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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANNTRUST HOLDINGS INC., CANNTRUST INC., CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE INVESTMENTS INC.

Applicants

FOURTH REPORT OF THE MONITOR

Dated September 15, 2020

INTRODUCTION

1. On March 31, 2020 (the "**Filing Date**"), the Court granted an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") that, among other things, appointed Ernst & Young Inc. as monitor of the Applicants (in such capacity, the "**Monitor**"), approved a stay of proceedings until and including April 9, 2020 (the "**Stay Period**"), granted certain Court-ordered charges, and approved FTI Consulting Canada Inc. continuing to act as Chief Restructuring Officer (the "**CRO**") of the Applicants. In addition, the Initial Order granted a limited stay of proceedings during the Stay Period with respect to O Cannabis We Stand on Guard For Thee Corporation, Cannatrek Ltd., Elmcliffe Investments [No. 2] Inc. and Cannabis Coffee and Tea Pod Company Ltd. staying any rights arising out of, related to, or triggered by the insolvency of any of the Applicants or the commencement of these proceedings (the "**CCAA Proceedings**").

2. On April 9, 2020, the Court granted an order (the "**Amended and Restated Initial Order**") that, amongst other things:

   a) extended the Stay Period to July 5, 2020;

b) increased the maximum amount of each of the Administration Charge, the Directors' Charge and the Intercompany Charge, as defined in the Initial Order;

c) approved Greenhill & Co. Canada Ltd. continuing to act as financial advisor (the "**Financial Advisor**") of the Applicants and approved the Transaction Fee Charge (as defined in the Amended and Restated Initial Order);

d) approved the Key Employee Retention Plan (the "**KERP**") and the KERP Charge (as defined in the Amended and Restated Initial Order); and

e) approved a limited stay of proceedings in respect of various current and former directors, officers and employees of CannTrust, and the auditors, certain underwriters and certain selling shareholders that are currently named, in addition to the Applicants, as defendants in the Canadian Class Actions, the Zola Action, the US Class Actions and the Construction Action, all as defined in the initial affidavit of Greg Guyatt dated March 31, 2020 (the "**March 31 Guyatt Affidavit**").

3. On May 8, 2020, the Court granted:

a) an order (the "**SISP Order**") approving the Applicants' sale and investment solicitation process (the "**SISP**");

b) an order (the "**Claims Procedure Order**") approving the claims process (the "**Claims Process**") proposed by the Applicants; and

c) an order (the "**Mediation Order**") approving the appointment of the Hon. Dennis O'Connor, Q.C. (the "**Mediator**") as a neutral Fourth party to mediate a global settlement of various actions (the "**Mediation Process**") which allege that CannTrust Holdings made misrepresentations in CannTrust Holdings' disclosure to investors and claims related thereto (such actions, the "**Securities Actions**"). Each of the Securities Actions are Excluded Claims under the Claims Procedure Order.

f) On July 2, 2020, 2020, the Court granted an order (the "**Stay Extension Order**") that extended the Stay Period to October 30, 2020.

PURPOSE

4. The purpose of this Fourth report of the Monitor (the "**Fourth Report**") is to provide to the Court:

   a) an update on the Applicants' activities since the third report of the Monitor dated June 29, 2020 (the "**Third Report**"); and

   b) the Monitor's recommendation with respect to the Applicants' motion for an order (the "**AGM Deadline Extension Order**") extending the time to call an annual general meeting of the shareholders ("**AGM**") for CannTrust Holdings Inc. ("**CannTrust Holdings**").

TERMS OF REFERENCE

5. In preparing this Fourth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**").

6. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fourth Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

BACKGROUND

7. CannTrust was founded in 2013 and is a licensed producer that supplied cannabis to the medical and adult-use recreational cannabis markets. The principal activities of CannTrust are the cultivation, processing, distribution, and sale of dried cannabis flower, cannabis soft gel capsules, and cannabis oil.

8. Anyone wishing to cultivate, process and/or sell cannabis in Canada must have a license from Health Canada to do so. In addition to issuing licences, Health Canada is responsible for ensuring compliance with, and enforcement of, the *Cannabis Act*, S.C. 2018, c-16 and

the *Cannabis Regulations,* SOR/2018-144 (together, the "**Cannabis Legislation**"). CannTrust Inc., a wholly owned subsidiary of CannTrust Holdings, is a licensed producer of cannabis under the Cannabis Legislation, with production and processing facilities in Fenwick, Ontario (the "**Fenwick Facility**") and Vaughan, Ontario (the "**Vaughan Facility**"). The licences issued in respect of the Fenwick Facility and the Vaughan Facility are referred to herein as the "**Cannabis Licences**" (each, a "**Cannabis Licence**").

9. As explained in the March 31 Guyatt Affidavit, CannTrust received notice of the partial suspension of the Cannabis Licences on September 17, 2019, which remained under partial suspension as at the Filing Date.

