

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

NINTH REPORT OF THE MONITOR

Dated April 22, 2021

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 in favour of 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 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 the Applicants, 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.
3. On May 8, 2020, the Court granted:
- a) an order approving the Applicants' sale and investment solicitation process;
 - 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 "**Court-Appointed Mediator**") as a neutral third party to mediate a global settlement of various actions, which allege that CannTrust Holdings Inc. ("**CannTrust Holdings**") made misrepresentations in CannTrust Holdings' disclosure to investors, and claims related to them (such actions, the "**Actions**"). The claims against CannTrust Holdings in the Actions are "**Excluded Claims**" under the Claims Procedure Order.
4. On July 2, 2020, the Court granted an order that extended the Stay Period to October 30, 2020.

5. On October 28, 2020, the Court granted an order that, among other things, extended the Stay Period to January 31, 2021, and authorized the Monitor to admit the proofs of claim identified in the fifth report of the Monitor dated October 26, 2020, that were received after the Pre-Filing Claims Bar Date or the Restructuring Claims Bar Date, as defined in the Claims Procedure Order and as applicable.
6. On January 29, 2021, the Court granted:
 - a) an order, among other things, extending the Stay Period to April 30, 2021; and
 - b) an order (the “**CCAA Representation Order**”) appointing the CCAA Representatives and CCAA Representative Counsel to represent the interests of the Securities Claimants (all of which are defined in the CCAA Representation Order) in the CCAA Proceedings in relation to their Securities Claims.
7. On February 19, 2021, the Court granted an order appointing the Honourable Frank J.C. Newbould, Q.C. as claims officer as contemplated by the Claims Process.
8. On April 16, 2021, the Court granted an order (the “**Meeting Order**”), among other things, authorizing CannTrust Holdings Inc., CannTrust Inc. and Elmclyffe Investments Inc. (the “**CannTrust Plan Companies**”) to conduct meetings of their creditors (the “**Meetings**”) to vote on a plan of compromise, arrangement and reorganization (the “**CCAA Plan**”).

PURPOSE

9. The purpose of this ninth report of the Monitor (the “**Ninth Report**”) is to provide information to the Court on the following:
 - a) the interim financing and exit credit facility (the “**DIP and Exit Loan**”) to be provided by Cortland Credit Lending Corporation (“**Cortland**”) in its capacity as administrative agent (the “**Agent**”) on behalf of itself, its affiliates and other lenders to be designated from time to time (collectively, the “**DIP Lender**”);
 - b) the Applicants’ receipts and disbursements for the period from March 1, 2021, to April 18, 2021, compared to the cash flow forecast (the “**Eighth Report Cash Flow**”)

Forecast") appended as Appendix "O" to the eighth report of the Monitor dated March 15, 2021 (the "**Eighth Report**");

- c) the activities of the Monitor since the date of the Eighth Report, including with respect to mediations conducted pursuant to the Mediation Order (the "**Mediation Process**") and the required notices under the Meeting Order;
- d) the Monitor's recommendation concerning the Applicants' motion for an order (the "**DIP Approval Order**"), among other things, authorizing the Applicants to obtain and borrow under the DIP and Exit Loan and sealing same, granting a charge over the Applicants' property in respect of these borrowings (the "**DIP Lender's Charge**") and extending the Stay Period to June 30, 2021.

TERMS OF REFERENCE

- 10. In preparing this Ninth 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**").
- 11. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Canadian auditing standards ("**CAS**") or any other standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS or any other standards in respect of the Information.
- 12. Some of the information referred to in this Ninth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

13. Future oriented financial information referred to in this Ninth Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
14. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Ninth Report concerning the Applicants and their business is based on the Information and not independent factual determinations made by the Monitor.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
16. Capitalized terms used in this Ninth Report are as defined herein, in the affidavit of Greg Guyatt sworn April 19, 2021 (the "**Guyatt Affidavit**").
17. 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**").

DIP AND EXIT LOAN

Need for DIP Financing

18. As described in the cash flow forecast attached as Appendix "A" and discussed further herein (the "**Cash Flow Forecast**"), the Applicants forecast that they will have approximately \$51.22 million in cash and short-term investments as at July 4, 2021.
19. As further described in the Guyatt Affidavit, the Applicants recently resumed selling cannabis into the recreational and medical markets and still require significant working capital before achieving a positive cash-flow position. As per the Cash Flow Forecast, from April 19, 2021 to July 4, 2021, the Applicants are projected to have a net cash outflow of \$12.48 million.

20. Under the CCAA Plan, if approved by the creditors and the Court, the Applicants will make a cash contribution in the amount of \$50 million (the “**Cash Contribution**”) to the Securities Claimant Trust (each as defined in the CCAA Plan).
21. In addition to the Cash Contribution, the Applicants, under the CCAA Plan, will need to fund certain other amounts, which based on proven claims as of April 7, 2021, include the following:

a)	distributions to general unsecured creditors of CannTrust Inc. (the “ GUC Distribution Pool ”)	\$900,000
b)	payment of secured claims against the CannTrust Plan Companies	\$101,439
c)	payment of general unsecured claims against CannTrust Holdings	\$411,316
d)	payment of general unsecured claims against Elmcliffe Investments Inc. pursuant to a payment schedule to be agreed with the CannTrust Plan Companies and the relevant creditor	\$400,000
e)	payment of CCAA Priority Payment Claims (as defined in the CCAA Plan)	To be determined
f)	payment of all claims secured by the CCAA Charges (as defined in the CCAA Plan) other than the DIP and Exit Loan.	To be determined

22. Based on the Cash Flow Forecast, the Applicants forecast that after reserving for the amounts required to be funded under the CCAA Plan listed above, they would have a negative cash balance of \$597,755 as at July 4, 2021. The Applicants accordingly require additional financing for working capital needs to maintain their ability to implement the CCAA Plan and to continue funding their operations post-implementation of the CCAA Plan.

