. Club Coffee holds its 50% interest through its wholly-owned subsidiary Single Dose Solutions Inc.

29. O Cannabis We Stand On Guard For Thee Corporation (“**O’Cannabis**”) is incorporated pursuant to the *Canada Business Corporations Act*. CannTrust, through Opco, holds a 50% interest in this corporation, which is a telemedicine service provider.

30. Since October 2018, CannTrust has been engaged in a strategic partnership with Australian licensed producer, Cannatrek Ltd. (“**Cannatrek**”). As part of the partnership, CannTrust made an investment for a 19.8% stake in Cannatrek, with an option to maintain this shareholding through any future share issuances up to and including Cannatrek completing an initial public offering.

31. Cannatrek, CCTPC, Elmcliffe No. 2 and O’Cannabis (the “**Affected Parties**”) are not Applicants in these proceedings. However, the Applicants are seeking a limited stay of proceedings in the Initial Orders against the Affected Parties with respect to any cross-defaults arising from the insolvency of the Applicants, which is more fully described below.

(ii) The Business of the Applicants

32. CannTrust (specifically, Opco) is a licensed producer of cannabis in Canada, although its licences are currently under partial suspension by Health Canada. The business of CannTrust is focused on two distinct markets, which are described more fully below: the medical cannabis market and the adult-use recreational cannabis market.

A. Medicinal Use Market

33. The medical cannabis regime is governed by the *Cannabis Act* (Canada) and the regulations made thereunder (the “**Cannabis Legislation**”), which came into force on October 17, 2018.

34. There is a specific process which CannTrust must undertake with respect to the sale of its medical cannabis. Before selling medical cannabis to an individual, CannTrust must register the patient (a “**Registered Patient**”) as a client. According to data collected and reported by Health Canada, as of September 30, 2019, there were 369,614 Registered Patients in Canada who were authorized, on average, to use 2.0 grams of dried medical cannabis per day.

35. As of March 31, 2019,¹ CannTrust had over 2,500 active physicians prescribing its products and approximately 68,000 Registered Patients in Canada. CannTrust’s patient base grew by over 50% from 2017 to 2018, and by a further 17% during the three months ended March 31, 2019. During the three months ended March 31, 2019, CannTrust’s revenues from

¹ The three months ended March 31, 2019 is the most recent reporting period prior to the Health Canada Audits and CannTrust encountering the challenges set out herein.

medical cannabis were \$11.371 million. The total quantity of dried cannabis equivalent sold to medical patients during the three months ended March 31, 2019 was 1,820 kg.

36. For medical use, CannTrust offered dried flower formats, as well as several cannabis oil drops and encapsulated cannabis oil products. CannTrust also produced similar products in capsule form using two-piece capsules that are vegan-based and do not use animal products, such as gelatin, making them more desirable for a variety of customers and patients due to possible religious or ethical reasons.

B. Adult-Use Recreational Market

37. The sale of cannabis for adult recreational use was legalized on October 17, 2018 with the coming into force of the Cannabis Legislation. The Cannabis Legislation provides that the provinces and territories of Canada have authority to regulate certain aspects of recreational cannabis, such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

38. All Canadian provinces and territories have enacted regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are three general frameworks that the provinces and territories have followed: (i) private cannabis retailers licensed by the province; (ii) government-run retail stores; or (iii) a combination of both frameworks (i.e. privately licensed retail stores, while online retailers are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market is supplied by federally licensed producers.

39. During the three months ended March 31, 2019, CannTrust's revenues from cannabis

sold in the wholesale market, which reflects sales to the provinces related to the legalization of the adult-use recreational market, were \$5.482 million, which represented 32.5% of its total revenues. The total quantity of dried cannabis equivalent sold in the wholesale market during the three months ended March 31, 2019 was 1,194 kg.

40. Following the legalization of recreational cannabis in 2018, CannTrust launched four adult-use brands: liiv, Synr.g, Xscape and Peak Leaf. These brands are focused on distinct consumer segments and provide the user with options for the type of experience they are seeking.

41. Prior to July 2019, CannTrust had a variety of new cannabis products at various stages of development, including oral, topical, edible and inhalable products. These products will all need to be approved by Health Canada before they can be offered for sale.

(iii) Operations of the Applicants

C. Locations

Fenwick Facility

42. Prior to the suspension of its licence, CannTrust grew cannabis in a commercial greenhouse facility of approximately 450,000 square feet in Fenwick, Ontario in the Niagara region (the “**Fenwick Facility**”). The Fenwick Facility is a state-of-the-art greenhouse with computer controlled irrigation, co-generation power supply and full supplemental lighting. The Fenwick Facility is operated with a perpetual harvest system which is capable of producing cannabis 365 days a year and allows for a continuous work cycle, creating a steady

production capacity and a stable work environment for employees.

43. CannTrust acquired the Fenwick Facility on March 6, 2017, through its wholly-owned subsidiary Elmcliffe, and commenced a redevelopment of the site that was scheduled to proceed in three phases:

- (a) Phase 1 involved both renovations and retrofitting of 250,000 square feet of the Fenwick Facility with perpetual harvest technology to allow for continuous batch production. CannTrust received its Health Canada cultivation licence for the Phase 1 redevelopment on October 10, 2017.
- (b) Phase II involved expanding the Fenwick Facility to 450,000 square feet which was expected to bring the capacity of the Fenwick Facility to an estimated 50,000 kg per year. On April 8, 2019, CannTrust announced that its cultivation and processing permit was amended to include its Phase 2 expansion.
- (c) Phase III, which is currently on hold, would involve further expanding the Fenwick Facility and includes productivity and automation enhancements over Phases I and II. Upon completion, it was expected to add a further 50,000 kg per year of capacity.

Vaughan Facility

44. CannTrust initially conducted indoor grow and processing operations from a facility in Vaughan, Ontario (the “**Vaughan Facility**”). Following its acquisition of the Fenwick Facility, CannTrust repurposed the Vaughan Facility into an extraction, manufacturing and

packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory.

BC Outdoor Cultivation Lands

45. Since March 2019, CannTrust has also owned 81 acres of land in British Columbia (the “**BC Outdoor Cultivation Lands**”) where it intends to commence outdoor cannabis cultivation which it will use for its extraction-based products. CannTrust acquired the BC Outdoor Cultivation Lands through its wholly-owned subsidiary CTI Holdings.

46. CannTrust has invested in fencing, security, irrigation and other land preparation activities and applied for Health Canada approval to plant and cultivate on most of the BC Outdoor Cultivation Lands. Health Canada has not informed CannTrust of its decision regarding CannTrust’s application.

47. CannTrust expects that it could produce approximately 75,000 kg of cannabis per year from the BC Outdoor Cultivation Lands, subject to obtaining the necessary regulatory approvals.

D. Employees

48. As of March 20, 2020, CannTrust had approximately 280 employees and a further 305 employees that are currently subject to temporary layoffs. In or around mid-2019, CannTrust had approximately 400 employees in the Fenwick Facility, approximately 300 employees in the Vaughan Facility, and approximately 100 employees in its head office in Vaughan. As outlined further below, during 2019, CannTrust restructured its workforce to reflect the

current requirements of its business in light of the suspension of its licences. CannTrust provides a benefits plan for its employees. It does not provide a pension plan.

CannTrust Capital Appreciation Plan

49. CannTrust created the CannTrust Capital Appreciation Plan (the “CCAP”) effective October 1, 2019 in place of the existing stock-based incentive programs and the existing short-term incentive program because, among other things, (i) there was considerable operational uncertainty given Health Canada’s suspension of its licences, (ii) the ongoing reduction of CannTrust employees through departures and layoffs was having an adverse impact on the morale of employees at large, and (iii) compensation expectations were not being achieved as the existing programs were not likely to result in any incentive payments or benefits to employees due to the regulatory issues facing CannTrust.

50. The CCAP is intended to be in effect for a period of 24 months. Currently, there are 59 employees that have been chosen to participate in the CCAP. Participants accrue salary each month until paid out in accordance with the CCAP. The percentage each employee accrues is set by management, taking into account the employee’s title, base compensation and job complexity.

51. The amount accumulated in the CCAP will vest in each participant on October 1, 2020 and, if the program is extended for a second year, October 1, 2021, and be paid to the participant in a lump sum payment within 15 days of that date. In order to receive the payment, the participant must be an employee of CannTrust at the time the lump sum payment is to be made. The total estimated payments to be made at the end of the first year of

the CCAP is approximately \$1.7 million.

52. As set out further below, CannTrust is seeking confirmation in the Amended and Restated Initial Order that it is authorized to pay all amounts payable pursuant to the CCAP, whether accrued prior to or after the date of the First Day Order (the “**Initial Filing Date**”).

E. Licences, Permits and Authorizations

53. The Cannabis Legislation establishes different classes of licences that are required depending on the nature of the activity being undertaken such as cultivation, processing, testing and sales. A licence, once issued, identifies the specific activities that the licensee is authorized to conduct. Any licence is valid for no more than five years.

54. Health Canada has issued cannabis licences to Opco for the Fenwick Facility and Vaughan Facility (the “**Cannabis Licences**”). The Cannabis Licences allow for, among other things, the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried cannabis and cannabis plants or seeds. It allows the Vaughan Facility and the Fenwick Facility to produce dried cannabis and cannabis extracts up to such amounts as permitted by Opco's storage capacity.

55. The Cannabis Licences for the Vaughan Facility and the Fenwick Facility are valid until September 13, 2020 and October 6, 2020, respectively, although they are currently suspended as noted above. Before the end of the terms of the Cannabis Licences, Opco must submit an application for renewal to Health Canada containing information prescribed by the Cannabis Legislation.

F. Distribution

56. With respect to the medicinal-use market, CannTrust distributed its medical cannabis products directly to its Registered Patients using secure shipping methods such as Canada Post or Purolator.

57. With respect to the adult-use recreational market, CannTrust has entered into supply agreements or arrangements with the applicable government-owned distributors in nine provinces, with a limited arrangement in Quebec under which CannTrust did not supply any product prior to suspension of its licences.

G. Banking Arrangements

58. CannTrust maintains 11 bank accounts with Bank of Montreal (the “**BMO Accounts**”), eight of which are held by CannTrust Holdings, two of which are held by Opco and one of which is held by Elmcliffe. During the CCAA proceedings, CannTrust intends to continue using the BMO Accounts for its business and banking requirements and has sought certain relief in the Initial Orders in order to facilitate that.

*(iv) **Summer 2019 Health Canada Audits***

59. Health Canada conducts *ad hoc*, unscheduled site inspections of licensed producers. Prior to June 2019, Health Canada inspectors assessed the Vaughan Facility and the Fenwick Facility on an ongoing basis and provided CannTrust with follow up reports noting observed deficiencies.

A. Fenwick Audit Report

60. On July 8, 2019, CannTrust announced that it had received a compliance report from Health Canada notifying CannTrust that the Fenwick Facility was non-compliant with certain regulations (the “**Fenwick Audit Report**”). The non-compliant rating was based on observations by Health Canada regarding the growing of cannabis in five rooms before they were licensed and inaccurate information having been provided to the Health Canada representatives by CannTrust employees. The growing in unlicensed rooms took place from October 2018 to March 2019, during which time CannTrust had pending applications for the unlicensed rooms with Health Canada.

61. Health Canada placed a hold on certain CannTrust inventory which included approximately 5,200 kg of dried cannabis that was harvested in the then-unlicensed rooms at the Fenwick Facility. In addition, CannTrust placed a voluntary hold on approximately 7,500 kg of dried cannabis equivalent stored at its Vaughan Facility that was produced in the then-unlicensed rooms.

62. CannTrust accepted the non-compliance findings in the Fenwick Audit Report, without objection, and announced that it was implementing a number of remedial measures, including:

- (a) Further comprehensive employee training;
- (b) Retaining external advisors for an independent review of its compliance processes;

- (c) Conducting a comprehensive review and update of its processes and procedures; and
- (d) Voluntarily advising Health Canada of any issues that could impact compliance at the Vaughan Facility regarding product storage.

63. On July 11, 2019, CannTrust announced that it had implemented a voluntary hold on the sale and shipment of all cannabis products as a precaution while Health Canada visited and reviewed its Vaughan Facility.

B. Appointment of Special Committee and Leadership Changes

64. On July 11, 2019, CannTrust announced that the Special Committee had been established to investigate the findings of the Niagara Audit Report in their entirety.

65. On July 25, 2019, CannTrust announced certain senior leadership changes made by the Board as a result of interim findings made by the Special Committee's during its investigation, namely:

- (a) the termination of the CEO of CannTrust, Peter Aceto, for cause;
- (b) the resignation of the Chair of the Board, Eric Paul, following a demand made by the other directors;
- (c) the appointment of Robert Marcovitch, who had been the Chair of the Special Committee, to the role of interim CEO of CannTrust Holdings; and
- (d) the appointment of Mark Dawber, FCPA, as the new Chair of the Special

Committee.

C. Vaughan Audit Report

66. On August 12, 2019, CannTrust announced that it had received a compliance report from Health Canada notifying CannTrust that the Vaughan Facility was non-compliant with certain regulations (the “**Vaughan Audit Report**” and collectively with the Fenwick Audit Report, the “**Health Canada Audit Reports**”). The Vaughan Audit Report noted the following deficiencies:

- (a) The conversion of five rooms from operational areas to storage areas, which had been used for storage since June 2018 without prior approval of Health Canada;
- (b) The construction of two new areas without prior approval of Health Canada, one of which had been used to store cannabis since November 2018;
- (c) Insufficient security controls at the manufacturing facility;
- (d) Inadequate quality assurance investigations and controls;
- (e) Standard operating procedures that did not to meet the requirements under regulations; and
- (f) Documents or information that were not retained in a manner to enable Health Canada to complete its audit in a timely manner.

67. The Special Committee was also tasked by the Board with investigating the Vaughan

Audit Report.

D. Product Returns

68. On August 19, 2019, CannTrust announced that it had received a notice from the OCS that all or substantially all of CannTrust's products currently held at the OCS, valued at approximately \$2.9 million in the aggregate, would be returned to CannTrust.

69. On September 19, 2019, CannTrust announced that it had received a notice from the AGLC that all or substantially all of CannTrust's products currently held at the AGLC, valued at approximately \$1.3 million in the aggregate, would be returned to CannTrust.

70. CannTrust does not expect any further product returns from any additional provincial distributors, Registered Patients or consumers who purchased CannTrust products through retail stores.

E. Licence Suspension

71. On September 17, 2019, CannTrust announced that it had received Notices of Licence Suspension from Health Canada pursuant to section 64(1) of the *Cannabis Act* (the "**Suspension Notices**") for the Fenwick Facility and the Vaughan Facility.

72. The Suspension Notices suspended CannTrust's authority to produce cannabis (other than cultivating and harvesting its remaining existing lots or batches previously propagated), and to sell cannabis. While the suspensions remain in effect, CannTrust will be permitted to cultivate and harvest existing lots or batches previously propagated, as well as conduct ancillary activities to those lots, including drying, trimming and milling. However, during the

suspensions, CannTrust is not permitted to propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis.

73. For so long as the suspensions remain in effect, CannTrust is effectively prevented from earning meaningful revenue.

74. The Suspension Notices state that Health Canada will reinstate the Cannabis Licences if the reasons for the suspension no longer exist. The Suspension Notices expressly provide that Health Canada considers that implementation of the following measures could potentially address the public health and safety risks that contributed to Health Canada's decision to issue the Suspension Notices (the "**Identified Risks**"):

- (a) Measures to ensure that cannabis will be produced and distributed only as authorized, including measures to control the movement of cannabis in and out of CannTrust's sites;
- (b) Measures to recover cannabis that was not authorized by CannTrust's licence;
- (c) Measures to improve key personnel's knowledge of, and compliance with the provisions of the Cannabis Legislation; and
- (d) Measures for improving the manner in which records are kept, including a plan to improve the inventory tracking, and any interim measures to ensure that information provided to Health Canada can be reconciled.

75. On October 24, 2019, CannTrust announced that the Special Committee had concluded its investigation and its findings had been shared with the Board and Health

Canada.

76. CannTrust acted decisively on the findings of the Special Committee's independent investigation, by removing the individuals who directed, participated or acquiesced in the misconduct and by engaging proactively and cooperatively with Health Canada, the OSC, stock exchanges, Canadian law enforcement and other stakeholders, all with a view towards stabilizing CannTrust, remediating its compliance issues, reinstating its licences, restoring operations and achieving profitability.

F. CannTrust's Remediation Plan and Timeline for Reinstatement of Licences

77. On October 21, 2019, CannTrust submitted its detailed remediation plan to Health Canada (the "**Remediation Plan**"). CannTrust announced that it had committed to destroying approximately \$77 million of inventory and biological assets that was not authorized by the Cannabis Licences because they were acquired, grown or stored in a manner that was not in compliance with its licences or applicable law. The Remediation Plan included details about an expanded comprehensive internal training program, a strengthened governance and operations framework, infrastructure enhancements, and prescribed accountabilities and timelines for a variety of specified tasks. CannTrust also committed to taking steps to recover all cannabis from distributors and retailers that had not already been sold to end consumers or returned to CannTrust.

78. 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 licence for the Fenwick Facility. CannTrust is awaiting Health Canada's decision.

79. As of the date of this affidavit, CannTrust is continuing to implement the Remediation Plan for the Vaughan Facility. CannTrust anticipates that it will complete the Remediation Plan for the Vaughan Facility 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.

80. There is no assurance whether or when Health Canada will reinstate any of the Cannabis Licences. Health Canada's review may be further delayed by its decision to reduce onsite field inspection activities in light of the COVID-19 pandemic. It is not clear how long such reductions may last.

81. Nevertheless, the Board believes that it remains in the best interests of CannTrust to complete all activities described in the Remediation Plan, bring CannTrust to full compliance with the Cannabis Legislation, and take all reasonable steps to obtain the timely reinstatement of its Cannabis Licences from Health Canada.

82. If the Cannabis Licences are reinstated by Health Canada, CannTrust will be able to commence propagating new lots of cannabis and, over time, to restore operations. However, it would take several months for any such initial batches to be grown, processed, shipped and sold. Accordingly, CannTrust's revenue would still likely remain marginal for several months, consisting only of bulk cannabis sales from its limited remaining inventory, following any reinstatement of the Cannabis Licences and, during that interval, CannTrust would continue to incur significant incremental operating expenses to put CannTrust in a position to re-commence its production processes. As such, any revenue generation would likely lag behind a significant increase in expenditures, putting continued and additional

pressure on CannTrust's cash liquidity.

83. An additional potential complication is that the mother plants used by CannTrust as a source of cuttings for new plants are reaching the end of their useful life since CannTrust has been unable to propagate any new plants since the suspension of its licence for the Fenwick Facility. CannTrust is working with Health Canada to address this issue and expects a resolution that will allow CannTrust to propagate new mother plants from the current mother plants, but there is no guarantee of this outcome. If the mother plants are compromised, then CannTrust would need to initiate its genetics stock from seeds, once the Cannabis Licenses are reinstated, which would add six months or more to its propagation, cultivation and processing cycle and further delay CannTrust's ability to generate revenue from operations.

G. Impact on Financial Statements

84. Due to the significant uncertainty with respect to the potential financial impact of the Health Canada Audit Reports and the nature and timing of decisions to be made by Health Canada:

- (a) CannTrust announced in August 2019 that its historical financial statements, related management's discussion and analysis ("**MD&A**") and annual information form ("**AIF**") for the period ended December 31, 2018 (the "**2018 Financial Statements**") and the financial statements and MD&A for the period ended March 31, 2019 (the "**2019 Q1 Financial Statements**") may require restatement and should no longer be relied upon;
- (b) CannTrust's independent auditor, KPMG LLP, withdrew its audit report on the

2018 Financial Statements;

- (c) CannTrust missed its filing deadline for its quarterly financial statements and related MD&A for the periods ended June 30, 2019 and September 30, 2019; and
- (d) CannTrust missed its March 29, 2020 filing deadline for its audited financial statements and related MD&A and AIF for the year ended December 31, 2019.

85. Upon application by CannTrust Holdings, the OSC issued a management cease trade order (“**MCTO**”) on August 15, 2019 pursuant to National Policy 12-203 – *Management Cease Trade Orders* as a result of CannTrust Holdings’ failure to satisfy its disclosure requirements under applicable provincial securities legislation. The MCTO prohibits the directors and executive officers of CannTrust Holdings from trading in securities of CannTrust Holdings until two full business days after all filings CannTrust is required to make under Ontario securities laws are made, including the filings noted in the preceding paragraph.

86. On November 26, 2019, CannTrust announced that the TSX had advised CannTrust that it intends to review CannTrust Holdings’ eligibility for continued listing of the Common Shares on the TSX. The TSX advised that, if CannTrust Holdings was unable to cure its disclosure defaults by March 25, 2020, the Common Shares would be delisted 30 days following that date.

87. On March 18, 2020, the TSX advised CannTrust that, in response to CannTrust’s request for an extension of the March 25, 2020 deadline, the TSX had determined to defer any

delisting decision until no later than April 16, 2020. The TSX also advised CannTrust that a meeting of its Listings Committee will be held on April 14, 2020 to consider whether to delist the Common Shares.

88. On February 13, 2020, CannTrust announced that the NYSE had granted it a continued listing and trading extension to April 15, 2020 to provide CannTrust with additional time to cure its disclosure defaults. The Common Shares may be delisted following that date, subject to the NYSE granting a further extension to the deadline.

89. On February 28, 2020, CannTrust announced that it had received written notification from the NYSE that CannTrust Holdings was no longer in compliance with the NYSE's continued listing standard rules because the per share trading price of the CannTrust Holdings' common shares had fallen below the NYSE's minimum share price rule, which requires the average closing price of a listed company's common shares to be at least US \$1.00 per share over a consecutive 30 trading-day period. CannTrust has six months from the receipt of the notice to regain compliance and prevent delisting.

90. On March 2, 2020, I, along with representatives of McCarthy Tétrault LLP, CannTrust's Canadian legal counsel, met with the TSX to provide a confidential update concerning CannTrust Holdings' status and its current plans for the preparation and filing of its outstanding disclosure. CannTrust was informed by TSX Staff that if CannTrust initiated CCAA proceedings, it would be de-listed from the TSX for the duration of the CCAA proceedings.

91. I am advised by Robert J. Richardson, a partner with McCarthy Tétrault LLP,

CannTrust's Canadian legal counsel, that he met by telephone with legal counsel from the OSC's Corporate Finance Branch to provide a similar confidential update concerning CannTrust Holdings' status and its current plans for the preparation and filing of its outstanding disclosure. I am advised by Mr. Richardson and do believe that he was informed by OSC staff that, if CannTrust initiated CCAA proceedings and was delisted by the TSX, staff would likely seek an immediate cease trade order for the duration of the CCAA proceedings.