10. On February 14, 2020, CannTrust submitted a comprehensive package to Health Canada evidencing that it had completed the remediation plan for the Fenwick Facility and requested the reinstatement of its Cannabis Licence for the Fenwick Facility. On May 29, 2020, Health Canada notified CannTrust that the Cannabis License at its Fenwick Facility had been reinstated.

11. On April 24, 2020, CannTrust submitted a comprehensive package to Health Canada evidencing that it had completed the remediation plan for the Vaughan Facility and requested the reinstatement of its Cannabis Licence at that location as well. On August 5, 2020, Health Canada notified CannTrust that the Cannabis License at its Vaughan Facility had been reinstated.

12. In addition to its production and processing facilities in Ontario, CannTrust also owns 81 acres of land in British Columbia, through its wholly owned subsidiary CTI Holdings (Osoyoos) Inc., which were purchased with the intent to commence outdoor cannabis cultivation. CannTrust applied to Health Canada for licences to plant and cultivate on these lands. The applications are currently on hold.

13. Prior to commencing these proceedings, CannTrust was listed on the Toronto Stock Exchange under the ticker TRST and the New York Stock Exchange under the ticker CTST. On April 13, 2020, a cease trade order was issued by the Ontario Securities Commission (the "**OSC**"), and received by CannTrust Holdings, as a result of CannTrust

Holdings' failure to file certain periodic disclosure required by Ontario securities legislation.

14. All court documents and materials related to these CCAA Proceedings have been posted on the Monitor's website at www.ey.com/ca/canntrust (the "**Monitor's Website**").

UPDATE ON THE ACTIVITIES OF THE APPLICANTS

15. Since the Third Report, the Applicants have focused on continuing to work with Health Canada to obtain the reinstatement of the Cannabis License at the Vaughan Facility. The Applicants provided further information as requested by Health Canada to assist in the evaluation of the remediation packages that the Applicants had submitted for the Vaughan Facility.

16. On August 6, 2020, Health Canada notified CannTrust that the Cannabis License at its Vaughan Facility has been reinstated. With both Cannabis licenses reinstated, CannTrust is able to return to its full operations to bring its cannabis product to the consumer market.

17. The Applicants have continued their operational restructuring efforts and resuming their operations.

18. Pursuant to the Claims Procedure Order, the Applicants and the Monitor continue to review the claims received and will update the Court on the Claims Process in subsequent reports.

19. The Applicants continue to participate in the Mediation Process which is in progress.

ANNUAL GENERAL MEETING

20. All the Applicants are required under the under the *Business Corporations Act* (Ontario) (the "**OBCA**") to hold an AGM however the relief being sought only pertains to CannTrust Holdings. Further details of the AGM requirements and decision to only seek relief for CannTrust Holdings, are detailed in the Affidavit of Greg Guyatt sworn September 9, 2020 (the "**Guyatt Affidavit**") and should be read in conjunction with this Fourth Report.

21. The AGM required under the OBCA for CannTrust Holdings is to be called on or before September 20, 2020 (the "**AGM Deadline**"). For the AGM, CannTrust Holdings is required to prepare and place certain financial statements and other information before the shareholders.

22. As further detailed in the Guyatt Affidavit, CannTrust Holdings, in order to comply with the requirements of the OBCA, would have to revise or prepare several annual and year end statements going back to 2018. At this time, the Applicants have reviewed the time and cost needed to prepare such financial information and would not be able to complete this prior to the AGM Deadline. The Applicants believe that the resources and the cost would be better allocated to the CCAA processes underway.

23. The Applicants are requesting relief to extend the AGM Deadline to a date no later than 120 days after the expiring of the Stay Period. The Applicants believe the shareholders would not be prejudiced should the AGM Deadline be extended as:

   a) shareholders would be updated with information as presented in the Monitor's reports to the court which are available to the public;

   b) significant updates will be issued through press releases and other public disclosures which will be publicly available on the System for Electronic Document Analysis ("**SEDAR**"); and

   c) trading of common shares in Canada has been enjoined by a cease trade order by the OSC.

24. The Monitor is of the view that the request for relief is consistent with the reasons for which the Applicants were granted relief from their obligations for Security Filings (as defined in the Amended and Restated Initial Order). In addition, the Monitor is of the view that the shareholders would not be prejudiced should the AGM Deadline be extended and it is

reasonable for the Applicants to allocate their resources to the CCAA processes that are in progress, and the restructuring efforts.

25. The Monitor is of the view that the proposed AGM extension is appropriate as the update to the shareholders would be solidified after the emergence from the CCAA proceedings.

CONCLUSIONS AND RECOMMENDATIONS

26. For the reasons stated herein, the Monitor recommends that the Court approve the AGM Deadline extension should it see fit to do so.

All of which is respectfully submitted this 15th day of September, 2020.

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

per: Alex Morrison

Alex Morrison, CPA, CA
Senior Vice President

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PROCEEDING COMMENCED AT TORONTO

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September 15, 2020

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