Solicitation Process

23. According to the Guyatt Affidavit, the Applicants, with the assistance of their counsel, the CRO and the Monitor, solicited offers for competing proposals from various prospective

lenders at the end of 2020. The Applicants contacted over 20 different parties over the last five months and received seven proposals. The Monitor was kept apprised of the parties involved, terms being discussed, and was provided with copies of term sheets and was consulted from time to time throughout the solicitation process. The Applicants and their counsel and the CRO, in consultation with the Monitor, reviewed the terms submitted from all prospective financiers. The negotiated term sheet provided by the DIP Lender was selected as the superior proposal based on, among other things:

- a) the maximum principal amount of the loan available,
- b) the exit financing structure; and
- c) the fees, costs and various terms relative to the other term sheets received.

Term Sheet

- 24. The Applicants are seeking the approval of the term sheet between the DIP Lender and the Applicants dated April 13, 2021 (the “**Term Sheet**”), pursuant to which the DIP Lender has agreed to provide the DIP and Exit Loan subject to the terms and conditions outlined in the Term Sheet. In addition to the approval of this proposed Term Sheet, the proposed DIP Approval Order also provides for the creation of a related DIP Lender’s Charge in the maximum principal amount of \$22,500,000 which equals the maximum allowable borrowing amount that would be permitted by the proposed DIP Approval Order.
- 25. The DIP and Exit Loan will be secured by a first ranking super-priority security interest in, and during the pendency of the CCAA Proceedings, a first-ranking super-priority DIP financing charge, on the real property owned by the Applicants and all other present and after-acquired property of the Applicants, excluding specified excluded assets (the “**Excluded Property**”), subject to Permitted Encumbrances (as defined in the Term Sheet). The DIP and Exit Loan is guaranteed by all wholly-owned subsidiaries of the Applicants.
- 26. The Excluded Property includes, among other things, \$52,500,000 in cash for settling claims under the CCAA Plan, Assigned Claims (as defined in the RSA) and reserves related

to the tolling agreement made as of January 31, 2018, among Balfour Energy Corp., CannTrust Inc. and Elmcliffe Investments Inc. The Excluded Property would not be subject to the DIP Lender's Charge.

27. The following is a summary of the material terms of the Term Sheet:

- a) the DIP and Exit Loan is a revolving credit facility;
- b) the maximum principal amount is \$22.5 million (the “**Facility Limit**”) with an outside term of twelve (12) months from the initial advance, which may, subject to certain conditions, be extended for an additional 12-month term;
- c) advances under the loan are to be used for working capital needs: (i) during the CCAA Proceedings; and (ii), upon satisfaction of the Conditions Precedent to Extension of Credit Facility After CCAA Exit, after exit from the CCAA Proceedings upon implementation of the CCAA Plan;
- d) advances under the DIP and Exit Loan are structured as follows:
 - i. an initial advance will be available to the Applicants upon satisfaction of the conditions precedent to the closing of the DIP and Exit Loan;
 - ii. subsequent advances will be available upon delivery of a drawdown request accompanied by a Borrowing Base calculation and the Applicants meeting the other conditions precedent to subsequent advances; and
 - iii. there are certain minimum drawdown amounts and increments thereof specified in the DIP Term Sheet.
- e) the Applicants have paid a deposit of \$100,000 to the DIP Lender for legal and other transaction expenses, with any excess to be refunded to the Applicants;

- f) the DIP Lender will be entitled to a financing review fee and a commitment fee both based on a percentage of the Facility Limit which is earned and payable upon issuance of the DIP Approval Order and execution of all credit documents;
- g) interest will be calculated daily and not in advance based on a 365-day year, compounded and payable monthly at the first of each month, based on a percentage of the outstanding DIP and Exit Loan;
- h) the DIP Lender will be entitled to a utilization fee calculated daily based on a rate applied to the unutilized portion of the DIP and Exit Loan (Facility Limit less the advanced amounts);
- i) the DIP Lender may be entitled to a break fee payable to the DIP Lender based on a percentage of the Facility Limit if the Applicants do not allow for the closing of the DIP and Exit Loan by May 15, 2021, or such other date as may be mutually agreed upon;
- j) the Applicants will be required to make mandatory repayments of the DIP and Exit Loan from the net proceeds of the disposition of certain real estate collateral:
 - i. up to the amount of the total indebtedness under the DIP and Exit Loan; and
 - ii. concerning the agricultural property owned by the Applicants in Oliver, British Columbia that they initially intended to use for outdoor cultivation, a percentage of its appraised value, if sold, with the balance of the proceeds (if any) being deposited into a deposit account of the Applicants subject to the DIP Lender's security.
- k) the Applicants shall maintain a minimum Tangible Net Worth and fulfill several reporting requirements, including providing a current Borrowing Base calculation, cash reconciliation and rolling 13-week cash flow forecast, on Monday of each week.