92. On March 4, 2020, I, along with CannTrust's Canadian legal counsel, met by telephone with representatives of the NYSE to provide a confidential update concerning CannTrust Holdings' status and its current plans for the preparation and filing of its outstanding disclosure. CannTrust was informed by NYSE Staff that, if CannTrust initiated CCAA proceedings, it would be de-listed from the NYSE for the duration of the CCAA proceedings.

93. Given the indications from the TSX, NYSE and OSC, as applicable, that the Common Shares will be delisted and a cease trade order will be issued as a result of CannTrust commencing CCAA proceedings, the Board has determined that devoting additional time or money towards curing its public disclosure defaults and restoring its status as a reporting issuer not in default of securities legislation is not appropriate at this juncture. As described further below, CannTrust Holdings is seeking the authorization of this Court to cease incurring any further related costs in relation to public disclosure in the Initial Orders.

H. Cash Conservation Measures

94. CannTrust has had no revenue since imposing a voluntary hold on all sales and shipments of product on July 11, 2019. Given the uncertainty around the timing of Health Canada's pending decisions, CannTrust's revenue outlook remains uncertain. In response to these challenges, the Board and management have taken a number of steps to reduce CannTrust's cash expenditures.

95. On September 5, 2019, CannTrust announced that it had reduced its workforce by approximately 180 people, or 20%, to reflect the current requirements of the business. The majority of the employees were in cultivation and customer service support roles. The reduction was expected to result in annualized cash savings of approximately \$9 million.

96. On October 24, 2019, CannTrust announced that it would temporarily streamline its workforce by as many as 140 people, or approximately 25%, through a series of phased layoffs between late October and the conclusion of 2019, given its reduced operations. The reduction was expected to result in annualized cash savings of approximately \$4.8 million.

97. Overall, CannTrust's total headcount has been reduced from approximately 800 at the end of June 2019 to approximately 280 currently.

98. In addition, CannTrust undertook a detailed review of all contracts to eliminate or defer spending where possible. CannTrust halted construction of the Phase III expansion of the Fenwick Facility, international investments in Australia, Denmark and the United States and other product innovation opportunities which were under review.

99. CannTrust also formed a Capital and Operating Expense Steering Committee effective February 2020, comprised of a number of members of senior management, which is required to approve all new capital and operating expenditures in excess of \$20,000. Additionally, all consultants engaged at an expected cost in excess of \$10,000 now require approval from the CFO. CannTrust also implemented new delegation of authority guidelines to add clarity on approval limits.

I. Insurance

100. Recently, CannTrust's lead primary director and officer insurer took the position that CannTrust's "Side C" insurance coverage, which is intended to cover claims against CannTrust, is void *ab initio* due to the conduct of the former CEO and former Chairman of the Board. CannTrust disagrees with this position.

101. CannTrust's director and officer insurance coverage with other insurance carriers expired on February 25, 2020. Following that, "Side C" coverage was not renewed. "Side A" and "Side B" coverage was extended for CannTrust's directors and officers until August 24, 2020. "Side A" coverage is intended to cover non-indemnified claims against the directors and officers. "Side B" coverage is intended to cover indemnified claims against the directors and officers.

102. In the past few weeks, I have had several confidential meetings with insurance carriers to seek a further renewal of Sides A, B and C coverage for CannTrust and its directors and officers. It is unclear to me if and when such coverage will be renewed.

J. Board Renewal Process

103. After the Special Committee's investigation concluded, the Board initiated a process to attract new directors to the Board. I am advised by Shawna Page, a member of the Board and Special Committee, and verily believe that over the course of several months, the Board interviewed and met with several potential director candidates who possessed expertise in operations, compliance, governance, and/or regulated industries.

104. Ultimately, the Board was unable to recruit qualified candidates in the circumstances given the considerable uncertainty concerning the Pending Litigation (described below) and insurance coverage. The Board determined to suspend its renewal process until these uncertainties are addressed.

K. Impact on Market Capitalization

105. The Health Canada Audit Reports and other announcements by CannTrust have had a serious negative impact on the market capitalization of CannTrust Holdings.

106. The price of the common shares of CannTrust Holdings on the Toronto Stock Exchange has declined from a close of \$6.46 on July 5, 2019 (the last business day prior to the announcement of the Fenwick Audit Report) to a close of \$0.70 on March 27, 2020, a decline of almost 90%. Single day declines of 22.6% and 27.8% were experienced following CannTrust announcing its receipt of the Fenwick Audit Report and the Vaughan Audit Report, respectively.

(v) ***Significant Downturn in the Canadian Cannabis Industry***

107. The Canadian cannabis industry is in the midst of a significant and prolonged downturn that commenced in 2019 due to, among other things:

- (a) softer than expected demand due to continuing consumer reliance on the black market and delays in the roll-out of legal distribution channels in certain provinces in Canada;
- (b) oversupply of low to mid-potency (i.e. less than 20% THC) cannabis in the market due to various cannabis companies having added significant production capacity in anticipation of and following the legalization of cannabis in Canada in 2018;
- (c) the continued lack of federal legalization in the US;
- (d) concerns regarding the safety of vaping following reporting of vaping-associated lung injuries in 2019; and
- (e) decreased interest in the sector on the part of retail investors making large-scale equity or debt financings difficult.

108. These industry headwinds have resulted in cannabis companies experiencing difficulty attracting capital, both through the equity and debt markets. In a March 10, 2020 article in the Financial Post, it was estimated that on Bay Street in 2019 (i) the number of cannabis deals fell 33 percent from the previous year, and (ii) the capital raised in the cannabis sector fell 45 percent from the previous year. Moreover, of the eight biggest debt and equity raises in 2019,

seven took place in the first half of the year.²

109. As a result of this inability to attract further capital, several cannabis companies have sought protection under the CCAA or *Bankruptcy and Insolvency Act* (Canada) or been placed into receivership since the start of 2019, including Ascent Industries Corp., DionyMed Brands Inc., AgMedica Biosciences Inc., Wayland Group Corp., Invictus MD Strategies Corp., Eureka 93 Inc. and Pure Global Cannabis Inc. Other licensed producers have implemented cash conservation measures such as:

- (a) Hexo Corp. announcing on October 24, 2019 that it would be laying off approximately 200 employees;
- (b) Tilray Inc. announcing on February 4, 2020 that it would be laying off approximately 10% of its workforce;
- (c) Aurora Cannabis Inc. announcing on February 6, 2020 that it had eliminated close to 500 full-time employees and was undertaking a review of its capital and operating expenditures, including the sale of certain assets;
- (d) Canopy Growth Corp. announcing on March 4, 2020 that it planned to close two fully licensed greenhouse facilities in British Columbia, halt plans to bring a third greenhouse online in Niagara-on-the-Lake, Ontario, and eliminate approximately 500 full-time employees; and

² National Post, “Deals scarce in bruised cannabis sector as risk-off sentiment prevails”, March 10, 2020: <https://business.financialpost.com/cannabis/deals-scarce-in-bruised-cannabis-sector-as-risk-off-sentiment-prevails>.

- (e) The Flowr Corporation announcing on March 23, 2020 that it had restructured approximately 25% of its workforce globally citing, among other things, macro-economic headwinds stemming from the COVID-19 pandemic.

(vi) Significant Downturn in the Global Capital Markets

110. Recent global developments have further exacerbated these difficult circumstances facing CannTrust and the cannabis industry generally. An oil price shock caused by a dispute between Saudi Arabia and Russia combined with the global COVID-19 pandemic have resulted in significant market and economic turmoil in a very short period of time.

111. The short and long-term impact of these significant and rapidly-changing market events remains uncertain. However, the potential further reduction in liquidity across the capital markets and the increased likelihood that the Canadian and world economy may be heading towards a recession in the short term makes it even more doubtful that CannTrust will be able to attract liquidity if it is required to restore or maintain operations. Furthermore, the downturn and the potential decrease in consumer disposable income would have a negative impact on patient and consumer demand and may reduce CannTrust's revenues if it is unable to return to production and hinder its ability to achieve profitability.

(vii) Financial Position of the Company

112. As noted above, CannTrust has cautioned against any reliance on the 2018 Financial Statements and the 2019 Q1 Financial Statements as they require restatement in light of the pending Health Canada decisions with respect to the Fenwick Facility and Vaughan Facility.

113. In order to provide the Court with more accurate and current information regarding the financial position of CannTrust, the Applicants have prepared draft internal unaudited statements of financial position for each of the Applicants as at December 31, 2019 (the “**Draft 2019 Year-End Balance Sheets**”). The Draft 2019 Year-End Balance Sheets are not intended to be, and may not be, relied upon for any other purpose.³

114. The Draft 2019 Year-End Balance Sheets are preliminary and may be subject to further adjustment that could decrease certain asset values for accounting purposes and result in certain assets being re-allocated among the Applicants, either in whole or in part. Copies of the Draft 2019 Year-End Balance Sheets are attached hereto as **Exhibit “B”**.

A. Capital Structure

Common Shares

115. As noted above, the Common Shares of CannTrust Holdings trade on the Toronto Stock Exchange under the ticker symbol “TRST” and on the New York Stock Exchange under the ticker symbol “CTST”. CannTrust has been a reporting issuer in Canada since August 21, 2017 and in the United States since February 25, 2019.

116. CannTrust Holdings has not, since its inception, declared or paid any dividends on its Common Shares.

117. CannTrust Holdings has completed two public equity offerings of the Common Shares

3

since they were listed on the Toronto Stock Exchange in March 2018:

- (a) On June 5, 2018, CannTrust Holdings closed an underwritten public offering of 11,155,000 units at a price of \$9.00 per unit for aggregate gross proceeds of approximately \$100 million. Each unit was comprised of one Common Share and one-half of one common share purchase warrant, which was exercisable to acquire one Common Share at an exercise price of \$12.00 per share, subject to adjustment in certain events, until June 5, 2020.
- (b) On May 6, 2019, CannTrust Holdings completed an underwritten public offering of 36,636,636 Common Shares at US\$5.50 per Common Share, for aggregate gross proceeds of approximately US\$200 million, of which CannTrust Holdings received net proceeds of approximately US\$160.5 million and certain selling shareholders received net proceeds of approximately US\$28.3 million. On May 14, 2019, the underwriters exercised their over-allotment option to acquire additional Common Shares, resulting in additional gross proceeds to CannTrust of approximately US\$25.5 million.

118. As noted above, CannTrust has been advised by both the TSX and the NYSE that the Common Shares may be delisted in the short term if certain conditions are not satisfied (i.e. curing its disclosure defaults and, in the NYSE's case, restoring and maintaining a certain price benchmark), and will likely be delisted and cease traded in any event should the Court grant an order under the CCAA staying proceedings against CannTrust.

Stock Option Plan

119. CannTrust Holdings maintains an equity-based compensation plan (the “**Stock Option Plan**”) for directors, officers, full-time employees and consultants of CannTrust, which was amended and restated on February 22, 2018 in connection with the CannTrust Holdings’ listing on the TSX.

120. The maximum number of Common Shares subject to grants of options under the Stock Option Plan is limited to 10% of the number of issued Common Shares at the time of the granting of options under the Stock Option Plan. As of the date hereof, options exercisable for 1,895,355 common shares have been granted and are outstanding. The options granted under the Stock Option Plan can have a maximum term of 10 years, and the board of directors of CannTrust Holdings has the discretion to determine the vesting period and amount of the options.

B. Assets

121. Based on the Draft 2019 Year-End Balance Sheets, CannTrust had total assets with a net book value of approximately \$290 million as of December 31, 2019⁴ on a consolidated basis, comprised of, among other things:

- (a) cash and short term investments of approximately \$175 million;
- (b) inventory and biological assets of approximately \$17 million;

⁴ The Draft 2019 Year-End Balance Sheets and the figures reported in this section include Elmcliffe No. 2 which, as noted above, holds an equity investment valued at approximately \$1.8 million.

- (c) accounts receivable of approximately \$0.5 million;
- (d) prepaid expenses of approximately \$20 million;
- (e) investments in its strategic partnerships of approximately \$8 million;
- (f) property and equipment of approximately \$26 million; and
- (g) right-of-use assets of approximately \$39 million.

C. Liabilities

122. Based on the Draft 2019 Year-End Balance Sheets, CannTrust had total liabilities of approximately \$58 million as of December 31, 2019 on a consolidated basis, comprised of, among other things:

- (a) Accounts payable and accrued liabilities of approximately \$16 million; and
- (b) Lease obligations of approximately \$41 million.

123. CannTrust (specifically, Opco) has also entered into commitments of \$61,975,680 with a wholly-owned subsidiary of Envest Corp. over a 20 year term with respect to co-generation derived heat and power at the Fenwick Facility, which requires a monthly payment to Envest of \$291,802.16.

124. CannTrust also has various other secured obligations primarily relating to equipment leases and purchase-money security interests. A summary of the security interests registered against the Applicants is attached hereto as **Exhibit “C”**. A copy of the parcel registers for the lands owned by the Applicants, specifically the Fenwick Facility and the BC Outdoor

Cultivation Lands, are attached hereto as **Exhibit “D”** and **Exhibit “E”**, respectively.

D. Intercompany Arrangements

125. Substantially all of the cash and short term investments of CannTrust are owned by CannTrust Holdings. CannTrust Holdings funds the operations and expenses of the other Applicants through non-interest-bearing intercompany advances from time to time. CannTrust Holdings also funded the purchase of the real property and other assets held by Elmcliffe and CTI Holdings through non-interest-bearing intercompany advances.

126. The net amounts owing by the other Applicants to CannTrust Holdings for these intercompany advances as reflected on the Draft 2019 Year-End Balance Sheets is approximately:

- (a) Opco: \$209.8 million
- (b) Elmcliffe: \$7.0 million
- (c) CTI Holdings: \$5.1 million

127. CannTrust Holdings and Opco entered into a general security agreement dated July 29, 2015 which has been registered against Opco under the *Personal Property Security Act* (Ontario).

E. Contingent Litigation Liabilities

128. Prior to receiving the Fenwick Audit Report, CannTrust was not a party to, nor was any of its property the subject of, any legal proceedings or regulatory actions material to it.

129. Following receipt of the Health Canada Audit Reports, eight putative class action lawsuits were commenced in Canada, and five putative class action lawsuits were commenced in the U.S., alleging that CannTrust Holdings made misrepresentations in its disclosure to investors related to the findings of the Health Canada Audit Reports.

Canadian Securities Class Actions

In Canada, five of the eight putative class action lawsuits were commenced in Ontario (the “**Ontario Class Actions**”). The Ontario Class Actions, which are brought by different plaintiffs’ counsel, plead claims, class descriptions and class periods that are not identical but have a great deal of overlap between one another.

130. On January 28, 2020, the Honourable Mr. Justice Hailey issued an endorsement awarding carriage of the Ontario Class Actions to a consortium comprised of Henein Hutchison LLP, Strosberg Sasso Sutts LLP, A Dimitri Lascaris Law Professional Corporation, and Kalloghlian Professional Corporation. One of the law firms that was unsuccessful on the carriage motion is seeking leave to appeal this decision to the Divisional Court of Ontario.

131. In addition to the Ontario Class Actions, separate class action lawsuits were commenced by Merchant Law Group in British Columbia, Alberta and Quebec (collectively with the Ontario Class Actions, the “**Canadian Class Actions**”). To my knowledge, there have been no material developments in the Quebec lawsuit. In the British Columbia and Alberta lawsuits, CannTrust has consented to the relief sought in leave motions to commence a claim pursuant to the relevant securities legislation of those provinces.

132. None of the Canadian Class Actions has been certified.

Other Canadian Actions

133. An action was commenced in Ontario against CannTrust Holdings and other defendants by two shareholders, Zola Finance Holdings Ltd. and Igor Gimelshtein, relating to the drop in its share price after July 8, 2019 (the “**Zola Action**”). The total amounts claimed in this lawsuit overlaps with the Canadian Class Actions and have not been quantified at the present time.

134. An action was commenced in Ontario against Opco by Gay Company Ltd. on March 4, 2020 concerning a series of construction contracts that were terminated by Opco for the construction of greenhouses at the Fenwick Facility and various work at the Vaughan Facility (the “**Construction Action**”). The Construction Action seeks estimated aggregate damages of over \$2 million.

U.S. Securities Class Actions

135. In the United States, four of the five putative securities class actions currently pending were commenced in the Southern District of New York and allege violations of the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) (the “**New York Class Actions**”). It is expected that an order consolidating the New York Class Actions and appointing lead plaintiff/counsel will be issued in the short term.

136. A separate case is pending in California State Court alleging claims pursuant to the State *Securities Act* (collectively with the New York Class Actions, the “**US Class Actions**”).

The plaintiff's counsel in the California State Court litigation has agreed to temporarily suspend the steps in the litigation with the understanding that counsel will be engaged if and when CannTrust initiates global settlement discussions in the various putative class actions.

137. None of the US Class Actions has been certified.

138. The Canadian Class Actions, the Zola Action, the Construction Action and the US Class Actions will be referred to collectively as the “**Pending Litigation**”.

F. Contingent Regulatory Liabilities

Health Canada

139. CannTrust may also be subject to administrative monetary penalties under the Cannabis Legislation and may have to incur significant expenses associated with remediation and compliance measures that may be undertaken voluntarily by CannTrust or may be imposed or required by Health Canada, in addition to those that have already been undertaken.

140. The Cannabis Legislation provides that the maximum administrative monetary penalty for a violation of the Cannabis Legislation is \$1 million per violation, and that a violation that is committed or continued on more than one day constitutes a separate violation in respect of each day on which it is committed or continued.

141. There is the potential that Health Canada could impose significant administrative monetary penalties against CannTrust. The timing or extent of any penalties that Health Canada may seek to impose on CannTrust cannot be reliably ascertained at this time.

RCMP and OSC Investigation

142. The RCMP and OSC are jointly conducting a criminal investigation. The exact scope and targets of the investigation and the magnitude of any potential penalties are not apparent to me at this time. CannTrust has been cooperating with the RCMP and OSC throughout their investigation. CannTrust may be subject to potential other investigations or proceedings by criminal and regulatory authorities for violations of applicable law.

III. CCAA PROCEEDINGS

(i) *Applicants are Insolvent*

143. I am advised by James Gage of McCarthy Tétrault LLP and verily believe that, for the purposes of the CCAA, a company is insolvent if, among other things:

- (a) the aggregate of its property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due; or
- (b) it is, for any reason, unable to meet its obligations as they generally become due.

144. In light of the present circumstances:

- (a) CannTrust Holdings is insolvent because it appears that the realizable value of its assets is not sufficient to satisfy its existing liabilities and its contingent liability for the claims asserted in the Canadian Class Actions, the Zola Action

and the US Class Actions, in which estimated damages claims exceed \$500 million in the aggregate, and its potential regulatory liabilities.

- (b) Opco is insolvent because (i) it appears that the realizable value of its assets is not sufficient to satisfy its existing liabilities such as employee obligations, trade debt and contract commitments, its liability to CannTrust Holdings for intercompany advances, its contingent liability for the claims asserted in the Construction Action and its potential regulatory liabilities, and (ii) it has no revenue and is accordingly unable to meet its obligations as they generally become due.
- (c) Elmclyffe and CTI Holdings are insolvent because they have no revenue and are accordingly unable to meet their obligations (i.e. municipal taxes, etc.) as they generally become due.

A. CannTrust Holdings: Balance Sheet Insolvency

Assets

145. Based on the Draft 2019 Year-End Balance Sheets, CannTrust Holdings had assets with a net book value of approximately \$174.8 million as at December 31, 2019.

146. However, the realizable value of certain categories of CannTrust Holdings' assets may be lower than the book values reported in these statements. Specifically, despite the cash conservation efforts implemented by CannTrust, its cash position continues to decline by approximately \$5 million to \$7 million per month primarily due to payroll, professional and

insurance expenses. As a result, it is reasonable to expect that the realizable value of the assets of CannTrust Holdings at a fairly conducted sale would be less than the above-noted book value.

Liabilities

147. Based on the Draft 2019 Year-End Balance Sheets, CannTrust Holdings had liabilities with a book value of approximately \$2.4 million as at December 31, 2019. This figure does not include:

- (a) CannTrust Holdings' contingent liability for the Pending Litigation, in which damages of at least \$500 million are claimed in the aggregate;
- (b) CannTrust Holdings' contingent liability for monetary penalties that may be imposed by regulators such as the OSC and others; and
- (c) any costs associated with the realization of its assets, such as damages for breach of any contracts that CannTrust Holdings was unable to perform.

148. Accordingly, the assets of CannTrust Holdings at fair valuation are insufficient to satisfy in full its potential liabilities relating to the Pending Litigation and administrative monetary penalties, in the event that those liabilities ultimately materialize.

B. Opco: Balance Sheet Insolvency

Assets

149. Based on the Draft 2019 Year-End Balance Sheets, Opco had assets with a net book value of approximately \$103.6 million as at December 31, 2019.

150. However, the realizable value of certain categories of Opco's assets may be lower than the book values reported on the Draft 2019 Year-End Balance Sheets. Specifically:

- (a) Inventories and Biological Assets: Opco reported inventories of approximately \$16.5 million and biological assets of approximately \$0.9 million as at December 31, 2019. Due to inventory aging, the impact of the Health Canada Audit Reports and pending decisions from Health Canada on the reinstatement of the Cannabis Licences, the realizable value of these assets may be less than reported on the Draft 2019 Year-End Balance Sheets.
- (b) Property, Plant and Equipment: Opco reported property and equipment of approximately \$16.2 million and right-of-use assets of approximately \$38.7 million as at December 31, 2019. The realizable value of these assets may be negatively impacted by the non-compliance rating that Health Canada has currently placed on the Fenwick Facility and the Vaughan Facility. Given the lack of any certainty on the content or timing of Health Canada's decisions on the Remediation Plan that has been completed at the Fenwick Facility and is nearing completion at the Vaughan Facility, the realizable value of these assets may be less than reported on the Draft 2019 Year-End Balance Sheets.

151. As a result, it is reasonable to expect that the realizable value of the assets of Opco at a fairly conducted sale would be less than the above-noted book value.

Liabilities

152. Based on the Draft 2019 Year-End Balance Sheets, Opco had liabilities with a book value of approximately \$265.2 million as at December 31, 2019, including an intercompany balance of \$209.8 million owing to CannTrust Holdings. This figure does not include:

- (a) Opco's contingent liability for the Construction Action, in which damages of approximately \$2 million are claimed;
- (b) Opco's contingent liability for monetary penalties that may be imposed by regulators such as Health Canada and others; and
- (c) any costs associated with the realization of its assets, such as severance and termination claims and damages for breach of any contracts that Opco was unable to perform.

153. Accordingly, the assets of Opco at fair valuation are insufficient to satisfy in full its existing liabilities, its liability to CannTrust Holdings for intercompany advances and its potential liabilities relating to the Construction Action and administrative monetary penalties, in the event that those liabilities ultimately materialize.

C. Opco, Elmcliffe and CTI Holdings: Liquidity Insolvency

154. As a result of the Health Canada Audits and the partial suspension of the Cannabis

Licences, Opco has had no revenue since July 2019. As noted above, Opco has continued to fund its operations since that time through non-interest-bearing intercompany advances from CannTrust Holdings, consistent with its past practice. As a result of the insolvency of CannTrust Holdings, Opco will be unable to meet its obligations as they generally become due, including its employee obligations, trade debt and contract commitments.

155. Elmcliffe and CTI Holdings hold certain real property, buildings and equipment at the Fenwick Facility and the BC Outdoor Cultivations Lands, respectively. Elmcliffe and CTI Holdings do not have any revenues. As noted above, Elmcliffe and CTI Holdings are reliant on non-interest-bearing intercompany advances from CannTrust Holdings to fund their ongoing expenses. As a result of the insolvency of CannTrust Holdings, Elmcliffe and CTI Holdings will be unable to meet their respective obligations as they generally become due, including municipal taxes and other corporate expenses.

(ii) Stay of Proceedings

A. Applicants

156. A stay of proceedings against CannTrust is necessary at this time to, among other things, (i) allow CannTrust breathing space so that it can focus its efforts on completing its remediation plan and continue engaging with Health Canada to address its concerns and resume operations; (ii) provide a forum to explore a CCAA plan of compromise or arrangement that would resolve the contingent claims against CannTrust and maximize recovery for creditors and other stakeholders; and (iii) facilitate the potential exploration of a sale or other strategic transaction in addition to, or as an alternative to, a CCAA plan of

compromise or arrangement.

157. The proposed Initial Orders provide for a stay of all proceedings against or in respect of the Applicants or the Monitor or affecting the Business or Property (as defined in the proposed Initial Orders).

158. The stay of proceedings would permit CannTrust to address its enforcement and litigation exposure in a collective manner and put all creditors and contingent creditors on an equal footing.

159. Absent a stay of proceedings, CannTrust will be required to conduct a defence in each of the Pending Litigation and other potential litigation that materializes, which would (i) result in CannTrust incurring significant defence costs, and (ii) cause a meaningful distraction for senior management of CannTrust from continuing their efforts to engage with Health Canada and explore potential strategic alternatives.

B. Co-Defendants

160. The Canadian Class Actions, the Zola Action and the US Class Actions (collectively, the “**Securities Class Actions**”) have also named as defendants various current and former directors, officers and employees of CannTrust, its auditors, the underwriters of the 2019 Offering and certain selling shareholders that sold shares in connection with the 2019 Offering (the “**Co-Defendants**”). The Applicants are also seeking to stay the Securities Class Actions against the Co-Defendants in the proposed Initial Orders.

161. The continuation of the Securities Class Actions against the Co-Defendants could

adversely affect the rights of CannTrust in those proceedings and any finding of liability and/or award of damages against the Co-Defendants could have legal and financial consequences for CannTrust, including claims for indemnification or contribution.

162. If the Securities Class Actions were not stayed against the Co-Defendants, CannTrust and its management would still be required to devote time and effort to monitoring and participating in the proceedings to ensure that the rights and interests of CannTrust are not prejudiced, and CannTrust would be required to incur legal and other expenses in connection with these proceedings.

163. In addition, if such matters were to proceed against the Co-Defendants but are stayed as against CannTrust, there would be different inquiries at different times into the same underlying facts, creating the possibility for conflicting or inconsistent judgments and wasted judicial resources.

C. Affected Parties and Cross-Default Rights

164. In the proposed Initial Orders, the Applicants are also seeking a stay of all rights and remedies against or in respect of the Affected Parties arising out of, relating to, or triggered by the insolvency of the Applicants or the commencement of these proceedings (the “**Cross-Default Rights**”). CannTrust has material equity interests in the Affected Parties and if counterparties were able to rely on Cross-Default Rights in their contracts with the Affected Parties, it may have a material impact on the financial position of the Applicants. The counterparties affected by this stay would be entitled to rely on all other contractual rights and remedies that are not related to these proceedings commenced by the Applicants.

165. To ensure that the stay does not irreversibly affect proceedings by the mere passage of time, the proposed Initial Orders provide that, to the extent any limitation period relating to proceedings in respect of the Applicants that are stayed by the Initial Orders may expire, such period is deemed extended by the length of the Stay Period (as defined in the proposed Initial Orders).

(iii) *Payments During the CCAA Proceedings*

A. Employees and Assistants

166. As set out in the proposed Initial Orders, CannTrust is seeking authorization to pay certain expenses, whether incurred prior to, on or after the Initial Filing Date, in respect of:

- (a) outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants (as such term is defined in the proposed Initial Orders) retained or employed by CannTrust.

167. The continued payment of these obligations is necessary for the continued operation of the Business or in connection with the CCAA proceedings and efforts to address CannTrust's current financial circumstances. CannTrust believes it is in the best interests of its stakeholders that such expenses continue to be paid in the normal course, regardless of whether such expenses were incurred prior to, on or after the Initial Filing Date.

B. CCAP Payments

168. In the proposed Amended and Restated Initial Order, CannTrust is also seeking authorization to pay all amounts payable pursuant to the CCAP (whether accrued prior to, on or after the Initial Filing Date). While CannTrust believes that payments under the CCAP would fall within the scope of the above relief as the CCAP is an existing compensation arrangement, CannTrust is seeking express approval to make these payments for greater certainty.

C. Ordinary Course Expenses

169. In the proposed Initial Orders, CannTrust is also seeking the authority to pay all reasonable expenses incurred in carrying on the Business in the ordinary course after the Initial Filing Date, including (a) expenses and capital expenditures reasonably necessary for the preservation of CannTrust's Business or property; (b) expenses required to ensure compliance with any governmental, regulatory, or other enforcement action; and (c) payment for goods and services supplied or to be supplied to CannTrust after the date of the Initial Filing Date.

D. Securities Reporting

170. The Board has determined that devoting additional time or money towards curing its public disclosure defaults and restoring its status as a reporting issuer not in default of securities legislation is not appropriate at this juncture. The TSX, NYSE and OSC, as applicable, have indicated that the securities of CannTrust Holdings will likely be delisted and cease traded as a result of CannTrust commencing these CCAA proceedings, regardless of

whether CannTrust Holdings cures its disclosure defaults. In the opinion of the Board, the time and resources of CannTrust are better directed towards completing its remediation efforts, attempting to resolve the Pending Litigation and completing its review of strategic alternatives.

171. In the proposed Initial Orders, CannTrust Holdings is seeking the authorization of this Court to proceed accordingly. CannTrust is not asking the Court to exempt it from its continuous disclosure obligations, or bar any securities regulators or stock exchanges from taking steps within their discretion as a result of the continued non-reporting by CannTrust. CannTrust Holdings is also asking the Court to order that none of the directors, officers, employees, and other representatives of the Applicants, the Monitor (and its directors, officers, employees and representatives), nor the CRO (as defined below) shall have any personal liability for CannTrust proceeding in this manner and not making the securities filings.

(iv) *Funding of CannTrust*

A. Cash Flow Forecast

172. As set out in the statement of projected cash flows of CannTrust attached hereto as

Exhibit “F” (the “Cash Flow Forecast”), the current cash balance of CannTrust is

approximately \$134.7 million.⁵ CannTrust’s principal use of cash during these proceedings will

⁵ In a press release dated March 26, 2020, CannTrust disclosed that it had a cash balance of approximately \$145 million as of March 20, 2020. The difference between this figure and the opening cash balance in the Cash Flow Forecast is attributable to (i) the figure in the press release including the amount being held pursuant to the D&O Trust (described below) and (ii) timing differences.

consist of the costs associated with the operation and remediation of the Business and ongoing payments made in the ordinary course, including employee compensation, procurement and other supplier obligations and professional fees and disbursements in connection with these CCAA proceedings and related matters.

173. As the Cash Flow Forecast indicates, the Business is projected to have sufficient cash over the forecasted period to enable CannTrust to meet its day-to-day obligations for the stay period sought in this application. Consequently, CannTrust not seeking interim financing at this juncture.

B. Intercompany Advances

174. As noted above, the operations and expenses of Opco, Elmcliffe and CTI Holdings are funded in the ordinary course through non-interest-bearing advances from CannTrust Holdings. CannTrust is seeking relief in the Initial Orders to allow it to maintain this practice during the CCAA proceedings and minimize any prejudice to the creditors of CannTrust Holdings through a priority charge on the assets of the other Applicants. Pursuant to the Initial Orders, among other things:

- (a) CannTrust Holdings will be authorized to make intercompany advances to each of Opco, Elmcliffe and CTI Holdings (each, an “**Intercompany Borrower**”) to fund their ongoing expenditures and other amounts permitted by the Initial Orders;
- (b) any intercompany advances will be subject to Monitor review and approval;

- (c) CannTrust Holdings will be entitled to a charge (the “**Intercompany Charge**”) on all of the Property of each of the Intercompany Borrowers as security for the intercompany advances made to such Intercompany Borrower; and
- (d) the Intercompany Charge will not secure any intercompany advances made by CannTrust Holdings to the Intercompany Borrowers before the Initial Filing Date.

175. In the First Day Order, Intercompany Advances will be limited to \$4.2 million, 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.

(v) Approval of CRO Engagement

176. Pursuant to the engagement letter dated March 27, 2020 (the “**CRO Engagement Letter**”), CannTrust has engaged FTI Consulting Canada Inc. (“**FTI**”) to act as chief restructuring officer (“**CRO**”) and provide certain financial, advisory and consulting services to CannTrust. A copy of the CRO Engagement Letter is attached hereto as **Exhibit “G”**.

177. The proposed Initial Orders provide for the approval of the CRO Engagement Letter and the appointment of FTI as CRO pursuant thereto. The services to be provided by the CRO include, if and to the extent requested by CannTrust, among other things:

- (a) Providing financial, strategic and restructuring advice to the Board, including in relation to the current status of CannTrust’s business and licenses, the litigation against CannTrust and CannTrust’s liquidity;

- (b) Assisting management and the Board with such analysis as may be required, including assistance with cash flow forecasts, monitoring of actual performance against forecast cash flow and any sensitivity or scenario analysis;
- (c) Assisting CannTrust with its cash conservation measures and managing its day-to-day liquidity requirements;
- (d) Advising CannTrust in the planning and execution of a sales and investment solicitation process for the business and assets of CannTrust (“SISP”), if the Board determines that a SISP is necessary or desirable; and
- (e) Advising and assisting CannTrust in any negotiations and discussions with CannTrust’s stakeholders.

178. Paul Bishop of FTI will be the person primarily responsible for performing the services of the CRO. The CRO Engagement Letter provides that the CRO will be paid a fixed monthly amount.

179. I believe that it is appropriate for the Court to approve the CRO Engagement Letter and the appointment of FTI as CRO pursuant thereto as:

- (a) The CRO is very experienced in restructuring proceedings of this nature;
- (b) The experience and expertise of the CRO will be beneficial to CannTrust and its stakeholders in achieving a positive outcome in these proceedings; and

- (c) CannTrust and the proposed monitor have reviewed the proposed fees and disbursements set out in the CRO Engagement Letter and believe them to be fair and reasonable under the circumstances.

(vi) Appointment of Monitor

180. The Applicants are seeking the appointment of Ernst & Young Inc. (“EYI”) as the proposed CCAA monitor in these proceedings. The consent of EYI to act as the Monitor is attached at Tab 3 of the Application Record.

(vii) Charges

C. Administration Charge

181. The proposed Initial Orders provide for a Court-ordered charge over the assets, property and undertaking of the Applicants (the “**Administration Charge**”) in favour of the Monitor, the CRO, legal counsel to the Monitor and legal counsel to the Applicants in respect of their fees and disbursements incurred at their standard rates and charges, in order to ensure the active involvement and assistance of such persons during the CCAA proceedings.

182. The proposed Administration Charge is in an aggregate amount of \$700,000 in the First Day Order, and in an aggregate amount of \$1.5 million in the Amended and Restated Initial Order. The amount of the proposed Administration Charge has been reviewed with the proposed monitor.

D. Directors' Charge

183. The directors and officers of CannTrust will be actively involved in overseeing and directing, among other things, the operation of the Business during the CCAA proceedings and efforts to resolve CannTrust's current financial situation.

184. It is my understanding that, in certain circumstances, directors and officers can be held personally liable for certain of a company's obligations, including in connection with payroll remittances, workers' compensation remittances, harmonized sales taxes and goods and services taxes. Furthermore, I understand it may be possible for directors and officers of a corporation to be held personally liable for certain employment-related obligations.

185. CannTrust's insurance broker has confirmed that most of CannTrust's existing insurers are prepared to extend CannTrust's existing insurance coverage for six months, until August 25, 2020. However, to date, CannTrust's insurers have not committed to renewing CannTrust's insurance coverage, including for its directors and officers, past that date.

186. The insurance policies for the directors and officers of CannTrust is subject to a total limit of \$65 million and contains exclusions and limitations to the coverage provided, there is a potential for there to be insufficient coverage in respect of the potential director and officer liabilities.

187. In an attempt to partially close this gap prior to the commencement of these proceedings, CannTrust established a trust in favour of its current and future directors and officers (the "**D&O Trust**") which is intended to cover any claims that they may become personally liable for in their capacity as a director or officer, including employee claims for

unpaid wages and other entitlements and claims for taxes. CannTrust has contributed \$6 million to the D&O Trust. The D&O Trust will cover directors and officers that acted honestly and in good faith with a view to the best interests of the Applicants.

188. There is the potential that gaps may remain in the coverage of the directors and officers over the long term notwithstanding the existence of the directors and officers' insurance policy and the D&O Trust. The directors and officers of CannTrust have expressed their desire for certainty with respect to potential personal liabilities if they continue in their current capacities. CannTrust requires the active and committed involvement of its directors and senior officers to operate the Business.

189. Accordingly, the proposed Initial Orders provide for a Court-ordered charge over the assets, property and undertaking of the Applicants (the “**Directors’ Charge**”) to indemnify the directors and officers of the Applicants in respect of liabilities they may incur during the CCAA proceedings in their capacities as directors and officers. The proposed Directors’ Charge is in an aggregate amount of \$1.4 million in the First Day Order, and in an aggregate amount of \$3.75 million in the Amended and Restated Initial Order. The amount of the proposed Directors’ Charge has been reviewed with the proposed monitor.

E. Priorities of Charges

190. The Applicants believe that the amounts of the Administration Charge, the Directors’ Charge, the KERP Charge and the Intercompany Charge (collectively, the “**Charges**”) in the Initial Orders are appropriate in the circumstances.

191. It is contemplated that the priorities of the Charges will be as follows:

- (a) First – the Administration Charge;
- (b) Second – the Directors’ Charge;
- (c) Third – KERP Charge;⁶ and
- (d) Fourth – Intercompany Charge.

192. The Initial Orders sought by the Applicants provide for the Charges to rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise, (collectively, the “**Encumbrances**”), other than certain specified exceptions, such as purchase-money security interests, statutory deemed trusts for source deductions, certain pension plan amounts, municipal property tax and utility liens (each to the extent it is a super-priority). I am advised by James Gage of McCarthy Tétrault LLP and I believe that the specified exceptions are intended to represent those claims that have priority outside of CCAA proceedings. As described above, CannTrust does not have any secured debt.

(viii) Service and Notice

193. CannTrust is also seeking approval of its proposed manner of service and notice of the Initial Orders and the comeback motion authorized pursuant to the First Day Order. In particular, the Applicants propose that the Monitor shall provide notice by way of publication, by making the Initial Orders publicly available as prescribed in the CCAA, and by sending a

⁶ The KERP Charge is only being sought in the proposed Amended and Restated Initial Order. In the proposed First Day Order, the Intercompany Charge would rank third. The Key Employee Retention Plan to be established by CannTrust will be set out in a subsequent court filing in advance of the comeback hearing.

notice (which shall include the date of the comeback motion) to known creditors with claims over \$1000, except with respect to the Securities Class Actions, in which cases the Monitor shall only send a notice to counsel of record.

194. Given the limitations imposed on the ability of CannTrust and the 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 Applicants are seeking the Court's authorization to deliver the notices to known creditors by e-mail instead of physical mail. If the Applicants do not have e-mail addresses on file for a particular known creditor, the Monitor will send a notice by physical mail in the usual manner. In the current circumstances, the Applicants believe that the notices are more likely to come to the prompt attention of known creditors if they are sent by e-mail.

195. The proposed First Day Order also provides that CannTrust may rely on the notice provided by the Monitor (as described above) to provide notice of the comeback motion and shall only be required to serve motion materials in relation to the comeback motion on those parties who serve a Notice of Appearance in the proceeding or otherwise request service of such materials or to be added to the service list, in writing, in advance of the comeback motion.

IV. CONCLUSION

196. Prior to receiving the Fenwick Audit Report, CannTrust operated a business that was experiencing operational growth and expanding into new markets and product segments. CannTrust was not a party to any material litigation.

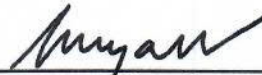
197. As a result of the Health Canada Audit Reports, shipments of all CannTrust's cannabis products have been stopped, the Cannabis Licences have been partially suspended, its CEO and chair have been replaced, its independent auditor withdrew its opinion on the 2018 annual statements, it has ceased making its required disclosures under securities laws, Pending Litigation seeking at least \$500 million in aggregate damages have been commenced against it and its market capitalization has declined by almost 90%. Recent events in the cannabis sector and the sudden decline in the state of the global markets more generally have made CannTrust's financial situation even more precarious.

198. The Applicants seek CCAA protection at this time to protect the value of the Business. The relief requested in the proposed Initial Orders will provide CannTrust with an opportunity to address its current challenges and the Pending Litigation in a collective manner.

199. The relief requested in the proposed Initial Orders is therefore in the best interests of the Applicants and their stakeholders. The relief sought in the proposed First Day Order is limited to relief that is reasonably necessary for the continued operations of CannTrust in the ordinary course of business during the initial 10-day stay period.

SWORN AFFIRMED BEFORE ME at the City
of Toronto, in the Province of Ontario on the 31st
day of March, 2020.


A Commissioner for taking Affidavits
Name: Trevor Curtis (LSO# 67715A)


Greg Guyatt

This is **Exhibit "A"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020



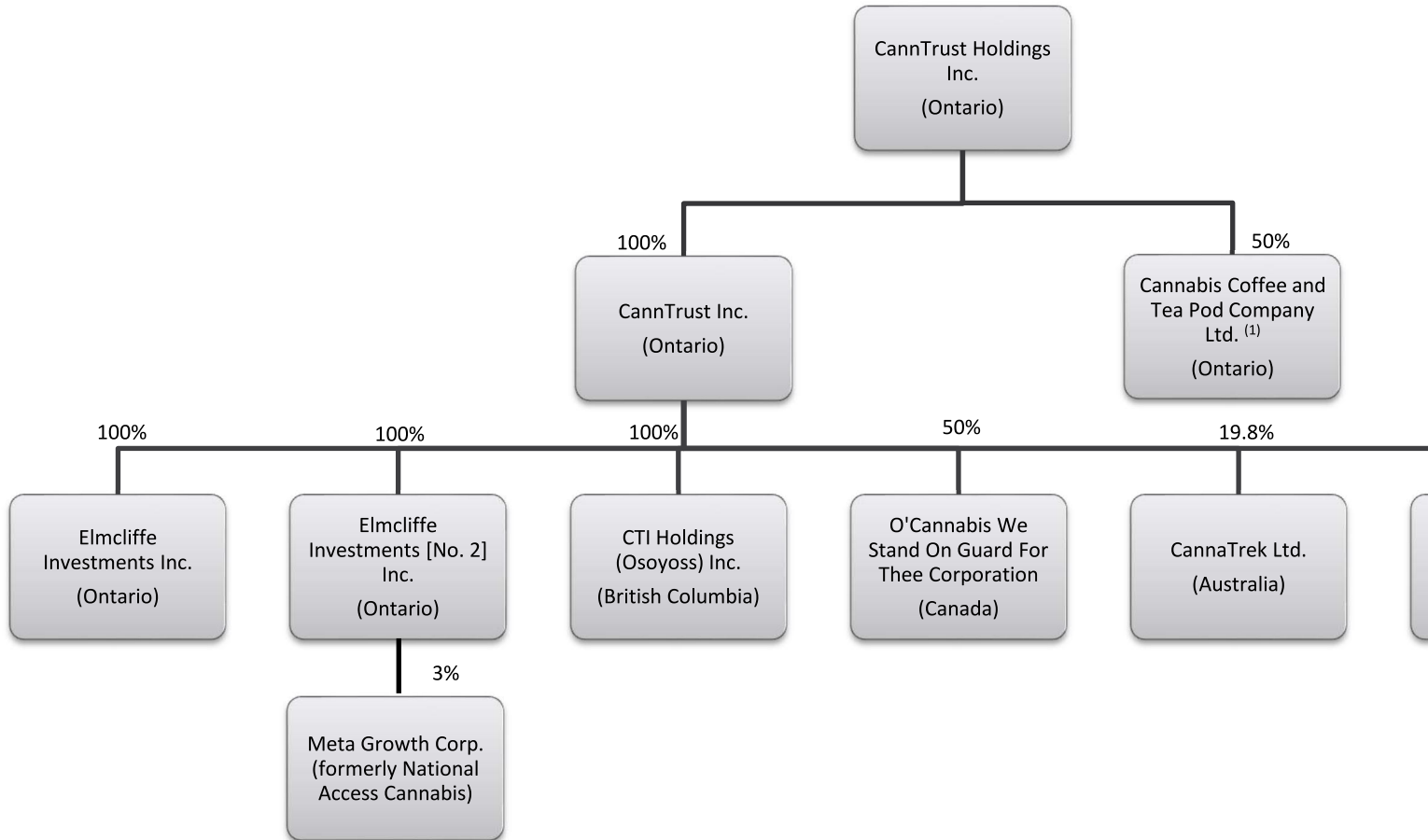
A Commissioner for taking affidavits

Tab A

CannTrust Holdings Inc.