Milestones

28. The DIP Facility contains the following Milestone Dates in Schedule “B”:
- a) CCAA Plan filed by April 30, 2021;
 - b) Meetings held by June 14, 2021;
 - c) Plan Sanction Order issued by June 30, 2021;
 - d) US Securities Class Action Dismissal Order issued by the later of the following: (i) September 30, 2021, and (ii) the date which occurs 130 days after the Applicants obtain the Plan Sanction Order described immediately above;
 - e) Plan Implementation by the later of the following: (i) October 31, 2021; and (ii) the date which occurs 31 days after the Applicants obtain the US Securities Class Action Dismissal Order described immediately above; and
 - f) presentation of a go-forward business plan acceptable to the Agent on or before the earlier of (i) October 31, 2021, and (ii) no less than 21 days before the Applicants’ exit from the CCAA Proceedings.
29. It is an Event of Default under the DIP Term Sheet if the Applicants fail to meet any of these Milestone Dates.

DIP LENDER’S CHARGE

30. The Amended and Restated Initial Order currently provides for five super-priority charges (collectively, the “**Charges**”) on the current and future assets, undertakings and properties of the Applicants, wherever located, including all proceeds thereof. The DIP Lender’s Charge is proposed to be in the following rank in relation to the other Charges:
- a) First - Administration Charge (to the maximum amount of \$1.4 million),
 - b) Second - The Directors’ Charge (to the maximum amount of \$3.55 million);
 - c) Third - KERP Charge (to the maximum amount of \$1.4 million);
 - d) Fourth – DIP Lender’s Charge (to the maximum principal amount of \$22.5 million);

- e) Fifth – Transaction Fee Charge; and
 - f) Sixth – Intercompany Charge.
31. The Monitor has been advised by the Applicants that they have served their motion record on all secured creditors known to the Applicants who may be affected by the proposed DIP Lender's Charge, in accordance with section 11.2 of the CCAA.

SEALING ORDER

32. In addition to the approval of the Term Sheet, the Applicants, upon request of the DIP Lender, are seeking to seal the unredacted version of the Term Sheet as it includes sensitive financial and economic terms such as the interest rate, the amounts of the various fees, financial covenant thresholds and the borrowing base calculation methodology. An unredacted copy of the Term Sheet has been provided as Confidential Exhibit "C" to the Guyatt Affidavit, with a redacted copy reproduced and provided as **Appendix "B"** to this Ninth Report.
33. Typically, the terms of a DIP facility are disclosed publicly in their entirety in connection with a motion to approve such a facility. However, in these circumstances, the loan will be rolled into exit financing on implementation of the CCAA Plan, and the terms of an exit loan are usually confidential between the parties. Consequently, the Monitor is of the view that it is appropriate to seal the unredacted Term Sheet since the disclosure of the commercially sensitive financial information could prejudice the DIP Lender's and the Applicants' ability to negotiate in connection with future lending opportunities. If any creditor or stakeholder requests information regarding the terms of the DIP and Exit Loan, the Monitor will work with the Applicants to provide information subject to confidentiality requirements as appropriate.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

34. A summary of the Applicants' actual receipts and disbursements during the period from March 1, 2021 to April 18, 2021 (the "**Reporting Period**") as compared to the Eighth Report Cash Flow Forecast covering the same period (the "**Variance Analysis**") is attached as **Appendix "C"** to this Ninth Report.
35. During the Reporting Period, the Applicants sustained a net cash outflow of approximately \$6.08 million. The receipts were comprised of the sale of cannabis, sale of non-material assets, return of deposits from vendors and an intercompany receivable from a non-filing affiliated entity. The disbursements relate mainly to payroll and employee-related expenses, marketing costs, insurance premiums, utilities, and production costs. As at April 18, 2021, the Applicants' cash on hand was approximately \$63.70 million.
36. Prior to the Filing Date, CRA placed a hold on HST refunds for all of the Applicants until completion of its HST and payroll audits. The CRA has not indicated when these audits will be completed. Due to the uncertainty of the release of the HST refunds, they are not included in the Cash Flow Forecast.
37. The favourable cash position variance for the Reporting Period of approximately \$2.36 million results from lower capital costs, employee headcount, freight and marketing costs related to lower sales volumes. Details of both the permanent and timing differences are attached to the Variance Analysis.
38. CannTrust Holdings has made, with approval from the Monitor, Intercompany Advances (as that term is defined in the Amended and Restated Initial Order) of \$5 million during the Reporting Period to fund disbursements of the other Applicants. This is \$5 million lower than forecast due to the favourable cash flow variance. The total Intercompany Advances since the Filing Date are \$50,300,000.

OVERVIEW OF APPLICANTS' CASH FLOW FORECAST OVER THE STAY PERIOD

39. The Applicants, with the assistance of the CRO, and in consultation with the Monitor, have prepared a cash flow forecast (the "**Cash Flow Forecast**") running from April 19, 2021 to

the week ending July 4, 2021 (the “**Forecast Period**”). The Cash Flow Forecast is attached as **Appendix “A”** to this Ninth Report.