Intercorporate Relationships

The following table sets out the corporate group of the Company as of December 31, 2019, including the governing jurisdiction of



⁽¹⁾ Cannabis Coffee & Tea Pod Company Ltd., "CCTPC" is held by CannTrust Holdings Inc. on a 50%-50% basis with a wholly-owned subsidiary of Club Coffee. In 2017, Club Coffee transferred its shares in the capital stock of CCTPC to Single Dose Solutions Inc. ("SDS").

⁽²⁾ On August 29, 2019 CannTrust Inc. sold its 50% interest in Greytrust Inc. to Grey Wolf Animal Health for nominal consideration. CannTrust holds 76 debentures, 4,321,800 warrants @ \$1.10 per share and 150,000 warrants @ \$2.00 per share of Grey Wolf Animal Health.

This is **Exhibit "B"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020



A Commissioner for taking affidavits

Tab B

CannTrust Holdings Inc.
Unaudited Condensed Consolidated Statement of Financial Position
As at December 31, 2019

	\$
Assets	
Current assets	
Cash	\$ 149,994,745
Short term investments	25,152,303
Accounts receivable	503,702
Harmonized sales tax recoverable	2,871,362
Inventories	16,489,001
Biological assets	934,826
Prepaid expenses	20,299,915
Total current assets	216,245,854
Investments	8,122,397
Restricted cash	100,000
Property, plant and equipment	26,495,395
Right-of-use assets	38,731,199
Financial assets	764,488
Total assets	\$ 290,459,333
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	16,255,193
Intercompany balance	-
Current portion of debt obligations	222,626
Current portion of lease liabilities	2,059,166
Total current liabilities	18,536,985
Debt obligations	533,580
Lease liabilities	38,735,966
Total liabilities	57,806,531
Shareholders' equity	
Share capital	454,314,883
Share-based payment reserve	9,534,937
Warrants reserve	11,170,701
Deficit	(242,367,719)
Total shareholders' equity	232,652,802
Total liabilities and shareholders' equity	\$ 290,459,333

CannTrust Holdings Inc.
Unaudited Statement of Financial Position
As at December 31, 2019

	\$
Assets	
Current assets	
Cash	143,656,637
Short term investments	25,000,000
Accounts receivable	277,713
Harmonized sales tax recoverable	699,785
Inventories	-
Biological assets	-
Prepaid expenses	5,073,117
Total current assets	174,707,252
Investments	86,289
Restricted cash	-
Property, plant and equipment	-
Right-of-use assets	-
Financial assets	-
Total assets	174,793,541
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	2,378,459
Intercompany balance	(226,872,633)
Current portion of debt obligations	-
Current portion of lease liabilities	-
Total current liabilities	(224,494,174)
Debt obligations	-
Lease liabilities	-
Total liabilities	(224,494,174)
Shareholders' equity	
Share capital	445,084,677
Share-based payment reserve	9,534,937
Warrants reserve	11,170,701
Deficit	(66,502,600)
Total shareholders' equity	399,287,715
Total liabilities and shareholders' equity	174,793,541

CannTrust Inc.
Unaudited Statement of Financial Position
As at December 31, 2019

	\$
Assets	
Current assets	
Cash	6,293,253
Short term investments	152,303
Accounts receivable	225,989
Harmonized sales tax recoverable	2,171,577
Inventories	16,489,001
Biological assets	934,826
Prepaid expenses	15,222,798
Total current assets	41,489,747
Investments	6,222,922
Restricted cash	100,000
Property, plant and equipment	16,248,287
Right-of-use assets	38,731,199
Financial assets	764,488
Total assets	103,556,643
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	13,858,501
Intercompany balance	209,793,297
Current portion of debt obligations	222,626
Current portion of lease liabilities	2,059,166
Total current liabilities	225,933,590
	-
Debt obligations	533,580
Lease liabilities	38,735,966
Total liabilities	265,203,136
Shareholders' equity	
Share capital	9,230,206
Share-based payment reserve	-
Warrants reserve	-
Deficit	(170,876,699)
Total shareholders' equity	(161,646,493)
Total liabilities and shareholders' equity	103,556,643

Elmclyffe Investments Inc.
Unaudited Statement of Financial Position
As at December 31, 2019

\$

Assets**Current assets**

Cash	44,855
Short term investments	-
Accounts receivable	-
Harmonized sales tax recoverable	-
Inventories	-
Biological assets	-
Prepaid expenses	4,000
Total current assets	48,855

Investments	-
Restricted cash	-
Property, plant and equipment	6,887,646
Right-of-use assets	-
Financial assets	-
Total assets	6,936,501

Liabilities**Current liabilities**

Accounts payable and accrued liabilities	18,233
Intercompany balance	6,980,259
Current portion of debt obligations	-
Current portion of lease liabilities	-
Total current liabilities	6,998,492

Debt obligations	-
Lease liabilities	-
Total liabilities	6,998,492

Shareholders' equity

Share capital	-
Share-based payment reserve	-
Warrants reserve	-
Deficit	(61,991)
Total shareholders' equity	(61,991)
Total liabilities and shareholders' equity	6,936,501

Elmcliffe Investments [No. 2] Inc.
Unaudited Statement of Financial Position
As at December 31, 2019

\$

Assets**Current assets**

Cash	-
Short term investments	-
Accounts receivable	-
Harmonized sales tax recoverable	-
Inventories	-
Biological assets	-
Prepaid expenses	-
Total current assets	-

Investments	1,813,186
Restricted cash	-
Property, plant and equipment	-
Right-of-use assets	-
Financial assets	-
Total assets	1,813,186

Liabilities**Current liabilities**

Accounts payable and accrued liabilities	-
Intercompany balance	5,000,000
Current portion of debt obligations	-
Current portion of lease liabilities	-
Total current liabilities	5,000,000

Debt obligations	-
Lease liabilities	-
Total liabilities	5,000,000

Shareholders' equity

Share capital	-
Share-based payment reserve	-
Warrants reserve	-
Deficit	(3,186,814)
Total shareholders' equity	(3,186,814)
Total liabilities and shareholders' equity	1,813,186

CTI Holdings (Osoyoos) Inc.
Unaudited Statement of Financial Position
As at December 31, 2019

	\$
Assets	
Current assets	
Cash	-
Short term investments	-
Accounts receivable	-
Harmonized sales tax recoverable	-
Inventories	-
Biological assets	-
Prepaid expenses	-
Total current assets	-
Investments	-
Restricted cash	-
Property, plant and equipment	3,359,462
Right-of-use assets	-
Financial assets	-
Total assets	3,359,462
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	-
Intercompany balance	5,099,077
Current portion of debt obligations	-
Current portion of lease liabilities	-
Total current liabilities	5,099,077
Debt obligations	-
Lease liabilities	-
Total liabilities	5,099,077
Shareholders' equity	
Share capital	-
Share-based payment reserve	-
Warrants reserve	-
Deficit	(1,739,615)
Total shareholders' equity	(1,739,615)
Total liabilities and shareholders' equity	3,359,462

This is **Exhibit "C"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020



A Commissioner for taking affidavits

Tab C

CannTrust Holdings Inc., CannTrust Inc., Elmcliffe Investments Inc., CTI Holdings (Osoyoos) Inc.

Summary of Registrations Under the *Personal Property Security Act* (Ontario)

Currency Date: March 19, 2020

Debtor¹	Results
CannTrust Holdings Inc.	See Appendix A.
CannTrust Inc.	See Appendix B.
Elmcliffe Investments Inc.	No results.
CTI Holdings (Osoyoos) Inc.	See Appendix C.

Summary of Registrations under the *Personal Property Security Act* (British Columbia)

Currency Date: March 20, 2020

Debtor²	Results
CTI Holdings (Osoyoos) Inc.	See Appendix D.

¹ Name that was searched in the records of the central office of the Personal Property Security Registration System.

² Name that was searched in the Personal Property Registry.

APPENDIX A

PPSA (Ontario) – CannTrust Holdings Inc.

Summary of Encumbrances Under the *Personal Property Security Act* (Ontario)
Currency Date: March 19, 2020

Searches were conducted under the following name:
CannTrust Holdings Inc.

No.	File No.	Registration No.	Registration Period (yrs.)	Expiry Date	Debtor(s) Name	Secured Party	Collateral Classification	C
1.	755733645	20190923 1405 1462 6951	10	Sept. 23, 2029	CannTrust Holdings Inc.	Trisura Guarantee Insurance Company	Inventory, Equipment, Accounts, Other, Incl. Motor Vehicle.	None.

APPENDIX B

PPSA (Ontario) – CannTrust Inc.

Summary of Encumbrances Under the *Personal Property Security Act* (Ontario)
Currency Date: March 19, 2020

Searches were conducted under the following name:

CannTrust Inc.
Cannmedica Pharma Inc.
Cannamed Pharma Inc.
2384634 Ontario Inc.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
1.	692798409 PPSA	1	20131224 1308 1532 2775 Reg. 5 year(s) Expires 12/24/2023	CANNAMED PHARMA INC.	BANK OF MONTREAL/BANQUE DE MONTREAL
		General Collateral Description: LF269 BMO RATERISER PLUS GIC #3997 00057424935 \$500,000.00			
		1. 692798409	20160303 1948 1531 9315 A AMNDMNT	CANNAMED PHARMA INC. (Reference Debtor)	
		2		_____ CANNTRUST INC.	
		Reason for Amendment: DELETE DEBTOR'S INFORMATION. ADD DEBTOR'S INFORMATION.			
		1. 692798409	20181011 1940 1531 3786	CANNTRUST INC. (Reference Debtor)	

MT DOCS 20238668

		3	B RENEWAL Renew 5 year(s)		
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
2.	695363049 PPSA	4	20140422 0822 1532 3913 Reg. 5 year(s) Expires 04/22/2024	CANNAMED PHARMA INC.	BANK OF MONTREAL/BANQUE DE MONTREAL
		General Collateral Description: LF269 PLEDGE OF INSTRUMENT AND ASSIGNMENT OF PROCEEDS. COLLATERAL DESCRIBED AS GUARANTEED INVESTMENT CERTIFICATES (GIC) NO. 00058020142 IN THE PRINCIPAL AMOUNT OF 25,000.00			
		2. 695363049	20160303 1948 1531 9316 A AMNDMNT	CANNAMED PHARMA INC. (Reference Debtor)	
		5		_____	
				CANNTRUST INC.	
		Reason for Amendment: DELETE DEBTOR'S INFORMATION. ADD DEBTOR'S INFORMATION.			
		2. 695363049	20190211 1948 1531 6206 B RENEWAL Renew 5 year(s)	CANNTRUST INC. (Reference Debtor)	
		6			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
3.	708795711 PPSA	7	20150807 1423 1862 4924 Reg. 10 year(s) Expires 08/07/2025	CANNTRUST INC. (Corp. No.: 2384634)	CANNTRUST HOLDINGS INC.

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
4.	743026743 PPSA	8	20180824 1001 1462 0769 Reg. 4 year(s) Expires 08/24/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$34398 No Fixed Maturity Date 2018 NISSAN ROGUE (VIN: 5N1AT2MV5JC720936)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
5.	743026806 PPSA	9	20180824 1001 1462 0775 Reg. 4 year(s) Expires 08/24/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28209 No Fixed Maturity Date 2018 NISSAN ROGUE (VIN: 5N1AT2MV0JC832804)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
6.	743026815 PPSA	10	20180824 1001 1462 0776 Reg. 4 year(s) Expires 08/24/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$52043 No Fixed Maturity Date			

		2018 BMW X3 (VIN: 5UXTR9C56JLD70031)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
7.	743251401 PPSA	11	20180830 1407 1462 2495 Reg. 4 year(s) Expires 08/30/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$36711 No Fixed Maturity Date 2018 FORD F-150 (VIN: 1FTEX1EPXJFA02768)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
8.	744379317 PPSA	12	20181002 1402 1462 2051 Reg. 4 year(s) Expires 10/02/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28219 No Fixed Maturity Date 2018 NISSAN ROGUE (VIN: 5N1AT2MV8JC845364)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
9.	744379326 PPSA	13	20181002 1402 1462 2052 Reg. 4 year(s) Expires 10/02/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC

		Caution Filing Amount Secured: \$28206 No Fixed Maturity Date 2018 NISSAN ROGUE (VIN: 5N1AT2MV7JC837563)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
10.	744603615 PPSA	14	20181009 1404 1462 4186 Reg. 4 year(s) Expires 10/09/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Caution Filing Amount Secured: \$28491 No Fixed Maturity Date 2018 NISSAN ROGUE (VIN: 5N1AT2MV4JC824768)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
11.	745284096 PPSA	15	20181029 1705 1462 1233 Reg. 4 year(s) Expires 10/29/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Caution Filing Amount Secured: \$27988 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV5KC710733)			

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
12.	745284105 PPSA	16	20181029 1705 1462 1234 Reg. 4 year(s) Expires 10/29/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28392 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV6KC711213)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
13.	745284114 PPSA	17	20181029 1705 1462 1235 Reg. 4 year(s) Expires 10/29/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28223 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV3KC713114)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
14.	745399458 PPSA	18	20181031 1709 1462 2362 Reg. 4 year(s) Expires 10/31/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28392			

		No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV8KC711536)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
15.	745399467 PPSA	19	20181031 1709 1462 2363 Reg. 4 year(s) Expires 10/31/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28223 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV4KC713123)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
16.	745526277 PPSA	20	20181105 1008 1462 3715 Reg. 4 year(s) Expires 11/05/2022	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28857 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV5KC705869)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
17.	747803691 PPSA	21	20190123 1420 1462 9407 Reg. 4 year(s) Expires 01/23/2023	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC

		Caution Filing Amount Secured: \$28514 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV4KC733498)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
18.	747836487 PPSA	22	20190124 1406 1462 9867 Reg. 4 year(s) Expires 01/24/2023	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Caution Filing Amount Secured: \$28561 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV6KC740033)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
19.	748603125 PPSA	23	20190226 1706 1462 9053 Reg. 4 year(s) Expires 02/26/2023	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28681 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV0KC762934)			
	File No.		Reg. No.	Debtor(s)	Secured Party

		Enquiry Page No.			
20.	748603134 PPSA	24	20190226 1706 1462 9054 Reg. 4 year(s) Expires 02/26/2023	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$28681 No Fixed Maturity Date 2019 NISSAN ROGUE (VIN: 5N1AT2MV3KC712609)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
21.	752917455 PPSA	25	20190702 1707 1462 9318 Reg. 4 year(s) Expires 07/02/2023	CANNTRUST INC.	ENTERPRISE FLEET MANAGEMENT CANADA, INC
		Amount Secured: \$46861 No Fixed Maturity Date 2019 NISSAN NV (VIN: 5BZAF0AA9KN851696)			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
22.	753632739 PPSA	26	20190723 1125 2467 0301 Reg. 01 year(s) Expires 07/23/2020	CANNTRUST INC	RIGO LIFT TRUCK LIMITED
		Amount Secured: \$15,000 No Fixed Maturity Date General Collateral Description: ONE USED ELECTRIC RAYMOND REACH MODEL#EASI-DR25TT? SERIAL#ETB950144? UNIT#13669 C/W BATTERY #164			

	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
23.	755733636 PPSA	27	20190923 1405 1462 6950 Reg. 10 year(s) Expires 09/23/2029	CANNTRUST INC.	TRISURA GUARANTEE INSURANCE COMPANY
		No Fixed Maturity Date			
	File No.	Enquiry Page No.	Reg. No.	Debtor(s)	Secured Party
24.	756287739 PPSA	28	20191008 0923 1793 1232 Reg. 1 year(s) Expires 10/08/2020	CANN TRUST INC.	IMPAK PACKAGING SYSTEMS INC.
		Amount Secured: \$2995 No Fixed Maturity Date General Collateral Description: RBS SHRINK TUNNEL MODEL ACT 148 SERIAL NO. 91-0095 220V 1PH 24A			

APPENDIX C

PPSA (Ontario) – CTI Holdings (Osoyoos) Inc.

Summary of Encumbrances Under the *Personal Property Security Act* (Ontario)
Currency Date: March 19, 2020

Searches were conducted under the following name:
CTI Holdings (Osoyoos) Inc.

No.	File No.	Registration No.	Registration Period (yrs.)	Expiry Date	Debtor(s) Name	Secured Party	Collateral Classification	C
1.	751998636	20190605 1406 1462 8155	4	June 5, 2023	CTI Holdings (Osoyoos) Inc.	Enterprise Fleet Management Canada, Inc.	Goods, motor vehicle.	2019 FORD 1FTFW1E5
2.	752917383	20190702 1707 1462 9311	4	July 2, 2023	CTI Holdings (Osoyoos) Inc.	Enterprise Fleet Management Canada, Inc.	Goods, motor vehicle.	2019 FORD 1FTEW1EP
3.	754353972	20190813 1404 1462 3363	4	Aug 13, 2023	CTI Holdings (Osoyoos) Inc.	Enterprise Fleet Management Canada, Inc.	Goods, motor vehicle.	2019 NISSA 5N1AT2MV

APPENDIX D

PPSA (British Columbia) – CTI Holdings (Osoyoos) Inc.

Summary of Encumbrances Under the *Personal Property Security Act* (British Columbia)
Currency Date: March 20, 2020

Searches were conducted under the following name:

CTI Holdings (Osoyoos) Inc.

No.	Base Registratio n No.	Control No.	Registration Period (yrs.)	Expiry Date	Debtor(s) Name	Secured Party	Collateral Classification	C
1.	696242L	D6237906	4	Aug. 13, 2023	CTI Holdings (Osoyoos) Inc.	Enterprise Fleet Management Canada, Inc.	Vehicle Collateral, MV	2019 NISSA 5N1AT2MV

This is **Exhibit "D"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020

A handwritten signature in black ink, consisting of stylized, overlapping loops and strokes, positioned above a horizontal line.

A Commissioner for taking affidavits

Tab D



ServiceOntario

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY ID

LAND
REGISTRY
OFFICE #59

64030-0908 (LT)

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO R

PROPERTY DESCRIPTION: PART OF LOT 14 CONCESSION 8 PELHAM BEING FIRSTLY: PART 1 PLAN 59R8668; SECONDLY: PARTS 1 & 2 PLAN RO385535; FOURTHLY: AS IN PE16925; FIFTHLY: AS IN RO257496; TOWN OF PELHAM

PROPERTY REMARKS: PLANNING ACT CONSENT AS IN RO202266. PLANNING ACT CONSENT AS IN BB33260. PLANNING ACT CONSENT AS IN BB33260. PA OK -CONSENT AS IN RO275973 (0046), RO234368, RO275974 (004

ESTATE/QUALIFIER:

FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:

CONSOLIDATION FROM 64030-0003, 64030-0047, 64030-0904

OWNERS' NAMES

ELMCLIFFE INVESTMENTS INC.

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM
** PRINTOUT INCLUDES ALL DOCUMENT TYPES (DELETED INSTRUMENTS NOT INCLUDED) **				
**SUBJECT,	ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:			
**	SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES *			
**	AND ESCHEATS OR FORFEITURE TO THE CROWN.			
**	THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF			
**	IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY			
**	CONVENTION.			
**	ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.			
**DATE OF CONVERSION TO	LAND TITLES: 2003/03/17 **			
59R647	1973/11/13	PLAN REFERENCE		
59R4462	1985/03/13	PLAN REFERENCE		
59R8668	1993/12/07	PLAN REFERENCE		
SN502623	2017/03/06	TRANSFER	\$7,500,000	1970030 ONTARIO INC.
REMARKS: PLANNING ACT STATEMENTS. AS TO FIRSTLY, SECONDLY & THIRDLY				
SN569263	2018/10/24	TRANS PERSONAL REP	\$725,000	MCCARTHY, COLLEEN LILY MCCARTHY, ROSS ALFRED
REMARKS: PLANNING ACT STATEMENTS. AS TO FOURTHLY AND FIFTHLY				
SN570219	2018/11/01	NOTICE OF LEASE		ELMCLIFFE INVESTMENTS INC.
REMARKS: AS TO FIRSTLY, SECONDLY & THIRDLY				
SN570981	2018/11/06	NOTICE OF SUBLEASE		CANNTRUST INC.

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH D
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM
REMARKS: SN570219. AS TO FIRSTLY, SECONDLY & THIRDLY				
SN572404	2018/11/19	APL CONSOLIDATE		ELMCLIFFE INVESTMENTS INC.
SN575620	2018/12/18	NO SEC INTEREST	\$2	CATERPILLAR FINANCIAL SERVICES LIMITED
REMARKS: AS TO FIRSTLY, SECONDLY & THIRDLY				

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH D

NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

This is **Exhibit "E"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020



A Commissioner for taking affidavits

Tab E

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$739000

110
2020-03-26, 09:52:54
Requestor: Michelle Paul

CURRENT AND CANCELLED INFORMATION SHOWN

Land Title District	KAMLOOPS
Land Title Office	KAMLOOPS
Title Number	CA7422902
From Title Number	LB220219
Application Received	2019-03-29
Application Entered	2019-04-02
Registered Owner in Fee Simple	
Registered Owner/Mailing Address:	CTI HOLDINGS (OSOYOOS) INC., INC.NO. BC1191744 3280 LANGSTAFF ROAD VAUGHAN, ON L4K 5B6
Taxation Authority	Penticton Assessment Area
Description of Land	
Parcel Identifier:	002-841-258
Legal Description:	LOT 23 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 1729
Legal Notations	
	THIS CERTIFICATE OF TITLE MAY BE AFFECTED BY THE AGRICULTURAL LAND COMMISSION ACT, SEE PLAN M11063
Charges, Liens and Interests	
Nature:	STATUTORY RIGHT OF WAY
Registration Number:	LA68885
Registration Date and Time:	2006-05-26 11:03
Registered Owner:	FORTISBC INC.
Duplicate Indefeasible Title	NONE OUTSTANDING
Transfers	NONE
Pending Applications	NONE

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$739000

111

2020-03-26, 09:52:54

Requestor: Michelle Paul

Corrections

NONE

PARCEL IDENTIFIER (PID): 002-841-258

SHORT LEGAL DESCRIPTION:S/1729/////23

MARG:

TAXATION AUTHORITY:

1 Penticton Assessment Area

FULL LEGAL DESCRIPTION: CURRENT

LOT 23 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 1729

MISCELLANEOUS NOTES:

CG 158544F

ASSOCIATED PLAN NUMBERS:

PLAN KAP1729

AFB/IFB: MN: Y PE: 0 SL: 1 TI: 1

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$940000

113
2020-03-26, 09:52:54
Requestor: Michelle Paul

CURRENT AND CANCELLED INFORMATION SHOWN

Land Title District	KAMLOOPS
Land Title Office	KAMLOOPS
Title Number	CA7422321
From Title Number	CA7413497
Application Received	2019-03-29
Application Entered	2019-04-02
Registered Owner in Fee Simple	
Registered Owner/Mailing Address:	CTI HOLDINGS (OSOYOOS) INC., INC.NO. BC1191744 3280 LANGSTAFF ROAD VAUGHAN, ON L4K 5B6
Taxation Authority	Penticton Assessment Area
Description of Land	
Parcel Identifier:	007-523-033
Legal Description:	LOT 3 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 21397
Legal Notations	
	THIS CERTIFICATE OF TITLE MAY BE AFFECTED BY THE AGRICULTURAL LAND COMMISSION ACT SEE PLAN M11063
Charges, Liens and Interests	
Nature:	STATUTORY RIGHT OF WAY
Registration Number:	LB358079
Registration Date and Time:	2009-12-14 13:34
Registered Owner:	FORTISBC INC.
Duplicate Indefeasible Title	NONE OUTSTANDING
Transfers	NONE
Pending Applications	NONE

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$940000

114

2020-03-26, 09:52:54

Requestor: Michelle Paul

Corrections

NONE

PARCEL IDENTIFIER (PID): 007-523-033

SHORT LEGAL DESCRIPTION:S/21397/////3

MARG:

TAXATION AUTHORITY:

1 Penticton Assessment Area

FULL LEGAL DESCRIPTION: CURRENT

LOT 3 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 21397

MISCELLANEOUS NOTES:

ASSOCIATED PLAN NUMBERS:

SUBDIVISION PLAN KAP21397

AFB/IFB: MN: N PE: 0 SL: 1 TI: 1

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$899916

116
2020-03-26, 09:52:54
Requestor: Michelle Paul

CURRENT AND CANCELLED INFORMATION SHOWN

Land Title District

Land Title Office

KAMLOOPS

KAMLOOPS

Title Number

From Title Number

CA7421057

KT59373

Application Received

2019-03-29

Application Entered

2019-04-02

Registered Owner in Fee Simple

Registered Owner/Mailing Address:

CTI HOLDINGS (OSOYOOS) INC., INC.NO. BC1191744
3280 LANGSTAFF ROAD
VAUGHAN, ON
L4K 5B6

Taxation Authority

Penticton Assessment Area

Description of Land

Parcel Identifier:

007-861-940

Legal Description:

LOT 407 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 1957
EXCEPT PLAN 14139

Legal Notations

THIS CERTIFICATE OF TITLE MAY BE AFFECTED BY THE AGRICULTURAL LAND
COMMISSION ACT SEE PLAN M11063

Charges, Liens and Interests

Nature:

RIGHT OF WAY

Registration Number:

108979E

Registration Date and Time:

1964-05-20 10:07

Registered Owner:

WEST KOOTENAY POWER AND LIGHT COMPANY LIMITED

Remarks:

PART OUTLINED RED ON PLAN A847

Nature:

STATUTORY RIGHT OF WAY

Registration Number:

KN14073

Registration Date and Time:

1999-02-18 09:32

Registered Owner:

WEST KOOTENAY POWER LTD.

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$899916

117
2020-03-26, 09:52:54
Requestor: Michelle Paul

Duplicate Indefeasible Title NONE OUTSTANDING

Transfers NONE

Pending Applications NONE

Corrections NONE

PARCEL IDENTIFIER (PID): 007-861-940

SHORT LEGAL DESCRIPTION:S/1957/////407

MARG:REM *

TAXATION AUTHORITY:

1 Penticton Assessment Area

FULL LEGAL DESCRIPTION: CURRENT

LOT 407 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 1957

EXCEPT PLAN 14139

MISCELLANEOUS NOTES:

PL A847

CG 102098F

CROWN GRANT - SEE 102099F

ASSOCIATED PLAN NUMBERS:

SUBDIVISION PLAN KAP1957

RIGHT OF WAY PLAN KAP847A

AFB/IFB: MN: Y PE: 0 SL: 1 TI: 1

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$2364083

119
2020-03-26, 09:52:54
Requestor: Michelle Paul

CURRENT AND CANCELLED INFORMATION SHOWN

Land Title District	KAMLOOPS
Land Title Office	KAMLOOPS
Title Number	CA7421058
From Title Number	KT59372
Application Received	2019-03-29
Application Entered	2019-04-02
Registered Owner in Fee Simple	
Registered Owner/Mailing Address:	CTI HOLDINGS (OSOYOOS) INC., INC.NO. BC1191744 3280 LANGSTAFF ROAD VAUGHAN, ON L4K 5B6
Taxation Authority	Penticton Assessment Area
Description of Land	
Parcel Identifier:	011-259-540
Legal Description:	LOT 664 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 2066
Legal Notations	NONE
Charges, Liens and Interests	
Nature:	MORTGAGE
Registration Number:	LB160112
Registration Date and Time:	2008-01-25 09:14
Registered Owner:	BANK OF MONTREAL
Cancelled By:	CA7478284
Cancelled Date:	2019-05-01
Duplicate Infeasible Title	NONE OUTSTANDING
Transfers	NONE
Pending Applications	NONE

TITLE SEARCH PRINT

File Reference: 222750-524509

Declared Value \$2364083

120
2020-03-26, 09:52:54
Requestor: Michelle Paul

Corrections

NONE

PARCEL IDENTIFIER (PID): 011-259-540

SHORT LEGAL DESCRIPTION:S/2066/////664

MARG:*

TAXATION AUTHORITY:

1 Penticton Assessment Area

FULL LEGAL DESCRIPTION: CURRENT

LOT 664 DISTRICT LOT 2450S SIMILKAMEEN DIVISION YALE DISTRICT PLAN 2066

MISCELLANEOUS NOTES:

O/C - DF H23577

CG 232396F

ASSOCIATED PLAN NUMBERS:

SUBDIVISION PLAN KAP2066

AFB/IFB: MN: Y PE: 0 SL: 1 TI: 1

This is **Exhibit "F"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020

A handwritten signature in black ink, consisting of stylized, overlapping loops and strokes, positioned above a horizontal line.

A Commissioner for taking affidavits

Tab F

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
CCAA Filing Week	1	2	3	4	5	6	7	8	9	10	11	12
Receipts [2]	-	-	-	-	-	-	-	-	-	-	-	-
Operating disbursements												
Payroll and benefits [3]	(892)	-	(815)	-	(873)	-	(788)	-	(785)	(80)	(813)	-
Property Leases [4]	(64)	-	(64)	-	(64)	-	(64)	-	(64)	-	-	(64)
Utilities [5]	(608)	-	(37)	-	(471)	(137)	(37)	-	(471)	(137)	(37)	-
Other operating expenses [6]	(1,790)	(125)	(1,475)	(3)	(1,970)	-	(1,509)	(3)	(1,963)	-	(12)	(1,620)
Capital expenditures [7]	(51)	(45)	(79)	(45)	(119)	-	-	-	-	(113)	-	-
Total operating disbursements	(3,404)	(171)	(2,470)	(48)	(3,496)	(137)	(2,398)	(3)	(3,284)	(330)	(863)	(1,684)
Cash from operations	(3,404)	(171)	(2,470)	(48)	(3,496)	(137)	(2,398)	(3)	(3,284)	(330)	(863)	(1,684)
Restructuring Professional Fees [8]	(311)	(384)	(356)	(345)	(260)	(260)	(260)	(226)	(226)	(226)	(226)	(226)
Net Cash Inflows / (Outflows)	(3,715)	(555)	(2,826)	(392)	(3,756)	(397)	(2,658)	(229)	(3,510)	(556)	(1,089)	(1,910)
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
Net Cash Inflows / (Outflows)	(3,715)	(555)	(2,826)	(392)	(3,756)	(397)	(2,658)	(229)	(3,510)	(556)	(1,089)	(1,910)
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
Intercompany Advances [10]	(3,619)	(555)	(2,826)	(392)	(3,756)	(397)	(2,658)	(229)	(3,510)	(556)	(1,089)	(1,910)

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.

This is **Exhibit "G"** referred to in the
affidavit of **GREG GUYATT**
sworn before me this
31st day of March, 2020



A Commissioner for taking affidavits

Tab G


Corporate Finance

TD South Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

T: 416.649.8100

F: 416.649.8101

fticonsulting.com

PRIVATE & CONFIDENTIAL

March 27, 2020

CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario
L4K 1Z9

Dear Sirs/Mesdames:

1. Introduction

This letter confirms that we, FTI Consulting Canada Inc. ("FTI"), have been retained by you, CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (OSOYOOS) Inc. Elmcliffe Investments Inc. and Elmcliffe Investments [No 2] Inc. ("CannTrust") and their affiliates (collectively, the "Company"), to act as Chief Restructuring Officer (the "CRO") and provide certain financial advisory and consulting services (the "Services") to CannTrust in the event the Company seeks protection under the Companies' Creditors Arrangements Act ("CCAA Proceedings").

2. Scope of Services

The Services to be provided by the CRO shall include the following which are subject to the ongoing supervision and direction of the Board of Directors of CannTrust (the "Board") and subject to the terms of any Court order in the CCAA Proceedings:

- Providing financial, strategic and restructuring advice to the Board, including in relation to the current status of the Company's business and licenses, the litigation against the Company and the Company's liquidity;
- Assisting management and the Board with such analysis as may be required, including assistance with cash flow forecasts, monitoring of actual performance against forecast cash flow and any sensitivity or scenario analysis;
- Assisting the Company with its cash conservation measures and managing its day-to-day liquidity requirements;
- Advising the Company and assisting the Company's investment banker, Greenhill & Co. and legal counsel, McCarthy Tétrault LLP, in the planning and execution of a sales and



investment solicitation process for the business and assets of the Company (“SISP”), if the Board determines that a SISP is necessary or desirable;

- Advising and assisting the Company in any negotiations and discussions with the Company’s stakeholders;
- Assisting the Company in its communications and negotiations with stakeholders with a view to the development of a restructuring plan;
- Assisting the Company in the preparation of Court motion material;
- Such other services as may be appropriate and necessary on request of the Company’s management or Board and agreed by us.

Paul Bishop of FTI will be the person primarily responsible for performing the Services of the CRO described above and, to the extent others from FTI are also involved from time to time in providing any Services, Paul will lead and direct FTI’s team.

The CRO will report directly to the Board and any special committee of the Board formed to supervise restructuring matters, and shall receive instructions from the Board, such special committee (if any) and any persons designated by the Board. The CRO shall consult with the CEO and any other officers and employees designated by the Board, as well as the Company’s financial and legal advisors. Paul Bishop (or another team member if he is unavailable) will be entitled to attend all meetings of the Board and any committee thereof and participate therein. The CRO shall not be appointed as a Director of the Company and shall have no right to vote at any meeting of the Board.

The CRO shall not have the power without obtaining the further written approval of the Board or Order of the Court to (i) (ii) sell or otherwise dispose of material assets of the Company, (iii) settle material litigation or claims, (iv) dismiss or otherwise alter the employment or responsibilities of officers or other employees or (v) take other actions which normally require board approval, are reserved to the Board under the Company’s by-laws or which the board hereinafter specifically designates as requiring board approval.

The Services, as outlined above, are subject to change as mutually agreed between us in writing.

FTI will be engaged by the Company to provide CRO, financial advisory and consulting services only. Accordingly, while we may from time to time suggest options which may be available to you and further give our professional evaluation of these options, the ultimate decision as to which, if any, of these options to implement rests with the Company, its management and Board. FTI and its employees will not make any management decisions for the Company and will not be responsible for communicating information concerning the Company to the public, the Company’s shareholders or others.

The CRO may be requested to assist the Company (and its legal or other advisors) in negotiating with the Company’s creditors and equity holders, claimants and with other interested parties. In the event that we participate in such negotiations, the representations made and the positions advanced will be those of the Company and its management, not FTI or its employees.

Should the Company commence proceedings under the CCAA and seek the appointment of FTI as Chief Restructuring Officer pursuant to those proceedings, the Initial Order must be in the form and substance acceptable to FTI.



3. Fees

Our Fees in connection with this Engagement will be as follows;

- a) Work fee of \$100,000 per month plus applicable taxes. This fee will be payable monthly in advance commencing on the date on which the Company files its application seeking an Initial order under the CCAA.
- b) In addition to the fees outlined above, we will bill for reasonable direct expenses which are likely to be incurred on your behalf during this Engagement. Direct expenses include reasonable and customary out-of-pocket expenses which are billed directly to the engagement such as courier, travel, meals, accommodation and other expenses specifically related to the engagement. Direct expenses may also include the costs of independent legal counsel if such is necessary. Invoices will also include all applicable taxes.

4. Terms and Conditions

The attached Standard Terms and Conditions set forth the duties of each party with respect to the Services. Further, this letter and the Standard Terms and Conditions attached comprise the entire Engagement Contract for the provision of the Services to the exclusion of any other express or implied terms, whether expressed orally or in writing, including any conditions, warranties and representations, and shall supersede all previous proposals, letters of engagement, undertakings, agreements, understandings, correspondence and other communications, whether written or oral, regarding the Services.

5. Conflicts of Interest

Based on the list of interested parties (the “Potentially Interested Parties”) provided by you, we have undertaken a limited review of our records to determine whether there is any conflict of interest that would prevent us from accepting this engagement.

From the results of such review, we were not made aware of any conflicts of interest or additional relationships that we believe would preclude us from performing the Services. However, as you know, FTI and its affiliates are a large consulting firm with numerous offices throughout the World and are regularly engaged by new clients, which may include one or more of the Potentially Interested Parties.



6. Acknowledgement and Acceptance

Please acknowledge your acceptance of the terms of this Engagement Contract by signing both the confirmation below and the attached Standard Terms and Conditions and returning a copy of each to us at the above address.

If you have any questions regarding this letter or the attached Standard Terms and Conditions, please do not hesitate to contact Paul Bishop at 416-649-8053.

Yours faithfully,

FTI CONSULTING CANADA INC.

By:

Paul Bishop
Paul Bishop
Senior Managing Director

Confirmation of Terms of Engagement

We agree to engage FTI Consulting Canada Inc. upon the terms set forth herein and in the attached Standard Terms and Conditions.

CannTrust Holdings Inc.

By:

Name:

Title:

Marko Todor
Interim Chairman of the Board

Date:

3/27/2020

FTI CONSULTING CANADA INC

STANDARD TERMS AND CONDITIONS

The following are the Standard Terms and Conditions on which we will provide the Services to you set forth within the attached letter of Engagement. The Engagement letter and the Standard Terms and Conditions (collectively the “Engagement Contract”) form the entire agreement between us relating to the Services and replace and supersede any previous proposals, letters of engagement, undertakings, agreements, understandings, correspondence and other communications, whether written or oral, regarding the Services. The headings and titles in the Engagement Contract are included to make it easier to read but do not form part of the Engagement Contract.

1. Reports and Advice

- 1.1 **Use and purpose of advice and reports** – Any advice given or report issued by us is provided solely for your use and benefit and only in connection with the purpose in respect of which the Services are provided. Unless required by law, you shall not provide any advice given or report issued by us to any third party, or refers to us or the Services, without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which any advice or report is disclosed or otherwise made available.

2. Information and Assistance

- 2.1 **Provision of information and assistance** – Our performance of the Services is dependent upon your providing us with such information and assistance as we may reasonably require from time to time.
- 2.2 **Punctual and accurate information** – You shall use reasonable skill, care and attention to ensure that all information we may reasonably require is provided on a timely basis and is accurate and complete and relevant for the purpose for which it is required. You shall also notify us if you subsequently learn that the information provided is incorrect or inaccurate or otherwise should not be relied upon.
- 2.3 **No assurance on financial data** – While our work may include an analysis of financial and accounting data, the Services will not include an audit, compilation or review of any kind of any financial statements or components thereof. Company management will be responsible for any and all financial information they provide to us during the course of this Engagement, and we will not examine or compile or verify any such financial information. Moreover, the circumstances of the Engagement may cause our advice to be limited in certain respects based upon, among other matters, the extent of sufficient and available data and the opportunity for supporting investigations in the time period. Accordingly, as part of this Engagement, we will not express any opinion or other form of assurance on financial statements of the Company.
- 2.4 **Prospective financial information** - In the event the Services involve prospective financial information, our work will not constitute an examination or compilation, or apply agreed-upon procedures, in accordance with standards established by the Canadian Institute of Chartered Accountants, the American Institute of Certified Public Accountants or otherwise, and we will express no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We will take no responsibility for the achievability of results or events projected or anticipated by the management of the Company.

3. Additional Services

- 3.1 **Responsibility for other parties** – We shall have no responsibility for the work and fees of any other party engaged by you to provide services in connection with the Engagement regardless of whether such party was introduced to you by us. Except as provided in this Engagement Contract, we shall not be responsible for providing or reviewing the advice or services of any such third party, including advice as to legal, regulatory, accounting or taxation matters.

4. Confidentiality

- 4.1 **Restrictions on confidential information** – Both parties agree that any confidential information received from the other party shall only be used for the purposes of providing or receiving Services under this or any other contract between us. Except as provided below, neither party will disclose the other party's confidential information to any third party without the other party's consent. Confidential information shall not include information that:

- 4.1.1 is or becomes generally available to the public other than as a result of a breach of an obligation under this Clause 4.1;
- 4.1.2 is acquired from a third party who, to the recipient party's knowledge, owes no obligation of confidence in respect of the information; or
- 4.1.3 is or has been independently developed by the recipient.

For greater certainty, nothing in this section 4.1 is intended to nor shall it create rights in favour of the company or any other party regarding any confidential information of the company or otherwise against you, FTI or any other party.

- 4.2 **Disclosing confidential information** – Notwithstanding Clause 1.1 or 4.1 above, either party will be entitled to disclose confidential information of the other to a third party to the extent that this is required by valid legal process, provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than 2 business days' notice in writing is first given to the other party. Furthermore, in the event that we are appointed as Monitor, we may use or disclose any confidential information to the extent we deem necessary to fulfill our duties and obligations.
- 4.3 **Citation of engagement** – Without prejudice to Clause 4.1 and Clause 4.2 above, to the extent our engagement is or becomes known to the public, we may cite the performance of the Services to our clients and prospective clients as an indication of our experience, unless we and you specifically agree otherwise in writing.
- 4.4 **Internal quality reviews** – Notwithstanding the above, we may disclose any information referred to in this Clause 4 to any other FTI entity or use it for internal quality reviews.
- 4.5 **Maintenance of workpapers** – Notwithstanding the above, we may keep one archival set of our working papers from the Engagement, including working papers containing or reflecting confidential information, in accordance with our internal policies.

5. Termination

- 5.1 **Termination of Engagement with notice** – Either party may terminate the Engagement Contract for whatever reason upon written notice to the other party. Upon receipt of such notice, we will stop all work immediately. You will be responsible for all fees and expenses incurred by us through the date termination notice is received.
- 5.2 **Continuation of terms** – The terms of the Engagement that by their context are intended to be performed after termination or expiration of this Engagement Contract, including but not limited to, Clauses 3 and 4 of the Engagement letter, and Clauses 1.1, 4, 6 and 7 of the Standard Terms and Conditions, are intended to survive such termination or expiration and shall continue to bind all parties.

6. Indemnification and Liability Limitation; Waiver of Jury Trial

- 6.1 Indemnification** - You agree to indemnify and hold harmless FTI and any of its subsidiaries and affiliates, officers, directors, principals, shareholders, agents, independent contractors and employees (collectively "Indemnified Persons") from and against any and all claims, liabilities, damages, obligations, costs and expenses (including reasonable attorneys' fees and expenses and costs of investigation) arising out of or relating to your retention of FTI, the execution and delivery of this Engagement Contract, the provision of Services or other matters relating to or arising from this Engagement Contract, except to the extent that any such claim, liability, obligation, damage, cost or expense shall have been determined by final non-appealable order of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Indemnified Person or Persons in respect of whom such liability is asserted.
- 6.2 Limitation of liability** - You agree that no Indemnified Person shall have any liability as a result of your retention of FTI, the execution and delivery of this Engagement Contract, the provision of Services or other matters relating to or arising from this Engagement Contract, other than liabilities that shall have been determined by final non-appealable order of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Indemnified Person or Persons in respect of whom such liability is asserted. Without limiting the generality of the foregoing, in no event shall any Indemnified Person be liable for consequential, indirect or punitive damages, damages for lost profits or opportunities or other like damages or claims of any kind.
- 6.3 WAIVER OF JURY TRIAL** -TO FACILITATE JUDICIAL RESOLUTION AND SAVE TIME AND EXPENSE, YOU AND FTI IRREVOCABLY AND UNCONDITIONALLY AGREE NOT TO DEMAND A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE SERVICES OR ANY SUCH OTHER MATTER.

7. Governing Law and Jurisdiction

The Engagement Contract shall be governed by and interpreted in accordance with the laws of Canada and the Province of Ontario, without giving effect to the choice of law provisions thereof. The Courts of Ontario sitting in Toronto shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the Engagement Contract and any matter arising from it. The parties submit to the jurisdiction of such Courts and irrevocably waive any right they may have to object to any action being brought in these Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

FTI CONSULTING CANADA INC.

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:

**SUPERIOR
(COM**

Proceeding

**AFFIDAVIT
(Sworn**

McCarthy Té
Suite 5300, TD
Toronto ON M
Fax: 416-868-0

James Gage L
Tel: 416-601-7
Email: jgage@

Paul Steep LS
Tel: 416-601-7
Email: psteepe@

Trevor Courti
Tel: 416-601-7
Email: tcourtis@

Alexander Ste
Tel: 416-601-8
Email: asteeler@

Lawyers for the

DOC#: 19528138

Tab 3

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
CANTRUST HOLDINGS INC., CANTRUST INC., CTI HOLDINGS (OSOYOOS)
INC. AND ELMCLIFFE INVESTMENTS INC.**

Applicants

CONSENT

Ernst & Young Inc. hereby consents to act as Court-appointed Monitor of the Applicants in this proceeding should such an Initial Order be granted by the Court.

Dated at Toronto, Ontario, this 30th day of March, 2020.

ERNST & YOUNG INC.

Per: _____

Name: _____

Title: _____

*I have the authority to bind the
corporation*

Tab 4

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE	)	TUESDAY, THE 31ST
	)	
MR. JUSTICE HAINEY	)	DAY OF MARCH, 2020

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

FIRST DAY INITIAL ORDER

THIS APPLICATION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Greg Guyatt sworn March 31, 2020 and the Exhibits thereto (the “**Guyatt Affidavit**”), the consent of Ernst & Young Inc. (“**EYI**”) to act as the Monitor (in such capacity, the “**Monitor**”), and the Pre-Filing Report of EYI in its capacity as the proposed Monitor, and on hearing the submissions of counsel for the Applicants and the Monitor.