40. The Cash Flow Forecast indicates that during the Forecast Period, the Applicants are projected to have receipts from sales of cannabis products and interest income of approximately \$1.98 million and estimated total combined disbursements of approximately \$14.46 million for a forecast net cash outflow of \$12.48 million. The Applicants anticipate Intercompany Advances of \$15 million during the Forecast Period. The Cash Flow Forecast projects that the Applicants will have an ending cash balance at July 4, 2021 of approximately \$51.22 million. This balance includes the \$50 million and the \$900,000 that is contemplated in the CCAA Plan for the Securities Claimant Trust and the GUC Distribution Pool, respectively. In addition, the Applicants would have to reserve for the additional amounts described in paragraph 21 b) to f) which, as at April 7, 2021 totalled \$912,755. Therefore, after the necessary amounts to be reserved for the CCAA Plan, in the absence of additional funding, there would be a negative cash balance as at July 4, 2021 of \$597,755.
41. With the recommencement of growing operations, the Applicants are currently producing work in process and finished inventory. The Applicants have estimated the sales based on the existing market capacity, pricing and demand and the availability of the inventory ready for sale.
42. Any capital expenditures must be reviewed and approved by the Monitor in advance of being incurred, but the Applicants, the CRO and the Monitor agreed that it was appropriate to include these potential disbursements in the Cash Flow Forecast. There are no significant capital expenditures anticipated in the Forecast Period.

STAY EXTENSION

43. The Stay Period is currently set to expire on April 30, 2021. The Applicants are requesting an extension of the Stay Period until June 30, 2021.
44. The Monitor is of the view that the requested extension of the Stay Period is appropriate because the Applicants have continued to act in good faith and with due diligence since the

date of the Initial Order and the extension would allow the Applicants to, among other things, conduct the Meetings, and to seek approval of the CCAA Plan by this Court at the Sanction Hearing should it be approved by the Affected Creditors as contemplated in the Meeting Order.

45. Based on the Cash Flow Forecast, the Monitor believes that the Applicants will have sufficient liquidity to fund their operations through the proposed extension of the Stay Period to June 30, 2021 should the DIP and Exit Loan be approved by this Court.
46. For the foregoing reasons, the Monitor supports the Applicants' request for an order extending the Stay Period to June 30, 2021.

ACTIVITIES OF THE MONITOR

47. Since the Eighth Report, the Monitor has, among other things:
 - a) continued to work with the Applicants to advance the Claims Process, review the Claims that were filed in connection therewith, and engage in negotiations in an attempt to resolve the Disputed Claims;
 - b) continued to assist the Court-Appointed Mediator in implementing the Mediation Process;
 - c) requested information from the Court-Appointed Mediator regarding the status of the Mediation Process to inform the Court;
 - d) participated in the more than two-thirds of the 32 mediation sessions held by the Court-Appointed Mediator since the initial hearing date for the Meeting Order on March 19, 2021;
 - e) reviewed the materials filed by the Applicants and the various respondents with respect to the Applicants' motion for the Meeting Order; and

- f) appeared at the hearing for the Meeting Order.
48. Additionally, the Meeting Order set out certain notice and publication steps to be carried out by the Monitor. To date, the Monitor has, in accordance with the Meeting Order:
- a) published the notice of the Meeting Order in the Globe and Mail (National Edition) and the Wall Street Journal on April 22, 2021;
 - b) sent copies of the Information Statement, the Notice of Meetings and Sanction Hearing and an Opco GUC Election Notice and Proxy to all General Unsecured Creditors (Opco) (each as defined and attached to the Meeting Order) by email on April 21, 2021;
 - c) sent copies of the Information Statement, the Notice of Meetings and Sanction Hearing and a Holdings GUC Proxy to all General Unsecured Creditors (CannTrust Holdings) (each as defined and attached to the Meeting Order) by email on April 21, 2021;
 - d) sent copies of the Information Statement, the Notice of Meetings and Sanction Hearing and an Elmcliffe Proxy to all General Unsecured Creditors (Elmcliffe) (each as defined and attached to the Meeting Order) by email on April 21, 2021; and
 - e) sent copies of the Information Statement, the Notice to Securities Claimants and the Proof of Represented Securities Voting Claims to the CCAA Representatives and CCAA Representative Counsel (each as defined and attached to the Meeting Order) by email on April 21, 2021;
 - f) sent copies of the Information Statement, the Notice to Securities Claimants, the Securities Claimant Opt Out Election, the Proof of Opt Out Securities Voting Claim and the Opt Out Securities Claimant Proxy to all Excluded Securities Claimants (each as defined and attached to the Meeting Order) by email on April 21, 2021;

- g) sent copies of the Notice to Securities Claimants, the Securities Claimant Opt Out Election, the Proof of Opt Out Securities Voting Claim and the Opt Out Securities Claimant Proxy to all Known Securities Claimants (each as defined and attached to the Meeting Order) by email on April 21, 2021;
- h) posted the above-mentioned notices and forms on the Monitor's website; and
- i) sent a copy of the Notice of Meetings and Sanction Hearing, the Information Statement and the Meeting Order to the Service List (as defined in the Meeting Order) by email on April 21, 2021.

CONCLUSIONS AND RECOMMENDATIONS

- 49. Based on the Cash Flow Forecast and the Applicants funding requirements pursuant to the CCAA Plan, the Monitor is of the view that the Applicants' request for approval of the DIP and Exit Loan is reasonable and appropriate in the circumstances.
- 50. For the reasons stated herein, the Monitor recommends that the Court grant the proposed DIP Approval Order, including the extension of the Stay Period to June 30, 2021, should it see fit to do so.

All of which is respectfully submitted this 22nd day of April 2021.