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court one or more plans of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any

transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, contract amounts, employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the date of this Order to employees or contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants, or retained by employees or officers of the Applicants that the Applicants have agreed to reimburse, in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) expenses required to ensure compliance with any governmental or regulatory rules, orders or directions; and

- (c) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "**Sales & Excise Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales & Excise Taxes are accrued or collected after the date of this Order, or where such Sales & Excise Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the

first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) terminate the employment of such of their employees or temporarily lay off such of their employees as it deems appropriate; and
- (b) pursue all avenues of refinancing or selling their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

12. **THIS COURT ORDERS** that until and including April 10, 2020 or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property (including, for greater certainty, any process or steps or other rights and remedies under or relating to any class action proceeding against any of the Applicants or in respect of the Property), except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all

Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

13. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

14. **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any Person against or in respect of Cannabis Coffee and Tea Pod Company Ltd., Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and O Cannabis We Stand on Guard For Thee Corporation (each, an “**Affected Party**”, and collectively, the “**Affected Parties**”) arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the “**Cross-Default Matters**”), are hereby stayed and suspended except with the written consent of the relevant Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right,

contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their

capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that the Applicants shall indemnify their current and future directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the current and future directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors' Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$1.4 million, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 40 and 42 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' 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 that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. **THIS COURT ORDERS** that EYI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) review and approve Intercompany Advances (as defined below);
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements, which information shall be reviewed with the Monitor;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law

respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), or (ii) any of the Property, the administration and control of which is subject to the provisions of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including without limitation, the *Cannabis Act* (Canada), the *Cannabis Regulations* (Canada) the *Controlled Drugs and Substances Act* (Canada), the *Excise Tax Act* (Canada), the *Cannabis Control Act* (Ontario), or other such applicable federal or provincial legislation (“**Cannabis Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation or the Cannabis Legislation, unless it is actually in possession.

26. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

27. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

28. **THIS COURT ORDERS** that the agreement dated as of March 27, 2020 pursuant to which the Applicants have engaged FTI Consulting Canada Inc. (“**FTI**”) to act as Chief Restructuring Officer (“**CRO**”) and provide certain financial advisory and consulting services to the Applicants, a copy of which is attached as Exhibit “G” to the Guyatt Affidavit (the “**CRO Engagement Letter**”), the execution of the CRO Engagement Letter by the Applicants, *nunc pro tunc*, and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby.

29. **THIS COURT ORDERS** that the CRO shall not be or be deemed to be a director, *de facto* director or employee of the Applicants.

30. **THIS COURT ORDERS** that the CRO shall not, as a result of the performance of its obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to the Environmental Legislation, (ii) any of the Property, the administration and control of which is subject to the provisions of the Cannabis Legislation; however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Applicants and such Property as are provided to a monitor under Section 11.8(3) of the CCAA, provided however that nothing herein shall exempt the CRO from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation.

31. **THIS COURT ORDERS** that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO.

32. **THIS COURT ORDERS** that no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice

to the Applicant, the Monitor and the CRO. Notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the CRO at least seven (7) days prior to the return date of any such motion for leave.

33. **THIS COURT ORDERS** that the obligations of the Applicant to the CRO pursuant to the CRO Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) in respect of the Applicants.

ADMINISTRATION CHARGE

34. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and in the case of the CRO in accordance with the CRO Engagement Letter, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, the CRO, and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants, retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

35. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

36. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$700,000, as security for their professional fees and disbursements incurred at their standard rates and charges, and in the case of the CRO in accordance with the CRO Engagement Letter, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40 and 42 hereof.

INTERCOMPANY FINANCING

37. **THIS COURT ORDERS** that CannTrust Holdings Inc. (the “**Intercompany Lender**”) is authorized to loan to each of CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (each, an “**Intercompany Borrower**”), and each Intercompany Borrower is authorized to borrow, repay and re-borrow, such amounts from time to time as the Intercompany Borrower, with the approval of the Monitor, considers necessary or desirable on a revolving basis to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order (the “**Intercompany Advances**”) up to an aggregate of \$4.2 million (subject to increase in accordance with further Order of this Court), on terms consistent with existing arrangements or past practice or otherwise approved by the Monitor.

38. **THIS COURT ORDERS** that the Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Intercompany Charge**”) on all of the Property of each Intercompany Borrower, as security for the Intercompany Advances made to such Intercompany Borrower, which Intercompany Charge shall not secure an obligation that exists before the Initial Filing Date. The Intercompany Charge shall have the priority set out in paragraphs 40 and 42 hereof.

39. **THIS COURT ORDERS AND DECLARES** that the Intercompany Lender shall be treated as unaffected and may not be compromised in any Plan or any proposal filed under the BIA in respect of the Applicants, with respect to any Intercompany Advances made on or after the date of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

40. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors’ Charge and the Intercompany Charge (the “**Charges**”), as among them with respect to any Property to which they apply, shall be as follows:

First – Administration Charge (to the maximum amount of \$700,000);

Second – Directors’ Charge (to the maximum amount of \$1.4 million);

Third – Intercompany Charge.

41. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

42. **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

43. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtains the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

44. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

45. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

46. **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSX Company Manual and other rules, regulations and policies of the Toronto Stock Exchange, and the NYSE Listed Company Manual and other rules, regulations and policies of the New York Stock Exchange (collectively, the "**Securities Provisions**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

47. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants, the Monitor (and its directors, officers, employees and representatives), nor the CRO shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions.

SERVICE AND NOTICE

48. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

49. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ey.com/ca/canntrust>.

50. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

51. **THIS COURT ORDERS** that the balance of the relief sought by the Applicants in the Notice of Application dated March 31, 2020 be and is hereby reserved to be heard by this Court on April 10, 2020, or such other date as determined by this Court.

52. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

53. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

54. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

55. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that CannTrust Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in the United States and any other jurisdiction outside Canada.

56. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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:

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL DIVISION)

Proceeding

FIRST DAY

McCarthy Tétrault
Suite 5300, Toronto
Toronto ON M5E 1B5
Fax: 416-868-0600

James Gage L.S.
Tel: 416-601-7500
Email: jgage@mccarthy.ca

Paul Steep L.S.
Tel: 416-601-7500
Email: psteep@mccarthy.ca

Trevor Courtis
Tel: 416-601-7500
Email: tcourtis@mccarthy.ca

Alexander Steele
Tel: 416-601-8300
Email: asteele@mccarthy.ca
Lawyers for the

DOC#: 20005739

Tab 5

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE	)	●DAY, THE ●
	)	
	)	DAY OF ●, 2020

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

Applicants

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an order amending and restating the First Day Initial Order (the “**First Day Order**”) issued on ●, 2020 (the “**Initial Filing Date**”) and extending the stay of proceedings provided for therein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Greg Guyatt sworn March 31, 2020 and the Exhibits thereto (the “**Guyatt Affidavit**”), the consent of Ernst & Young Inc. (“**EYI**”) to act as the Monitor (in such capacity, the “**Monitor**”), the Pre-Filing Report of EYI in its capacity as the proposed Monitor dated ●, 2020, and the First Report of the Monitor dated ●, 2020, and on hearing the submissions of counsel for the Applicants, the Monitor and those other parties that were present, although duly served as appears from the Affidavit of Service of ● sworn ●, 2020.

AMENDING AND RESTATING FIRST DAY ORDER

1. **THIS COURT ORDERS** that the First Day Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

SERVICE

2. **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

4. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court one or more plans of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

5. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. **THIS COURT ORDERS** that each of the Applicants' existing depository and disbursement banks (collectively, the "**Banks**") is authorized to debit the applicable Applicant's accounts in the ordinary course of business without the need for further order of this Court for:

- (i) all cheques drawn on the applicable Applicant's accounts which are cashed at such Bank's counters or exchanged for cashier's cheques by the payees thereof prior to the date of this Order;
- (ii) all cheques or other items deposited in one of the Applicant's accounts with such Bank prior to the date of this Order which have been dishonoured or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent an Applicant was responsible for such items prior to the date of this Order; and (iii) all undisputed pre-filing amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System.

8. **THIS COURT ORDERS** that any of the Banks may rely on the representations of the applicable Applicant with respect to whether any cheques or other payment order drawn or issued by the applicable Applicant prior to the date of this Order should be honoured pursuant to this or any other order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the applicable Applicant as provided for herein.

9. **THIS COURT ORDERS** that (i) those certain existing deposit agreements between the Applicants and the Banks shall continue to govern the post-filing cash management relationship between the Applicants and the Banks, and that all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect, (ii) either any of the Applicants, with the consent of the Monitor, or the Banks may, without further Order of this Court, implement changes to the Cash Management System and procedures in the ordinary course of business pursuant to the terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts, and (iii) all control agreements in existence prior to the date of this Order shall apply.

10. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the Initial Filing Date:

- (a) all outstanding and future wages, salaries, contract amounts, amounts payable pursuant to the CannTrust Capital Appreciation Plan (whether accrued prior to, on or after the Initial Filing Date), employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the Initial Filing Date to employees or contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants, or retained by employees or officers of the Applicants that the Applicants have agreed to reimburse, in respect of these proceedings, at their standard rates and charges; and
- (c) with the consent of the Monitor, amounts owing for goods or services actually supplied to the Applicants prior to the Initial Filing Date by third party suppliers if in the opinion of the Applicants the supplier is critical to the Business, ongoing operations of the Applicants, or preservation of the Property and the payment is required to ensure ongoing supply.

11. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the

Applicants in carrying on the Business in the ordinary course after the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) expenses required to ensure compliance with any governmental or regulatory rules, orders or directions; and
- (c) payment for goods or services actually supplied to the Applicants following the Initial Filing Date.

12. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "**Sales & Excise Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales & Excise Taxes are accrued or collected after the Initial Filing Date, or where such Sales & Excise Taxes were accrued or collected prior to the Initial Filing Date but not required to be remitted until on or after the Initial Filing Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured

creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

13. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the Initial Filing Date, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the Initial Filing Date shall also be paid.

14. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

15. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their businesses or operations, and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as it deems appropriate; and
- (c) pursue all avenues of refinancing or selling their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

16. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants’ claims to the fixtures in dispute.

17. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

18. **THIS COURT ORDERS** that from the Initial Filing Date until and including ●, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property (including, for greater certainty, any process or steps or other rights and remedies under or relating to any class

action proceeding against any of the Applicants or in respect of the Property), except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

19. **THIS COURT ORDERS** that during the Stay Period, none of the Pending Litigation (as defined in the Guyatt Affidavit) or any Proceeding in relation thereto shall be commenced, continued or take place against or in respect of any Person named as a defendant or respondent in any of the Pending Litigation (such Persons, the “**Other Defendants**”), except with leave of this Court, and any and all such Proceedings currently underway or directed to take place against or in respect of any of the Other Defendants, or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

20. **THIS COURT ORDERS** that, to the extent any prescription, time or limitation period relating to any Proceeding by, against or in respect of the Applicants or any of the Other Defendants that is stayed pursuant to this Order may expire, the term of such prescription, time or limitation period shall hereby be deemed to be extended by a period equal to the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

21. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

22. **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any Person against or in respect of Cannabis Coffee and Tea Pod Company Ltd., Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and O Cannabis We Stand on Guard For Thee Corporation

(each, an “**Affected Party**”, and collectively, the “**Affected Parties**”) arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the “**Cross-Default Matters**”), are hereby stayed and suspended except with the written consent of the relevant Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.

NO INTERFERENCE WITH RIGHTS

23. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

24. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Initial Filing Date are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

25. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the Initial Filing Date, nor shall any Person be under any obligation on or after the Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

26. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the Initial Filing Date and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

27. **THIS COURT ORDERS** that the Applicants shall indemnify their current and future directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

28. **THIS COURT ORDERS** that the current and future directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$3.75 million, as security for the indemnity provided in paragraph 27 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 51 and 53 herein.

29. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' 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 that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 27 of this Order.

APPOINTMENT OF MONITOR

30. **THIS COURT ORDERS** that EYI is, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) review and approve Intercompany Advances (as defined below);
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements, which information shall be reviewed with the Monitor;
- (e) advise the Applicants in its development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' meetings for voting on the Plan;

- (g) assist the Applicants, to the extent required by the Applicants, in connection with any sale and investment solicitation process conducted by the Applicants;
- (h) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (i) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

32. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), or (ii) any of the Property, the administration and control of which is subject to the provisions of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including without limitation, the *Cannabis Act* (Canada), the *Cannabis Regulations* (Canada) the *Controlled Drugs and Substances Act* (Canada), the *Excise*

Tax Act (Canada), the *Cannabis Control Act* (Ontario), or other such applicable federal or provincial legislation (“**Cannabis Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation or the Cannabis Legislation, unless it is actually in possession.

34. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

35. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order or the First Day Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the First Day Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

36. **THIS COURT ORDERS** that the agreement dated as of March 27, 2020 pursuant to which the Applicants have engaged FTI Consulting Canada Inc. (“**FTI**”) to act as Chief Restructuring Officer (“**CRO**”) and provide certain financial advisory and consulting services to the Applicants, a copy of which is attached as Exhibit “G” to the Guyatt Affidavit (the “**CRO Engagement Letter**”), the execution of the CRO Engagement Letter by the Applicants, *nunc pro tunc*, and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby.

37. **THIS COURT ORDERS** that the CRO shall not be or be deemed to be a director, *de facto* director or employee of the Applicants.

38. **THIS COURT ORDERS** that the CRO shall not, as a result of the performance of its obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to the Environmental Legislation, (ii) any of the Property, the administration and control of which is subject to the provisions of the Cannabis Legislation; however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Applicants and such Property as are provided to a monitor under Section 11.8(3) of the CCAA, provided however that nothing herein shall exempt the CRO from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation.

39. **THIS COURT ORDERS** that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the Initial Filing Date except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO.

40. **THIS COURT ORDERS** that no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Applicant, the Monitor and the CRO. Notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the CRO at least seven (7) days prior to the return date of any such motion for leave.

41. **THIS COURT ORDERS** that the obligations of the Applicant to the CRO pursuant to the CRO Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) in respect of the Applicants.

ADMINISTRATION CHARGE

42. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and in the case of the CRO in accordance with the CRO Engagement Letter, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, the CRO and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants, retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

43. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

44. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$1.5 million, as security for their professional fees and disbursements incurred at their standard rates and charges, and in the case of the CRO in accordance with the CRO Engagement Letter, both before and after the Initial Filing Date in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 51 and 53 hereof.

INTERCOMPANY FINANCING

45. **THIS COURT ORDERS** that CannTrust Holdings Inc. (the “**Intercompany Lender**”) is authorized to loan to each of CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (each, an “**Intercompany Borrower**”), and each Intercompany Borrower is authorized to borrow, repay and re-borrow, such amounts from time to time as the Intercompany Borrower, with the approval of the Monitor, considers necessary or desirable on a revolving basis to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order (the “**Intercompany Advances**”), on terms consistent with existing arrangements or past practice or otherwise approved by the Monitor.

46. **THIS COURT ORDERS** that the Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Intercompany Charge**”) on all of the Property of each Intercompany Borrower, as security for the Intercompany Advances made to such Intercompany Borrower, which Intercompany Charge shall not secure an obligation that exists before the Initial Filing Date. The Intercompany Charge shall have the priority set out in paragraphs 51 and 53 hereof.

47. **THIS COURT ORDERS AND DECLARES** that the Intercompany Lender shall be treated as unaffected and may not be compromised in any Plan or any proposal filed under the BIA in respect of the Applicants, with respect to any Intercompany Advances made on or after the Initial Filing Date.

KERP AND KERP CHARGE

48. **THIS COURT ORDERS** that the Key Employee Retention Plan (the “**KERP**”), as described and defined in ●, for the benefit of the Key Employees (as defined in ●) is hereby approved and the Applicants are authorized and directed to make payments in accordance with the terms and conditions of the KERP.

49. **THIS COURT ORDERS** that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the “**KERP Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$● to secure amounts owing to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraphs 51 and 53 hereof.

50. **THIS COURT ORDERS** that the unredacted version of the KERP, a copy of which is attached as Confidential Exhibit “●” to ●, shall be and is hereby sealed, kept confidential, and shall not form part of the public record unless otherwise ordered by the Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

51. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors’ Charge, the KERP Charge and the Intercompany Charge (the “**Charges**”), as among them with respect to any Property to which they apply, shall be as follows:

First – Administration Charge (to the maximum amount of \$1.5 million);

Second – Directors’ Charge (to the maximum amount of \$3.75 million);

Third – KERP Charge (to the maximum amount of \$●);

Fourth – Intercompany Charge.

52. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

53. **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

54. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtains the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

55. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

56. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

57. **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSX Company Manual and other rules, regulations and policies of the Toronto Stock Exchange, and the NYSE Listed Company Manual and other rules, regulations and policies of the New York Stock Exchange (collectively, the "**Securities Provisions**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

58. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants, the Monitor (and its directors, officers, employees and

representatives), nor the CRO shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions.

SERVICE AND NOTICE

59. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

60. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ey.com/ca/canntrust>.

61. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be

received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

62. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

63. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

64. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

65. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that CannTrust Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in the United States and any other jurisdiction outside Canada.

66. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

67. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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:

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL DIVISION)

Proceeding

AMENDED
INITIALS

McCarthy Tétrault
Suite 5300, Toronto
Toronto ON M5G 1S5
Fax: 416-868-0600

James Gage LSC
Tel: 416-601-7900
Email: jgage@mccarthy-tetraulthood.com

Paul Steep LSC
Tel: 416-601-7900
Email: psteep@mccarthy-tetraulthood.com

Trevor Courtis
Tel: 416-601-7900
Email: tcourtis@mccarthy-tetraulthood.com

Alexander Steele
Tel: 416-601-8300
Email: asteele@mccarthy-tetraulthood.com
Lawyers for the

DOC#: 19528138

Tab 6

Revised: January 21, 2014

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE _____) ~~WEEKDAY~~ TUESDAY, THE #31ST
)
MR. JUSTICE ~~_____~~ HAINES) DAY OF ~~MONTH~~ MARCH, ~~20YR~~ 2020

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
~~[APPLICANT'S NAME] (the "Applicant")~~ CANTRUST HOLDINGS INC., CANTRUST
INC.,
CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE INVESTMENTS INC.

Applicants

FIRST DAY INITIAL ORDER

THIS APPLICATION, made by the ~~Applicant~~, Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~ sworn [DATE] Greg Guyatt sworn March 31,
2020 and the Exhibits thereto, ~~and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice~~ (the "Guyatt Affidavit"), the consent of Ernst & Young Inc. ("**EYI**") to act as the Monitor (in such capacity, the "**Monitor**"), and the Pre-Filing Report of EYI in its capacity as the proposed Monitor, and on hearing the submissions of counsel for ~~[NAMES], no one appearing for [NAME]¹ although duly served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of [MONITOR'S NAME] to act as~~ the Applicants and the Monitor_;

¹ Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

- 2 -

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court ~~a plan~~one or more plans of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its business~~their businesses (the "Business") and Property. The ~~Applicant is~~Applicants are authorized and empowered to continue to retain and employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or for the carrying out of the terms of this Order.

² ~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

- 3 -

5. **{THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to utilize the central cash management system³ currently in place ~~as described in the Affidavit of [NAME] sworn [DATE] or~~or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.**}**

6. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, contract amounts, employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the date of this Order to employees or contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Applicants, or retained by employees or officers of the Applicants that the Applicants have agreed to reimburse, in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled but not required to pay all reasonable expenses incurred by

³-This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.

- 4 -

the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) expenses required to ensure compliance with any governmental or regulatory rules, orders or directions; and
- (c) ~~(b)~~ payment for goods or services actually supplied to the ~~Applicant~~Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "Sales & Excise Taxes") required to be remitted by the ~~Applicant~~Applicants in connection with the sale of goods and services by the ~~Applicant~~Applicants, but only where such Sales & Excise Taxes are accrued or collected after the date of this Order, or where such Sales & Excise Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and

- 5 -

which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant~~
~~is~~Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Applicants to any of ~~its~~their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

- (a) ~~permanently or temporarily cease, downsize or shut down any of its business or operations, [and to dispose of redundant or non-material assets not exceeding \$● in any one transaction or \$● in the aggregate]~~⁵

⁴ The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.

⁵ Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.

- 6 -

- (a) ~~(b)~~ terminate the employment of such of ~~its~~their employees or temporarily lay off such of ~~its~~their employees as it deems appropriate; and
- (b) ~~(c)~~ pursue all avenues of refinancing ~~of its~~or selling their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale,

all of the foregoing to permit the ~~Applicant~~Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

~~12.— THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims ~~[or resiliates]~~ the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~[or resiliation]~~ of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.~~

~~13.— THIS COURT ORDERS that if a notice of disclaimer ~~[or resiliation]~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~[or resiliation]~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~[or resiliation]~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.~~

- 7 -

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~APPLICANTS OR THE PROPERTY

12. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE—MAX. 30 DAYS]~~April 10, 2020 or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property (including, for greater certainty, any process or steps or other rights and remedies under or relating to any class action proceeding against any of the Applicants or in respect of the Property), except with the written consent of the ~~Applicant~~Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

13. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~Applicants to carry on any business which the ~~Applicant is~~Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

14. **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any Person against or in respect of Cannabis Coffee and Tea Pod Company Ltd., Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and O Cannabis We Stand on Guard For Thee Corporation (each, an "Affected Party", and collectively, the "Affected Parties") arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the "Cross-Default Matters"), are hereby stayed and suspended except with the written consent of the relevant

- 8 -

Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.

NO INTERFERENCE WITH RIGHTS

15. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the ~~Applicant~~Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants, and that the ~~Applicant~~Applicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Applicants and the Monitor, or as may be ordered by this Court.

- 9 -

NON-DEROGATION OF RIGHTS

17. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant.~~ Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the ~~former,~~ current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~its~~their current and future directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

⁶ This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).

⁷ The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

- 10 -

20. ~~21.~~ **THIS COURT ORDERS** that the current and future directors and officers of the ~~Applicant~~Applicants shall be entitled to the benefit of and are hereby granted a charge (the ~~"Directors' Charge"~~⁸) on the Property, which charge shall not exceed an aggregate amount of \$~~●~~1.4 million, as security for the indemnity provided in paragraph ~~{20}~~19 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~{38}~~40 and ~~{40}~~42 herein.

21. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the ~~Applicant's~~Applicants' 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 that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~19 of this Order.

APPOINTMENT OF MONITOR

22. ~~23.~~ **THIS COURT ORDERS** that ~~{MONITOR'S NAME}~~EYI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Applicants and ~~its~~their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~Applicants' receipts and disbursements;
- (b) review and approve Intercompany Advances (as defined below);

⁸Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the ~~Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

- 11 -

- (c) ~~(b)~~ report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- ~~(e) — assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~
- (d) advise the ~~Applicant~~Applicants in ~~its~~the preparation of the ~~Applicant's~~Applicants' cash flow statements ~~and reporting required by the DIP Lender~~, which information shall be reviewed with the Monitor ~~and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~
- ~~(e) — advise the Applicant in its development of the Plan and any amendments to the Plan; (f) — assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;~~
- (e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

- 12 -

24. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, ~~"Possession"~~) of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the ~~"Environmental Legislation"~~), or (ii) any of the Property, the administration and control of which is subject to the provisions of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including without limitation, the *Cannabis Act* (Canada), the *Cannabis Regulations* (Canada) the *Controlled Drugs and Substances Act* (Canada), the *Excise Tax Act* (Canada), the *Cannabis Control Act* (Ontario), or other such applicable federal or provincial legislation (~~"Cannabis Legislation"~~), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation or the Cannabis Legislation, unless it is actually in possession.

26. ~~27.~~ **THIS COURT ORDERS** ~~that~~ that the Monitor shall provide any creditor of the ~~Applicant and the DIP Lender~~ Applicants with information provided by the ~~Applicant~~ Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~ Applicants is confidential, the Monitor shall not

- 13 -

provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Applicants may agree.

27. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

28. ~~29.~~ **THIS COURT ORDERS** that the ~~Monitor, counsel to the Monitor and counsel to the Applicant~~agreement dated as of March 27, 2020 pursuant to which the Applicants have engaged FTL Consulting Canada Inc. (“FTL”) to act as Chief Restructuring Officer (“CRO”) and provide certain financial advisory and consulting services to the Applicants, a copy of which is attached as Exhibit “G” to the Guyatt Affidavit (the “CRO Engagement Letter”), the execution of the CRO Engagement Letter by the Applicants, *nunc pro tunc*, and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby.

29. **THIS COURT ORDERS** that the CRO shall not be or be deemed to be a director, *de facto* director or employee of the Applicants.

30. **THIS COURT ORDERS** that the CRO shall not, as a result of the performance of its obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to the Environmental Legislation, (ii) any of the Property, the administration and control of which is subject to the provisions of the Cannabis Legislation; however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Applicants and such Property as are provided to a monitor under Section 11.8(3) of the CCAA, provided however that nothing herein shall exempt the CRO from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation.

- 14 -

31. THIS COURT ORDERS that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO.

32. THIS COURT ORDERS that no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Applicant, the Monitor and the CRO. Notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the CRO at least seven (7) days prior to the return date of any such motion for leave.

33. THIS COURT ORDERS that the obligations of the Applicant to the CRO pursuant to the CRO Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) in respect of the Applicants.

ADMINISTRATION CHARGE

34. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, ~~by the Applicant~~ and in the case of the CRO in accordance with the CRO Engagement Letter, by the Applicants as part of the costs of these proceedings. The ~~Applicant is~~ Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, the CRO, and counsel for the ~~Applicant~~ Applicants on a ~~[TIME-INTERVAL]~~ bi-weekly basis and, in addition, the ~~Applicant is~~ Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, the CRO and counsel to the ~~Applicant~~ Applicants, retainers ~~in the amount[s] of \$●-[, respectively,]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

35. ~~30.~~ THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

- 15 -

36. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ the CRO and ~~the Applicant's~~ counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$~~●~~, 700,000. as security for their professional fees and disbursements incurred at ~~the~~ their standard rates and charges ~~of the Monitor and such counsel,~~ and in the case of the CRO in accordance with the CRO Engagement Letter, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~38~~ 40 and ~~40~~ 42 hereof.

~~DIP~~ INTERCOMPANY FINANCING

37. ~~32.~~ **THIS COURT ORDERS** that ~~the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~ CannTrust Holdings Inc. (the "Intercompany Lender") is authorized to loan to each of CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (each, an "Intercompany Borrower"), and each Intercompany Borrower is authorized to borrow, repay and re-borrow, such amounts from time to time as the Intercompany Borrower, with the approval of the Monitor, considers necessary or desirable on a revolving basis to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order (the "Intercompany Advances") up to an aggregate of \$4.2 million (subject to increase in accordance with further Order of this Court), on terms consistent with existing arrangements or past practice or otherwise approved by the Monitor.

~~33.— THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34.— THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required~~

- 16 -

by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

38. ~~35.~~ **THIS COURT ORDERS** that the ~~DIP~~Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the "~~DIP Lender's~~"Intercompany Charge"") on all of the Property, ~~which DIP Lender's~~ of each Intercompany Borrower, as security for the Intercompany Advances made to such Intercompany Borrower, which Intercompany Charge shall not secure an obligation that exists before ~~this Order is made.~~ the Initial Filing Date. The ~~DIP Lender's~~Intercompany Charge shall have the priority set out in paragraphs ~~38~~40 and ~~40~~42 hereof.

~~36. — THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~

- ~~(a) — the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~
- ~~(b) — upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ● days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and —~~

- 17 -

~~(c) — the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.~~

39. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the ~~DIP~~Intercompany Lender shall be treated as unaffected ~~in any plan of arrangement or compromise filed by the Applicant under the CCAA, and may not be compromised in any Plan~~ or any proposal filed ~~by the Applicant~~ under the ~~Bankruptcy and Insolvency Act of Canada (BIA in respect of the "BIA")~~Applicants, with respect to any ~~advances made under the Definitive Documents~~Intercompany Advances made on or after the date of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

40. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the~~ Administration Charge, the Directors' Charge and the ~~DIP Lender's~~Intercompany Charge (the "Charges"), as among them with respect to any Property to which they apply, shall be as follows⁹:

First – Administration Charge (to the maximum amount of \$~~●~~700,000);

Second – ~~DIP Lender's~~Directors' Charge; ~~and Third — Directors' Charge~~ (to the maximum amount of \$~~●~~1.4 million);

Third – Intercompany Charge.

41. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

⁹ The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.

- 18 -

42. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge~~Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges ~~and~~, encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.

43. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~Charges, unless the ~~Applicant~~Applicants also obtains the prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of the ~~Directors' Charge and the Administration Charge~~Charges, or further Order of this Court.

44. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees" ~~and/or the DIP Lender~~) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the ~~Applicant~~Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~ shall not create or be deemed to constitute a breach by the ~~Applicant~~Applicants of any Agreement to which it is a party;

- 19 -

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant entering into the Commitment Letter, the~~ creation of the Charges, ~~or the execution, delivery or performance of the Definitive Documents~~; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, ~~the Commitment Letter or the Definitive Documents~~, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

45. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

46. THIS COURT ORDERS that the decision by the Applicants to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSX Company Manual and other rules, regulations and policies of the Toronto Stock Exchange, and the NYSE Listed Company Manual and other rules, regulations and policies of the New York Stock Exchange (collectively, the “**Securities Provisions**”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

- 20 -

47. THIS COURT ORDERS that none of the directors, officers, employees, and other representatives of the Applicants, the Monitor (and its directors, officers, employees and representatives), nor the CRO shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions.

SERVICE AND NOTICE

48. 44. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the ~~Applicant~~Applicants of more than \$~~1000,~~1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

49. 45. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “Protocol”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: ~~‘<@>’~~<http://www.ey.com/ca/canntrust>.

50. 46. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any

- 21 -

notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~ Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~ Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

51. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~ balance of the relief sought by the Applicants in the Notice of Application dated March 31, 2020 be and is hereby reserved to be heard by this Court on April 10, 2020, or such other date as determined by this Court.

52. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of ~~its~~ their powers and duties hereunder.

53. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~ Applicants, the Business or the Property.

54. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~ Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~ Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~ Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

55. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~ Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in

- 22 -

carrying out the terms of this Order, and that ~~the Monitor~~ CannTrust Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in ~~at~~ the United States and any other jurisdiction outside Canada.

~~51. — THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.~~

56. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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.:

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL DIVISION)

Proceeding:

FIRST DAY

McCarthy Tétrault
Suite 5300, Toronto
Toronto ON M5G 1S3
Fax: 416-868-0600

James Gage L.S.
Tel: 416-601-7300
Email: jgage@mccarthy.ca

Paul Steep L.S.
Tel: 416-601-7300
Email: psteep@mccarthy.ca

Trevor Courtis
Tel: 416-601-7300
Email: tcourtis@mccarthy.ca

Alexander Steele
Tel: 416-601-8300
Email: asteele@mccarthy.ca
Lawyers for the

DOC#: 20005739

Document comparison by Workshare Compare on Tuesday, March 31, 2020 7:05:49 AM

Input:	
Document 1 ID	PowerDocs://DOCS/19518480/1
Description	DOCS-#19518480-v1-CannTrust_CCAA_-_Amended_&_Restated_Initial_Order_-_DRAFT
Document 2 ID	PowerDocs://DOCS/20005739/11
Description	DOCS-#20005739-v11-CannTrust_CCAA_-_First_Day_Order_-_DRAFT
Rendering set	MTStandard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	320
Deletions	302
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	626

Tab 7

Revised: January 21, 2014

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE _____) WEEKDAY, THE # ●
 JUSTICE _____)
 DAY OF MONTH, 20YR2020

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
~~[APPLICANT'S NAME]~~ (the "Applicant") CANTRUST HOLDINGS INC., CANTRUST
INC.,
CTI HOLDINGS (OSOYOOS) INC., AND ELMCLIFFE INVESTMENTS INC.

Applicants

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the ~~Applicant~~, Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "~~CCAA~~") "CCAA") for an order amending and restating the First Day Initial Order (the "First Day Order") issued on ●, 2020 (the "Initial Filing Date") and extending the stay of proceedings provided for therein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~ sworn ~~[DATE]~~ Greg Guyatt sworn March 31, 2020 and the Exhibits thereto, ~~and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, (the "Guyatt Affidavit"), the consent of Ernst & Young Inc. ("EYI") to act as the Monitor (in such capacity, the "Monitor"), the Pre-Filing Report of EYI in its capacity as the proposed Monitor dated ●, 2020, and the First Report of the Monitor dated ●, 2020, and on hearing the submissions of counsel for [NAMES],~~ no one appearing for [NAME][†] the Applicants, the Monitor and those other parties that were

[†] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

- 2 -

present, although duly served as appears from the ~~affidavit of service of [NAME] sworn [DATE] and on reading the consent of [MONITOR'S NAME] to act as the Monitor,~~ Affidavit of Service of • sworn •, 2020.

AMENDING AND RESTATING FIRST DAY ORDER

1. THIS COURT ORDERS that the First Day Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

SERVICE

2. ~~1.~~ **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~ Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

4. ~~3.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court ~~a plan~~ one or more plans of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall remain in possession and control of ~~its~~ their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the ~~Applicant~~ Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its business~~ their businesses (the "Business") and Property. The ~~Applicant is~~ Applicants are authorized and empowered to continue to retain and

² ~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

- 3 -

employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or for the carrying out of the terms of this Order.

6. ~~5.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to utilize the central cash management system³ currently in place ~~as described in the Affidavit of [NAME] sworn [DATE] or~~with the consent of the Monitor, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.~~†~~

7. ~~6.~~ **THIS COURT ORDERS** that ~~the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:~~each of the Applicants' existing depository and disbursement banks (collectively, the "Banks") is authorized to debit the applicable Applicant's accounts in the ordinary course of business without the need for further order of this Court for: (i) all cheques drawn on the applicable Applicant's accounts which are cashed at such Bank's counters or exchanged for cashier's cheques by the payees thereof prior to the date of this Order; (ii) all cheques or other items deposited in one of the Applicant's accounts with such Bank prior to the date of this Order which have been dishonoured or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent an Applicant was responsible for such items prior to the date of this Order; and (iii) all undisputed

³ This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.

- 4 -

pre-filing amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System.

8. THIS COURT ORDERS that any of the Banks may rely on the representations of the applicable Applicant with respect to whether any cheques or other payment order drawn or issued by the applicable Applicant prior to the date of this Order should be honoured pursuant to this or any other order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the applicable Applicant as provided for herein.

9. THIS COURT ORDERS that (i) those certain existing deposit agreements between the Applicants and the Banks shall continue to govern the post-filing cash management relationship between the Applicants and the Banks, and that all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect, (ii) either any of the Applicants, with the consent of the Monitor, or the Banks may, without further Order of this Court, implement changes to the Cash Management System and procedures in the ordinary course of business pursuant to the terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts, and (iii) all control agreements in existence prior to the date of this Order shall apply.

10. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the Initial Filing Date:

- (a) all outstanding and future wages, salaries, contract amounts, amounts payable pursuant to the CannTrust Capital Appreciation Plan (whether accrued prior to, on or after the Initial Filing Date), employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the ~~date of this Order~~ Initial Filing Date to employees or contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; ~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~ Applicants, or retained by employees or officers of the Applicants that the Applicants have agreed to reimburse, in respect of these proceedings, at their standard rates and charges; and

- 5 -

- (c) with the consent of the Monitor, amounts owing for goods or services actually supplied to the Applicants prior to the Initial Filing Date by third party suppliers if in the opinion of the Applicants the supplier is critical to the Business, ongoing operations of the Applicants, or preservation of the Property and the payment is required to ensure ongoing supply.

11. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after ~~this Order~~the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) expenses required to ensure compliance with any governmental or regulatory rules, orders or directions; and
- (c) ~~(b)~~ payment for goods or services actually supplied to the ~~Applicant~~Applicants following the ~~date of this Order~~Initial Filing Date.

12. ~~8.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "Sales & Excise Taxes") required to be remitted by the ~~Applicant~~Applicants in connection with the sale of goods and services by the

- 6 -

~~Applicant~~Applicants, but only where such Sales & Excise Taxes are accrued or collected after the ~~date of this Order~~Initial Filing Date, or where such Sales & Excise Taxes were accrued or collected prior to the ~~date of this Order~~Initial Filing Date but not required to be remitted until on or after the ~~date of this Order~~Initial Filing Date; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

13. ~~9.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the ~~date of this Order~~Initial Filing Date, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the ~~date of this Order~~Initial Filing Date shall also be paid.

14. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant~~Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Applicants to any of ~~its~~their creditors as of ~~this date~~the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

⁴ The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.

- 7 -

RESTRUCTURING

15. ~~11.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of ~~its business~~their businesses or operations, ~~and to dispose of redundant or non-material assets not exceeding \$•500,000 in any one transaction or \$•1,000,000 in the aggregate~~⁵;
- (b) ~~terminate the employment of such of its~~their employees or temporarily lay off such of ~~its~~their employees as it deems appropriate~~;~~; and
- (c) pursue all avenues of refinancing ~~of its~~or selling their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale,

all of the foregoing to permit the ~~Applicant~~Applicants to proceed with an orderly restructuring of the Business (the "Restructuring").

16. ~~12.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall provide each of the relevant landlords with notice of the ~~Applicant's~~Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the ~~Applicant's~~Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the ~~Applicant~~Applicants, or by further Order of this Court upon application by the ~~Applicant~~Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the ~~Applicant disclaims [or resiliates]~~Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice

⁵ ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

- 8 -

period provided for in Section 32(5) of the CCAA), and the disclaimer ~~for resiliation~~ of the lease shall be without prejudice to the ~~Applicant's claim~~ Applicants' claims to the fixtures in dispute.

17. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer ~~for resiliation~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~for resiliation~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~ Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~for resiliation~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the ~~Applicant~~ Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~ APPLICANTS OR THE PROPERTY

18. ~~14.~~ **THIS COURT ORDERS** that from the Initial Filing Date until and including ~~[DATE—MAX. 30 DAYS]~~, or such later date as this Court may order (the ~~"Stay Period"~~), no proceeding or enforcement process in any court or tribunal (each, a ~~"Proceeding"~~) shall be commenced or continued against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting the Business or the Property (including, for greater certainty, any process or steps or other rights and remedies under or relating to any class action proceeding against any of the Applicants or in respect of the Property), except with the written consent of the ~~Applicant~~ Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~ Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

19. **THIS COURT ORDERS** that during the Stay Period, none of the Pending Litigation (as defined in the Guyatt Affidavit) or any Proceeding in relation thereto shall be commenced, continued or take place against or in respect of any Person named as a defendant or respondent in any of the Pending Litigation (such Persons, the "Other Defendants"), except with leave of this Court, and any and all such Proceedings currently underway or directed to take place against or in

- 9 -

respect of any of the Other Defendants, or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

20. THIS COURT ORDERS that, to the extent any prescription, time or limitation period relating to any Proceeding by, against or in respect of the Applicants or any of the Other Defendants that is stayed pursuant to this Order may expire, the term of such prescription, time or limitation period shall hereby be deemed to be extended by a period equal to the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

21. ~~15.~~ THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~ Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~ Applicants to carry on any business which the ~~Applicant is~~ Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

22. THIS COURT ORDERS that, during the Stay Period, all rights and remedies of any Person against or in respect of Cannabis Coffee and Tea Pod Company Ltd., Cannatrek Ltd., Elmclyffe Investments [No. 2] Inc. and O Cannabis We Stand on Guard For Thee Corporation (each, an "Affected Party", and collectively, the "Affected Parties") arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the "Cross-Default Matters"), are hereby stayed and suspended except with the written consent of the relevant Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a

- 10 -

lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.

NO INTERFERENCE WITH RIGHTS

23. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

24. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the ~~Applicant~~Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants, and that the ~~Applicant~~Applicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the ~~date of this Order~~Initial Filing Date are paid by the ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

25. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the ~~date of this Order~~Initial Filing Date, nor shall any Person be under any obligation on or after the ~~date of~~

- 11 -

~~this Order~~Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

26. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the ~~former~~, current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the ~~date hereof~~Initial Filing Date and that relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

27. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~its~~their current and future directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

28. ~~21.~~ **THIS COURT ORDERS** that the current and future directors and officers of the ~~Applicant~~Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")⁸ on the Property, which charge shall not exceed an aggregate amount of

⁶ This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).

⁷ The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

⁸ Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

- 12 -

\$~~3.75 million~~, as security for the indemnity provided in paragraph ~~20~~27 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~38~~51 and ~~40~~53 herein.

29. ~~22.~~ THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the ~~Applicant's~~Applicants' 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 that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~20~~27 of this Order.

APPOINTMENT OF MONITOR

30. ~~23.~~ THIS COURT ORDERS that ~~[MONITOR'S NAME] is hereby~~EYL is, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Applicants and ~~its~~their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. ~~24.~~ THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~Applicants' receipts and disbursements;
- (b) review and approve Intercompany Advances (as defined below);
- (c) ~~(b)~~ report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- ~~(e) — assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other~~

- 13 -

- ~~information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~
- (d) advise the ~~Applicant~~Applicants in ~~its~~the preparation of the ~~Applicant's~~Applicants' cash flow statements ~~and reporting required by the DIP Lender~~, which information shall be reviewed with the Monitor ~~and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~
 - (e) advise the ~~Applicant~~Applicants in its development of the Plan and any amendments to the Plan;
 - (f) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, with the holding and administering of creditors' ~~or shareholders'~~ meetings for voting on the Plan;
 - (g) assist the Applicants, to the extent required by the Applicants, in connection with any sale and investment solicitation process conducted by the Applicants;
 - (h) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;
 - (i) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
 - (j) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

32. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the

- 14 -

Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, ~~"Possession"~~) of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the ~~"Environmental Legislation"~~), or (ii) any of the Property, the administration and control of which is subject to the provisions of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including without limitation, the Cannabis Act (Canada), the Cannabis Regulations (Canada) the Controlled Drugs and Substances Act (Canada), the Excise Tax Act (Canada), the Cannabis Control Act (Ontario), or other such applicable federal or provincial legislation ("Cannabis Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation or the Cannabis Legislation, unless it is actually in possession.

34. ~~27.~~ **THIS COURT ORDERS** ~~that~~ that the Monitor shall provide any creditor of the ~~Applicant and the DIP Lender~~ Applicants with information provided by the ~~Applicant~~ Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~ Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~ Applicants may agree.

- 15 -

35. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order or the First Day Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the First Day Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

36. ~~29.~~ **THIS COURT ORDERS** that the ~~Monitor, counsel to the Monitor and counsel to the Applicant~~ agreement dated as of March 27, 2020 pursuant to which the Applicants have engaged ETI Consulting Canada Inc. (“**ETI**”) to act as Chief Restructuring Officer (“**CRO**”) and provide certain financial advisory and consulting services to the Applicants, a copy of which is attached as Exhibit “G” to the Guyatt Affidavit (the “**CRO Engagement Letter**”), the execution of the CRO Engagement Letter by the Applicants, *nunc pro tunc*, and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby.

37. **THIS COURT ORDERS** that the CRO shall not be or be deemed to be a director, *de facto* director or employee of the Applicants.

38. **THIS COURT ORDERS** that the CRO shall not, as a result of the performance of its obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to the Environmental Legislation, (ii) any of the Property, the administration and control of which is subject to the provisions of the Cannabis Legislation; however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Applicants and such Property as are provided to a monitor under Section 11.8(3) of the CCAA, provided however that nothing herein shall exempt the CRO from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation.

- 16 -

39. THIS COURT ORDERS that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the Initial Filing Date except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO.

40. THIS COURT ORDERS that no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Applicant, the Monitor and the CRO. Notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the CRO at least seven (7) days prior to the return date of any such motion for leave.

41. THIS COURT ORDERS that the obligations of the Applicant to the CRO pursuant to the CRO Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) in respect of the Applicants.

ADMINISTRATION CHARGE

42. THIS COURT ORDERS that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, ~~by the Applicant~~ and in the case of the CRO in accordance with the CRO Engagement Letter, by the Applicants as part of the costs of these proceedings. The ~~Applicant is~~ Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, the CRO and counsel for the ~~Applicant~~ Applicants on a ~~[TIME-INTERVAL]~~ bi-weekly basis and, in addition, the ~~Applicant is~~ Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, the CRO and counsel to the ~~Applicant~~ Applicants, retainers ~~in the amount[s] of \$●[-, respectively,]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

43. ~~30.~~ THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

- 17 -

44. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ the CRO and ~~the Applicant's~~ counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$~~●~~ 1.5 million, as security for their professional fees and disbursements incurred at ~~the~~ their standard rates and charges ~~of the Monitor and such counsel,~~ and in the case of the CRO in accordance with the CRO Engagement Letter, both before and after the ~~making of this Order~~ Initial Filing Date in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~38~~ 51 and ~~40~~ 53 hereof.