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



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



**Karen Fung, CPA, CA, CIRP, LIT
Vice President**

APPENDIX “A”
CASH FLOW FORECAST

CANNTRUST
CCAA Cash Flow Forecast [1]

In thousands \$CAD

Forecast Week Ending (Sunday)	25-Apr-21	02-May-21	09-May-21	16-May-21	23-May-21	30-May-21	06-Jun-21	13-Jun-21	20-Jun-21
Forecast Week	1	2	3	4	5	6	7	8	9
Receipts									
Receipts from Operations [2]	52	52	94	94	94	94	94	346	346
Other Receipts/ (Service Charges) [3]	-	(8)	-	24	-	(8)	-	-	22
Total Receipts	52	44	94	118	94	86	94	346	368
Operating disbursements									
Payroll and Benefits [4]	-	(738)	(50)	(774)	-	(797)	(50)	(808)	-
Property Leases [5]	-	(58)	-	-	-	(58)	-	-	-
Utilities [6]	-	(518)	(118)	(24)	-	(518)	(118)	(24)	-
Other Operating Expenses [7]	(282)	(1,705)	-	(834)	-	(1,378)	(73)	(653)	(206)
Capital Expenditures [8]	(4)	(66)	-	-	-	-	-	-	-
Total Operating Disbursements	(286)	(3,085)	(168)	(1,632)	-	(2,751)	(241)	(1,485)	(206)
Cash from Operations	(234)	(3,041)	(74)	(1,514)	94	(2,665)	(147)	(1,139)	162
Restructuring Disbursements									
Restructuring Professional Fees [9]	(62)	(267)	-	(178)	(17)	(267)	-	-	(178)
KERP	-	-	-	-	-	-	-	-	-
Total Restructuring Disbursements	(62)	(267)	-	(178)	(17)	(267)	-	-	(178)
Net Cash Inflows / (Outflows)	(296)	(3,308)	(74)	(1,692)	77	(2,932)	(147)	(1,139)	(16)
Cash									
Beginning Balance [10]	63,698	63,402	60,094	60,020	58,328	58,405	55,473	55,326	54,187
Net Cash Inflows / (Outflows)	(296)	(3,308)	(74)	(1,692)	77	(2,932)	(147)	(1,139)	(16)
Ending Balance	63,402	60,094	60,020	58,328	58,405	55,473	55,326	54,187	54,171
Intercompany Advances [11]									
Beginning Balance	50,300	55,300	55,300	55,300	55,300	60,300	60,300	60,300	60,300
Intercompany Advances	5,000	-	-	-	5,000	-	-	-	-
Cumulative Intercompany Advances	55,300	55,300	55,300	55,300	60,300	60,300	60,300	60,300	60,300

CANNTRUST

CCAA Cash Flow Forecast [1]

In thousands \$CAD

Forecast Week Ending (Sunday)		27-Jun-21	04-Jul-21	Total
Forecast Week		10	11	
Receipts				
Receipts from Operations	[2]	346	346	1,958
Other Receipts/ (Service Charges)	[3]	-	(8)	22
Total Receipts		346	338	1,980
Operating disbursements				
Payroll and Benefits	[4]	(830)	(50)	(4,097)
Property Leases	[5]	-	(58)	(174)
Utilities	[6]	-	(636)	(1,956)
Other Operating Expenses	[7]	(645)	(1,137)	(6,913)
Capital Expenditures	[8]	-	-	(70)
Total Operating Disbursements		(1,475)	(1,881)	(13,210)
Cash from Operations		(1,129)	(1,543)	(11,230)
Restructuring Disbursements				
Restructuring Professional Fees	[9]	(17)	(267)	(1,253)
KERP		-	-	-
Total Restructuring Disbursements		(17)	(267)	(1,253)
Net Cash Inflows / (Outflows)		(1,146)	(1,810)	(12,483)
Cash				
Beginning Balance	[10]	54,171	53,025	63,698
Net Cash Inflows / (Outflows)		(1,146)	(1,810)	(12,483)
Ending Balance		53,025	51,215	51,215
Intercompany Advances				
Beginning Balance	[11]	60,300	65,300	
Intercompany Advances		5,000	-	
Cumulative Intercompany Advances		65,300	65,300	

Notes to Cash Flow Forecast:

- [1] The purpose of this Ninth Report Cash Flow Forecast is to estimate the liquidity requirements of the Applicants (“CannTrust” or the “Company”) during the Forecast Period.
- [2] Receipts from Operations – Include collections of both medical and recreational cannabis sales and are based on management’s current sales forecast and customer payment terms.
- [3] Other Receipts – Forecast other receipts includes interest income net of bank fees.
- [4] Payroll and Benefits – Based on the Company’s payroll calendar and labour forecast.
- [5] Property Leases – Include monthly lease-related payments in respect of the Vaughan Facility.
- [6] Utilities – Include hydro, gas and other utility payments as well as scheduled payments pursuant to the Company’s co-generation agreement in respect of the Fenwick Facility.
- [7] Other Operating Expense Disbursements – Include production costs, on-going marketing, consulting & professional fees and general and administrative costs and are based on the Company’s internal budget.
- [8] Capital Expenditures – The Applicants have limited capital expenditures.
- [9] Restructuring Disbursements – Include the professional fees for legal and financial advisors associated with the CCAA proceedings. Forecast is based on guidance from various legal and professional firms engaged.
- [10] Beginning Cash Balance – Cash and short-term investments as at April 19, 2021. This balance includes the \$50 million and the \$900,000 that is contemplated in the CCAA Plan for the Securities Claimant Trust and the GUC Distribution Pool, respectively. In addition, other amounts that would be reserved for are secured claims for the CCAA Plan Companies and the unsecured creditors of CannTrust Holdings Inc.
- [11] Intercompany Advances – Pursuant to the Amended and Restated Initial Order, CannTrust Holdings Inc. (the “Intercompany Lender”) is 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.