~~DIP~~ INTERCOMPANY FINANCING

45. ~~32.~~ **THIS COURT ORDERS** that ~~the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~ CannTrust Holdings Inc. (the "Intercompany Lender") is authorized to loan to each of CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (each, an "Intercompany Borrower"), and each Intercompany Borrower is authorized to borrow, repay and re-borrow, such amounts from time to time as the Intercompany Borrower, with the approval of the Monitor, considers necessary or desirable on a revolving basis to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order (the "Intercompany Advances"), on terms consistent with existing arrangements or past practice or otherwise approved by the Monitor.

~~33. — THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

46. ~~34.~~ **THIS COURT ORDERS** that the ~~Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and~~

- 18 -

~~directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~³⁵. ~~THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs [38] and [40] hereof.~~ Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the "Intercompany Charge") on all of the Property of each Intercompany Borrower, as security for the Intercompany Advances made to such Intercompany Borrower, which Intercompany Charge shall not secure an obligation that exists before the Initial Filing Date. The Intercompany Charge shall have the priority set out in paragraphs 51 and 53 hereof.

~~36. THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~

- ~~(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~
- ~~(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ●-days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and —~~

- 19 -

~~(c) — the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.~~

47. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the ~~DIP~~Intercompany Lender shall be treated as unaffected ~~in any plan of arrangement or compromise filed by the Applicant under the CCAA, and may not be compromised in any Plan~~ or any proposal filed ~~by the Applicant under the Bankruptcy and Insolvency Act of Canada (the "BIA")~~under the BIA in respect of the Applicants, with respect to any ~~advances made under the Definitive Documents~~Intercompany Advances made on or after the Initial Filing Date.

KERP AND KERP CHARGE

48. **THIS COURT ORDERS** that the Key Employee Retention Plan (the "**KERP**"), as described and defined in ●, for the benefit of the Key Employees (as defined in ●) is hereby approved and the Applicants are authorized and directed to make payments in accordance with the terms and conditions of the KERP.

49. **THIS COURT ORDERS** that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the "**KERP Charge**") on the Property, which charge shall not exceed an aggregate amount of \$● to secure amounts owing to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraphs 51 and 53 hereof.

50. **THIS COURT ORDERS** that the unredacted version of the KERP, a copy of which is attached as Confidential Exhibit "●" to ●, shall be and is hereby sealed, kept confidential, and shall not form part of the public record unless otherwise ordered by the Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

51. ~~38.~~ **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge, the Administration~~KERP~~ Charge and the ~~DIP Lender's~~Intercompany Charge

- 20 -

(the “Charges”), as among them with respect to any Property to which they apply, shall be as follows⁹:

First – Administration Charge (to the maximum amount of \$~~●~~1.5 million);

Second – ~~DIP Lender’s~~Directors’ Charge (to the maximum amount of \$3.75 million); ~~and~~

Third ~~–Directors’~~–KERP Charge (to the maximum amount of \$~~●~~●);

Fourth – Intercompany Charge.

52. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors’ Charge, the Administration Charge or the DIP Lender’s Charge (collectively, the~~ “Charges”) Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

53. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors’ Charge, the Administration Charge and the DIP Lender’s Charge~~ Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges ~~and~~, encumbrances, and claims of secured creditors, statutory or otherwise (collectively, “Encumbrances”) in favour of any Person.

54. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~ Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors’ Charge, the Administration Charge or the DIP Lender’s Charge~~ Charges, unless the ~~Applicant~~ Applicants also obtains the prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of the ~~Directors’ Charge and the Administration Charge~~ Charges, or further Order of this Court.

⁹ The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.

- 21 -

55. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the ~~"Chargers") and/or the DIP Lender")~~ thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an ~~"Agreement"~~) which binds the ~~Applicant~~Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~ shall not create or be deemed to constitute a breach by the ~~Applicant~~Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents~~; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, ~~the Commitment Letter or the Definitive Documents~~, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

56. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property leases.

- 22 -

RELIEF FROM REPORTING OBLIGATIONS

57. THIS COURT ORDERS that the decision by the Applicants to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “Securities Filings”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSX Company Manual and other rules, regulations and policies of the Toronto Stock Exchange, and the NYSE Listed Company Manual and other rules, regulations and policies of the New York Stock Exchange (collectively, the “Securities Provisions”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

58. THIS COURT ORDERS that none of the directors, officers, employees, and other representatives of the Applicants, the Monitor (and its directors, officers, employees and representatives), nor the CRO shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions.

SERVICE AND NOTICE

59. 44. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~ the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the ~~Applicant~~ Applicants of more than \$~~1000,~~ 1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly

- 23 -

available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

60. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: ~~‘<@>’~~ <http://www.ey.com/ca/canntrust>.

61. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~[Applicants](#) and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~[Applicants'](#) creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~[Applicants](#) and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

62. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~[Applicants](#) or the Monitor may from time to time apply to this Court for advice and directions in the discharge of ~~its~~[their](#) powers and duties hereunder.

63. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~[Applicants](#), the Business or the Property.

- 24 -

64. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

65. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that ~~the Monitor~~CannTrust Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in ~~at~~the United States and any other jurisdiction outside Canada.

66. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

67. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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: _____

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL DIVISION)

Proceeding:

AMENDED PETITION
INITIALS

McCarthy Tétrault
Suite 5300, Toronto
Toronto ON M5G 1S1
Fax: 416-868-0600

James Gage LSC
Tel: 416-601-7300
Email: jgage@mccarthy.ca

Paul Steep LSC
Tel: 416-601-7300
Email: psteep@mccarthy.ca

Trevor Courtis
Tel: 416-601-7300
Email: tcourtis@mccarthy.ca

Alexander Steele
Tel: 416-601-8300
Email: asteele@mccarthy.ca
Lawyers for the

DOC#: 19528138

Document comparison by Workshare Compare on Tuesday, March 31, 2020 7:01:10 AM

Input:	
Document 1 ID	PowerDocs://DOCS/19518480/1
Description	DOCS-#19518480-v1-CannTrust_CCAA_-_Amended_&_Restated_Initial_Order_-_DRAFT
Document 2 ID	PowerDocs://DOCS/19518480/12
Description	DOCS-#19518480-v12-CannTrust_CCAA_-_Amended_&_Restated_Initial_Order_-_DRAFT
Rendering set	MTStandard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	378
Deletions	335
Moved from	3
Moved to	3
Style change	0
Format changed	0
Total changes	719

Tab 8

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE	)	TUESDAY <u>● DAY</u> , THE 31ST <u>●</u>
	)	
MR. JUSTICE HAINEY	)	DAY OF MARCH <u>●</u> , 2020

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

Applicants

~~FIRST DAY~~ AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order amending and restating the First Day Initial Order (the "First Day Order") issued on ●, 2020 (the "Initial Filing Date") and extending the stay of proceedings provided for therein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Greg Guyatt sworn March 31, 2020 and the Exhibits thereto (the "**Guyatt Affidavit**"), the consent of Ernst & Young Inc. ("**EYI**") to act as the Monitor (in such capacity, the "**Monitor**"), ~~and~~ the Pre-Filing Report of EYI in its capacity as the proposed Monitor; dated ●, 2020, and the First Report of the Monitor dated ●, 2020, and on hearing the submissions of counsel for the Applicants ~~and the Monitor.~~ , the Monitor and those other parties that were present, although duly served as appears from the Affidavit of Service of ● sworn ●, 2020.

AMENDING AND RESTATING FIRST DAY ORDER

1. ~~THIS COURT ORDERS~~ that the First Day Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

SERVICE

2. ~~1.~~ **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

4. ~~3.~~ **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court one or more plans of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or for the carrying out of the terms of this Order.

6. ~~5.~~ **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. ~~6. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:~~ **THIS COURT ORDERS** that each of the Applicants' existing depository and disbursement banks (collectively, the "**Banks**") is authorized to debit the applicable Applicant's accounts in the ordinary course of business without the need for further order of this Court for: (i) all cheques drawn on the applicable Applicant's accounts which are cashed at such Bank's counters or exchanged for cashier's cheques by the payees thereof prior to the date of this Order; (ii) all cheques or other items deposited in one of the Applicant's accounts with such Bank prior to the date of this Order which have been dishonoured or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent an Applicant was responsible for such items prior to the date of this Order; and (iii) all undisputed pre-filing amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System.

8. **THIS COURT ORDERS** that any of the Banks may rely on the representations of the applicable Applicant with respect to whether any cheques or other payment order drawn or issued by the applicable Applicant prior to the date of this Order should be honoured pursuant to this or any other order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the applicable Applicant as provided for herein.

9. THIS COURT ORDERS that (i) those certain existing deposit agreements between the Applicants and the Banks shall continue to govern the post-filing cash management relationship between the Applicants and the Banks, and that all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect, (ii) either any of the Applicants, with the consent of the Monitor, or the Banks may, without further Order of this Court, implement changes to the Cash Management System and procedures in the ordinary course of business pursuant to the terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts, and (iii) all control agreements in existence prior to the date of this Order shall apply.

10. THIS COURT ORDERS that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the Initial Filing Date:

- (a) all outstanding and future wages, salaries, contract amounts, amounts payable pursuant to the CannTrust Capital Appreciation Plan (whether accrued prior to, on or after the Initial Filing Date), employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the ~~date of this Order~~ Initial Filing Date to employees or contractors, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; ~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants, or retained by employees or officers of the Applicants that the Applicants have agreed to reimburse, in respect of these proceedings, at their standard rates and charges; ~~and~~
- (c) with the consent of the Monitor, amounts owing for goods or services actually supplied to the Applicants prior to the Initial Filing Date by third party suppliers if in the opinion of the Applicants the supplier is critical to the Business, ongoing operations of the Applicants, or preservation of the Property and the payment is required to ensure ongoing supply.

11. ~~7.~~ THIS COURT ORDERS that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after ~~this Order~~ the Initial Filing

Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) expenses required to ensure compliance with any governmental or regulatory rules, orders or directions; and
- (c) payment for goods or services actually supplied to the Applicants following the ~~date of this Order~~ Initial Filing Date.

12. ~~8.~~ **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "**Sales & Excise Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales & Excise Taxes are accrued or collected after the ~~date of this Order~~ Initial Filing Date, or where such Sales & Excise Taxes were accrued or collected prior to the ~~date of this Order~~ Initial Filing Date but not required to be remitted until on or after the ~~date of this Order~~ Initial Filing Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and

which are attributable to or in respect of the carrying on of the Business by the Applicants.

13. ~~9.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the ~~date of this Order~~ Initial Filing Date, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the ~~date of this Order~~ Initial Filing Date shall also be paid.

14. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of ~~this date~~ the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

15. ~~11.~~ **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their businesses or operations, and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) ~~(a)~~ terminate the employment of such of their employees or temporarily lay off such of their employees as it deems appropriate; and
- (c) ~~(b)~~ pursue all avenues of refinancing or selling their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or sale,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

16. THIS COURT ORDERS that the Applicants shall provide each of the relevant landlords with notice of the Applicants’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants’ claims to the fixtures in dispute.

17. THIS COURT ORDERS that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

18. ~~12.~~ THIS COURT ORDERS that from the Initial Filing Date until and including April 10, 2020, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the

Property (including, for greater certainty, any process or steps or other rights and remedies under or relating to any class action proceeding against any of the Applicants or in respect of the Property), except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

19. THIS COURT ORDERS that during the Stay Period, none of the Pending Litigation (as defined in the Guyatt Affidavit) or any Proceeding in relation thereto shall be commenced, continued or take place against or in respect of any Person named as a defendant or respondent in any of the Pending Litigation (such Persons, the “Other Defendants”), except with leave of this Court, and any and all such Proceedings currently underway or directed to take place against or in respect of any of the Other Defendants, or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

20. THIS COURT ORDERS that, to the extent any prescription, time or limitation period relating to any Proceeding by, against or in respect of the Applicants or any of the Other Defendants that is stayed pursuant to this Order may expire, the term of such prescription, time or limitation period shall hereby be deemed to be extended by a period equal to the Stay Period.

NO EXERCISE OF RIGHTS OR REMEDIES

21. ~~13.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

22. ~~14.~~ **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any Person against or in respect of Cannabis Coffee and Tea Pod Company Ltd., Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and O Cannabis We Stand on Guard For Thee Corporation (each, an “**Affected Party**”, and collectively, the “**Affected Parties**”) arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the “**Cross-Default Matters**”), are hereby stayed and suspended except with the written consent of the relevant Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.

NO INTERFERENCE WITH RIGHTS

23. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

24. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the ~~date of this Order~~ Initial Filing Date are

paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

25. ~~17.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the ~~date of this Order~~ Initial Filing Date, nor shall any Person be under any obligation on or after the ~~date of this Order~~ Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

26. ~~18.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the ~~date hereof~~ Initial Filing Date and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

27. ~~19.~~ **THIS COURT ORDERS** that the Applicants shall indemnify their current and future directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

28. ~~20.~~ **THIS COURT ORDERS** that the current and future directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’**

Charge”) on the Property, which charge shall not exceed an aggregate amount of \$~~1.43.75~~ million, as security for the indemnity provided in paragraph ~~19~~27 of this Order. The Directors’ Charge shall have the priority set out in paragraphs ~~40~~51 and ~~42~~53 herein.

29. ~~21.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors’ Charge, and (b) the Applicants’ 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 that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~19~~27 of this Order.

APPOINTMENT OF MONITOR

30. ~~22.~~ **THIS COURT ORDERS** that EYI is ~~hereby~~, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. ~~23.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants’ receipts and disbursements;
- (b) review and approve Intercompany Advances (as defined below);
- (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (d) advise the Applicants in the preparation of the Applicants’ cash flow statements, which information shall be reviewed with the Monitor;

- (e) advise the Applicants in its development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' meetings for voting on the Plan;
- (g) assist the Applicants, to the extent required by the Applicants, in connection with any sale and investment solicitation process conducted by the Applicants;
- (h) ~~(e)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (i) ~~(f)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (j) ~~(g)~~ perform such other duties as are required by this Order or by this Court from time to time.

32. ~~24.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. ~~25.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), or (ii) any of the Property, the administration and control of

which is subject to the provisions of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including without limitation, the *Cannabis Act* (Canada), the *Cannabis Regulations* (Canada) the *Controlled Drugs and Substances Act* (Canada), the *Excise Tax Act* (Canada), the *Cannabis Control Act* (Ontario), or other such applicable federal or provincial legislation (“**Cannabis Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation or the Cannabis Legislation, unless it is actually in possession.

34. ~~26.~~ **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

35. ~~27.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order or the First Day Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the First Day Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

36. ~~28.~~ **THIS COURT ORDERS** that the agreement dated as of March 27, 2020 pursuant to which the Applicants have engaged FTI Consulting Canada Inc. (“**FTI**”) to act as Chief Restructuring Officer (“**CRO**”) and provide certain financial advisory and consulting services to the Applicants, a copy of which is attached as Exhibit “G” to the Guyatt Affidavit (the “**CRO**

Engagement Letter”), the execution of the CRO Engagement Letter by the Applicants, *nunc pro tunc*, and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby.

37. ~~29.~~ **THIS COURT ORDERS** that the CRO shall not be or be deemed to be a director, *de facto* director or employee of the Applicants.

38. ~~30.~~ **THIS COURT ORDERS** that the CRO shall not, as a result of the performance of its obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of (i) any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to the Environmental Legislation, (ii) any of the Property, the administration and control of which is subject to the provisions of the Cannabis Legislation; however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Applicants and such Property as are provided to a monitor under Section 11.8(3) of the CCAA, provided however that nothing herein shall exempt the CRO from any duty to report or make disclosure imposed by applicable Environmental Legislation or Cannabis Legislation.

39. ~~31.~~ **THIS COURT ORDERS** that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the ~~date of this Order~~ Initial Filing Date except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO.

40. ~~32.~~ **THIS COURT ORDERS** that no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Applicant, the Monitor and the CRO. Notice of any such motion seeking leave of this Court shall be served upon the Applicants, the Monitor and the CRO at least seven (7) days prior to the return date of any such motion for leave.

41. ~~33.~~ **THIS COURT ORDERS** that the obligations of the Applicant to the CRO pursuant to the CRO Engagement Letter shall be treated as unaffected and may not be compromised in any

Plan or proposal filed under *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) in respect of the Applicants.

ADMINISTRATION CHARGE

42. ~~34.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and in the case of the CRO in accordance with the CRO Engagement Letter, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, the CRO, and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants, retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

43. ~~35.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

44. ~~36.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, the CRO and counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of ~~\$700,000;~~ 1.5 million, as security for their professional fees and disbursements incurred at their standard rates and charges, and in the case of the CRO in accordance with the CRO Engagement Letter, both before and after the ~~making of this Order~~ Initial Filing Date in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~40~~51 and ~~42~~53 hereof.

INTERCOMPANY FINANCING

45. ~~37.~~ **THIS COURT ORDERS** that CannTrust Holdings Inc. (the “**Intercompany Lender**”) is authorized to loan to each of CannTrust Inc., Elmclyffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (each, an “**Intercompany Borrower**”), and each Intercompany Borrower is authorized to borrow, repay and re-borrow, such amounts from time to time as the

Intercompany Borrower, with the approval of the Monitor, considers necessary or desirable on a revolving basis to fund its ongoing expenditures and to pay such other amounts as are permitted by the terms of this Order (the “**Intercompany Advances**”)-~~up to an aggregate of \$4.2 million (subject to increase in accordance with further Order of this Court)~~, on terms consistent with existing arrangements or past practice or otherwise approved by the Monitor.

46. ~~38.~~ **THIS COURT ORDERS** that the Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Intercompany Charge**”) on all of the Property of each Intercompany Borrower, as security for the Intercompany Advances made to such Intercompany Borrower, which Intercompany Charge shall not secure an obligation that exists before the Initial Filing Date. The Intercompany Charge shall have the priority set out in paragraphs ~~40~~51 and ~~42~~53 hereof.

47. ~~39.~~ **THIS COURT ORDERS AND DECLARES** that the Intercompany Lender shall be treated as unaffected and may not be compromised in any Plan or any proposal filed under the BIA in respect of the Applicants, with respect to any Intercompany Advances made on or after the ~~date of this Order~~Initial Filing Date.

KERP AND KERP CHARGE

48. **THIS COURT ORDERS** that the Key Employee Retention Plan (the “**KERP**”), as described and defined in ●, for the benefit of the Key Employees (as defined in ●) is hereby approved and the Applicants are authorized and directed to make payments in accordance with the terms and conditions of the KERP.

49. **THIS COURT ORDERS** that the Key Employees shall be entitled to the benefit of and are hereby granted a charge (the “**KERP Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$● to secure amounts owing to the Key Employees under the KERP. The KERP Charge shall have the priority set out in paragraphs 51 and 53 hereof.

50. **THIS COURT ORDERS** that the unredacted version of the KERP, a copy of which is attached as Confidential Exhibit “●” to ●, shall be and is hereby sealed, kept confidential, and shall not form part of the public record unless otherwise ordered by the Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

51. ~~40.~~ **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge, the KERP Charge and the Intercompany Charge (the "**Charges**"), as among them with respect to any Property to which they apply, shall be as follows:

First – Administration Charge (to the maximum amount of \$~~700,000~~1.5 million);

Second – Directors' Charge (to the maximum amount of \$~~1.43.75~~ million);

Third ~~–~~ KERP Charge (to the maximum amount of \$●);

Fourth – Intercompany Charge.

52. ~~41.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

53. ~~42.~~ **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

54. ~~43.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtains the prior written consent of the Monitor and the beneficiaries of the Charges, or further Order of this Court.

55. ~~44.~~ **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made

pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

56. ~~45.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants’ interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

57. ~~46.~~ **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSX Company Manual and other rules, regulations and policies of the Toronto Stock Exchange, and the NYSE Listed Company Manual and other rules, regulations

and policies of the New York Stock Exchange (collectively, the “**Securities Provisions**”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

58. ~~47.~~ **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants, the Monitor (and its directors, officers, employees and representatives), nor the CRO shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions.

SERVICE AND NOTICE

59. ~~48.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

60. ~~49.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at

<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a

Case Website shall be established in accordance with the Protocol with the following URL:

<http://www.ey.com/ca/canntrust>.

61. ~~50.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

62. ~~51. THIS COURT ORDERS that the balance of the relief sought by the Applicants in the Notice of Application dated March 31, 2020 be and is hereby reserved to be heard by this Court on April 10, 2020, or such other date as determined by this Court. 52. ———~~ **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

63. ~~53.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

64. ~~54.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

65. ~~55.~~ **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that CannTrust Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in the United States and any other jurisdiction outside Canada.

66. ~~56.~~ **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

67. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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 CANTRUST HOLDINGS INC. ET AL.

Court File No:

ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL DIVISION)

Proceeding

~~FIRST DAY~~ ~~AM~~ ~~INITIALS~~

McCarthy Tétrault
Suite 5300, Toronto
Toronto ON M5G 1S3
Fax: 416-868-0600

James Gage LSC
Tel: 416-601-7900
Email: jgage@mccarthy-tetraulth.com

Paul Steep LSC
Tel: 416-601-7900
Email: psteep@mccarthy-tetraulth.com

Trevor Courtis
Tel: 416-601-7900
Email: tcourtis@mccarthy-tetraulth.com

Alexander Steele
Tel: 416-601-8300
Email: asteele@mccarthy-tetraulth.com
Lawyers for the

DOC#: ~~201905739~~ 1905739

Document comparison by Workshare Compare on Tuesday, March 31, 2020 7:03:12 AM

Input:	
Document 1 ID	PowerDocs://DOCS/20005739/11
Description	DOCS-#20005739-v11-CannTrust_CCAA_-_First_Day_Order_-_DRAFT
Document 2 ID	PowerDocs://DOCS/19518480/12
Description	DOCS-#19518480-v12-CannTrust_CCAA_-_Amended_&_Restated_Initial_Order_-_DRAFT
Rendering set	MTStandard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	146
Deletions	106
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	254

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:

C
SUPERIOR C
COMM

Proceeding c

APPLICA
(CCAA A

McCarthy
Suite 5300
Toronto O
Fax: 416-8

James Ga
Tel: 416-6
Email: jga

Paul Steep
Tel: 416-6
Email: pst

Trevor Co
Tel: 416-6
Email: tcc

Alexander
Tel: 416-6
Email: ast

Lawyers f
DOC#: 202