APPENDIX “B”
REDACTED TERM SHEET

SUMMARY OF TERMS AND CONDITIONS

CREDIT FACILITY FOR CANNTRUST HOLDINGS INC., CANNTRUST INC., ELMCLIFFE INVESTMENTS INC., AND CTI HOLDINGS (OSOYOOS) INC. PROVIDED BY CORTLAND CREDIT LENDING CORPORATION

April 13, 2021

The Agent, for and on behalf of the Lenders (as such terms are defined below), hereby commits to provide the entire amount of the Credit Facility to the Borrowers upon the terms and subject to the conditions set forth in this binding term sheet (this “**Term Sheet**”). Capitalized terms used herein without express definition will have the same meanings as are assigned to them in Schedule A. Any word defined in or importing the singular number has the same meaning when used in the plural number, and *vice versa*.

Agent	CORTLAND CREDIT LENDING CORPORATION, in its capacity as administrative agent for Lenders (in such capacity, “ Agent ”).
Lender(s)	Cortland Credit Lending Corporation (“ Cortland ”) or its affiliates and/or other lenders to be designated from time to time by the Agent without the prior written consent of the Borrowers (each a “ Lender ”).
Borrower(s)	CannTrust Holdings Inc., CannTrust Inc., Elmcliffe Investments Inc., and CTI Holdings (Osoyoos) Inc. (collectively, the “ Borrowers ” and each, a “ Borrower ”). Unless otherwise stated, all obligations of the Borrowers are joint and several.
Guarantors:	Elmcliffe Investments (No. 2) Inc. and any other wholly-owned subsidiaries of any Borrower and/or Guarantor.
Currency	Unless otherwise noted, the currency of the Credit Facility shall be Canadian Dollars (“ CAD ”).
Credit Facility	A Debtor-In-Possession and CCAA Exit Credit Facility (the “ Credit Facility ” or the “ Facility ”) with a maximum limit of \$22,500,000 (“ Facility Limit ”). The Credit Facility shall consist of a revolving loan whereby repayments and additional drawdowns are permitted from time to time, provided that each drawdown of the Credit Facility is in a minimum amount of \$REDACTED and \$REDACTED increments thereof provided that at no time shall amounts owing under the Credit Facility exceed the Borrowing Limit.
Use of Proceeds	Funds advanced under the Credit Facility shall be used to fund the Borrowers’ working capital needs during the CCAA Proceedings and, upon satisfaction of the conditions set forth below beside the heading “Conditions Precedent to Extension of Credit Facility After CCAA Exit”, after exit from the CCAA Proceedings upon implementation of a plan of arrangement under the CCAA by the Borrowers (the “ CCAA Plan ”).
Interest Rate	Amounts drawn and outstanding under the Credit Facility will bear interest at a rate per annum equal to the greater of REDACTED. Interest on the principal amount outstanding under the Credit Facility will be due and payable in cash on the first Business Day of each month covering interest accrued over the past calendar month. Unless otherwise provided for herein, interest on any amount due hereunder shall be calculated daily and not in advance on the basis of a 365-day year. For the purposes

of the *Interest Act* (Canada) in the case of a leap year, the annual interest rate corresponding to the interest calculated on the basis of a 365-day year is equal to the interest rate thus calculated multiplied by 366 and divided by 365. Any amount of principal, interest commission, discount, or any other nature remaining unpaid at maturity, shall bear interest at the rate provided for herein, being understood that the said interest rate on arrears shall not exceed the maximum rate provided by law. Interest on arrears shall be compounded monthly and payable on demand.

Fees

Financing Review Fee

A Financing Review Fee equal to REDACTED% of the Facility Limit which is fully earned by the Agent and payable by the Borrowers to the Agent upon issuance of the DIP Order (as defined below).

Commitment Fee

A Commitment Fee equal to REDACTED% of the Facility Limit will be payable by the Borrowers to the Agent upon issuance of the DIP Order and the full execution of all required Credit Documents.

Break Fee

In the event that after the DIP Order has become a final order, either a material misrepresentation had been made by any Borrower, or the Borrowers do not allow for the closing of the Credit Facility by May 15, 2021, or such other date as may be mutually agreed upon, despite the Agent and the Lenders being prepared to offer the Credit Facility to the Borrowers, the Borrowers shall pay a Break Fee to the Agent in an amount equal to REDACTED% of the Facility Limit.

Utilization Fee

Any Unutilized Portion of the Credit Facility will bear a Utilization Fee at a rate of REDACTED% per annum ("**Utilization Fee Rate**"), calculated daily using the calculations provided hereunder ("**Utilization Fee**"). The Unutilized Portion shall be calculated as the Facility Limit less the advanced and outstanding amount under the Credit Facility ("**Unutilized Portion**"). The Utilization Fee shall be calculated daily as (i) the Unutilized Portion at the end of each Business Day, and in the case of a non-Business Day, the Unutilized Portion as of the immediately preceding Business Day, multiplied by (ii) the Utilization Fee Rate divided by 365. The Utilization Fee will be due and payable in cash on the last day of each month.

Expense Deposit

Borrowers shall provide a \$100,000 deposit to the Agent to cover legal and other transaction expenses (field exam, inventory and real estate appraisals, etc.) and upon finalization of all transaction expenses, such deposit will be refunded to the Borrowers after subtracting all transaction and other due diligence costs incurred by the Agent from the initial \$100,000 deposit amount. Agent acknowledges that such expense deposit was received in full on March 8, 2021.

Out-of-Pocket Expenses

All reasonable and documented out of pocket fees and expenses, including, without limitation, legal fees and third-party equipment appraisal, audit, monitoring and valuation fees, travel, quarterly field exam fees and all other out-of-pocket expenses associated with the Credit Facility are to be paid by the Borrowers on demand. If such reasonable and documented out-of-pocket expenses are billed to the Agent for any reason, the Borrowers shall reimburse the Agent within three (3) Business Days of the Agent providing the Borrowers a summary and evidence of the out-of-pocket expenses incurred.

**Term of Credit Facility;
Maturity Date**

The term of the Credit Facility will be the earlier of (such earlier date, the "**Maturity Date**"): (i) 12 months from the initial advance under the Credit Facility (the "**Facility Term**"), which may be extended for an additional 12-month term upon the request of the Borrowers and the Agent and the Lenders agreeing to such extended term in

their sole discretion; and (ii) any other Termination Date. If the Credit Facility is terminated for any reason without the consent of the Agent within the Facility Term, a termination fee equal to REDACTED% of the Facility Limit ("**Termination Fee**") shall be payable by the Borrowers to the Agent on the Termination Date.

The Agent shall have the right to terminate the Credit Facility upon the occurrence of an Event of Default that is continuing and has not been waived.

The Agent shall have the immediate right to terminate the Credit Facility upon the giving of notice by the Agent to the Borrowers if an Event of Default has occurred and is continuing beyond a cure period or if the Credit Facility shall become, in whole or in part, illegal or in contravention of any Applicable Law or policy or request of any regulatory authority, unless such illegality or contravention resulted from the gross negligence or wilful misconduct of, or an illegal act by the Agent or a Lender.

The Agent shall have the right to terminate the Credit Facility upon 120 days' notice to the Borrowers if adverse market conditions are negatively affecting the liquidity of the Lenders; provided that, (i) the Termination Fee shall not be payable in such circumstances; and (ii) the repayment of the outstanding advances under the Credit Facility shall not be due and payable until 120 days after receipt of such notice by the Borrowers, unless otherwise agreed to in writing by the Borrowers.

The Facility may be terminated with the consent of both the Agent and the Borrowers, at which time, all accrued interest, principal and unpaid fees owing shall be paid in cash to the Agent on such Termination Date.

The date on which all outstanding principal under the Credit Facility shall become due and payable will be termed the "**Termination Date**" and will be the date which is the earliest to occur of the following:

- i. The Maturity Date;
- ii. The date on which any Event of Default occurs or is discovered to have occurred in the past and remains uncured beyond the cure or grace period provided herein and the Agent has terminated the Credit Facility by notice to the Borrowers (as provided above);
- iii. Unless waived or otherwise consented to by the Agent, the date on which any of the Obligors undertake a liquidity, reorganization event, or Change of Control, other than in connection with implementation of the CCAA Plan or an internal reorganization in which the Agent retains the Security over the resulting entities from such reorganization; and
- iv. Any other date which the Credit Facility becomes due and payable pursuant to any other terms within the Credit Documents.

Collateral

The Credit Facility shall be secured by a first ranking super-priority security interest in, and during the pendency of the CCAA Proceedings, a first-ranking super-priority DIP financing charge (the "**DIP Charge**") on (i) the Real Estate Collateral and (ii) all other present and after acquired property (other than Excluded Property) of the Borrowers ("**Other Collateral**") and together with the Real Estate Collateral, the "**Collateral**"), subject in each case to Permitted Encumbrances.

The security interest in the Collateral shall only be subordinate to the Administration Charge, the Directors' Charge, and the KERP Charge (all as defined in the Amended and Restated Initial Order) and only up to the amounts set out in paragraph 57 of the Amended and Restated Initial Order for the aforementioned charges. Upon termination of the CCAA Proceedings, security shall also be first-ranking on the Other Collateral (subject to Permitted Encumbrances).

Excluded Property	All of the following shall constitute “Excluded Property” for purposes of the Credit Documents and DIP Charge: i. cash in the amount of \$50,000,000 deposited into a separate account during the CCAA Proceedings and to be paid into a trust to be established for purposes of funding settlement and implementation of the CCAA Plan; ii. cash in the amount of \$2,500,000 deposited into a separate account and used for purposes of settling trade creditors and employment claims against the Borrowers under the CCAA Plan; iii. the “Assigned Claims” as defined and described in the restructuring supporting agreement dated January 19, 2021, between the Borrowers and certain representative plaintiffs in various class action proceedings commenced against the Borrowers; iv. any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers Trust, a trust established by the Borrowers for purposes of settling potential director and officer liabilities (provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution will become Collateral); and v. any reserve accounts maintained by the Borrowers (or any one of them), and all funds on deposit therein, in connection with the tolling agreement made as of January 31, 2018 among Balfour Energy Corp., CannTrust Inc. and Elmclyffe Investments Inc., provided that no Borrowers or any Guarantor will deposit any funds into such reserve accounts covered by this subsection (vi) while any amount is outstanding under the Credit Facility except for pre-scheduled payments set forth in a schedule provided by the Borrowers to the Agent.
Mandatory Repayment from Disposition of Real Estate Collateral	If a Borrower sells any of the Real Estate Collateral (with the prior written consent of the Agent and on terms satisfactory to the Agent), the Agent shall receive net sales proceeds from such sale (net only of usual closing adjustments), up to the total amount of the Borrowers’ indebtedness to the Agent and the Lenders under the Credit Facility; provided that, in the case of the Osoyoos Property, (A) such repayment need only be in an amount equal to 55% of the appraised value of the Osoyoos Property from the net proceeds arising from the disposition of the Osoyoos Property; and (B) the balance of such net proceeds (if any) are deposited into a deposit account of the Borrowers subject to the Security. For greater certainty, any such repayment by the Borrowers may be re-borrowed and shall not cause a permanent reduction of the availability and commitments under the Credit Facility.
Concentration	Concentration of Approved Debtors will be determined by the Agent through due diligence and from time to time thereafter.
Security Documentation	As security for the indebtedness and all obligations of the Borrowers and any Guarantors to the Agent under or in connection with the Credit Documents, the Borrowers and the Guarantors shall provide to the Agent collateral mortgages in favour of the Agent (in the case of Borrowers or Guarantors which possess any Real Estate Collateral) (collectively, the “Mortgages”) and a general security agreement (“GSA”) in favour of the Agent, including all documentation related to the GSA as may be required to secure and maintain the Agent’s first priority interest over the Collateral (collectively, “Security”), all of which shall be in a form and content acceptable to the Agent, acting reasonably in accordance with customary market practice.

Each Obligor will use its commercially reasonable efforts to obtain all necessary consents which may be required to pledge all shares and/or equity interests such Obligor owns in any non-wholly owned subsidiary in favour of the Agent. Each Obligor undertakes to provide all evidence that it has used its commercially reasonable efforts to obtain such consents from any Person required to grant such consent.

Blocked Account Control Agreements

Other than all accounts that relate to Excluded Property, the Borrowers shall maintain springing blocks in favour of the Agent over all bank accounts where a Borrower holds any funds (including all proceeds from Debtor Invoices and the proceeds of any disposition of any other Collateral), which will be subject to a blocked account control agreement in favour of the Agent (collectively, the “**Blocked Account Agreements**”), but which the Borrowers will retain exclusive control over the funds on deposit in such accounts until the Agent and the Lenders takes any enforcement action in accordance with this Term Sheet.

In the event any Borrower's Debtor Invoices are included in the Borrowing Base, all proceeds of such accounts receivable must be deposited into a deposit account which Cortland maintains exclusive control over through a full block on such account where such balances automatically sweep daily to the Agent's accounts and will be applied as follows: (i) first, as a repayment under the Credit Facility; and (ii) second, any excess funds (if any) shall have transferred to a bank account of the Borrowers (or as the Borrowers may otherwise direct). Each Obligor will use its commercially reasonable efforts to set up such cash management arrangements with its depository bank and the Agent in order to implement the foregoing.

Conditions Precedent to the Closing Date

The obligation of the Agent and the Lenders to make the Credit Facility available to the Borrowers and to fund the initial advance under the Credit Facility are subject to and conditional upon satisfaction (or waiver by the Agent) of the following conditions precedent:

1. Order of the Court approving the Credit Facility and related transactions, granting the DIP Charge and providing for the priority of the security in the Collateral in form and substance satisfactory to the Agent and its counsel (the “**DIP Order**”).
2. Confirmation that no amount is or will be owing pursuant to the Transaction Fee Charge as defined in the Amended and Restated Initial Order at the time of granting of the DIP Order.
3. Written confirmation from Greenhill & Co. Canada, Ltd. that no amount will be owing to them from the Borrowers as a result of the closing of the Agent's Credit Facility.
4. Receipt by the Agent of a certificate for the business and property insurance maintained by the Borrowers naming the Agent and the Lenders as mortgagees and loss payees.
5. Receipt by the Agent of certificate for the commercial general liability insurance maintained by the Borrowers, naming the Agent and the Lenders as additional insureds.
6. Each of the representations and warranties made by the Borrowers in this Term Sheet and each Credit Document shall be true and correct in all material respects.
7. Receipt of all information necessary in order for the Agent to comply with legal and internal requirements in respect of money laundering legislations,

proceeds of crime legislation, and “know your customer” requirements (as applicable).

8. Payment by the Borrowers to the Agent of any reasonable and documented expenses incurred by the Agent or the Lenders in connection with the Credit Facility (including the negotiation, ongoing monitoring and any costs of enforcement).
9. No Material Adverse Change since the date of the latest financial statements provided to the Agent.
10. Each Borrower shall have granted written permission to the Agent and the Lenders to contact each of such Borrower’s end customers and its own suppliers for the purposes of verification, other than, in each case, individual medicinal customers and subject to compliance with privacy laws and confidentiality obligations of the Borrowers.
11. Receipt of real estate appraisals on the Real Estate Collateral addressed to the Agent (or with a transmittal letter permitting the Agent and the Lenders to rely on such appraisals) acceptable to the Agent where such appraised value is based on alternative best use. The Agent acknowledges and agrees that the real estate appraisals completed by Cushman & Wakefield, Inc. are acceptable to satisfy this condition precedent.
12. Receipt of Phase 1 environmental reports on the Real Estate Collateral acceptable to the Agent, including a Phase II if required, addressed to the Agent and the Lenders (or with a transmittal letter permitting the Agent and the Lenders to rely on such report(s)).
13. Review of the Borrowers’ forecast financial statements for fiscal year 2021 and most recent 13- week cash flow forecast as provided from time to time by the Borrowers to the Agent, which is satisfactory to the Agent.
14. Background checks on the senior management of the Borrowers satisfactory to the Agent.

Conditions Precedent to each Subsequent Advance under the Credit Facility

The following conditions precedent shall be satisfied, or waived by the Agent, prior to each subsequent advance under the Credit Facility:

1. delivery to the Agent of a drawdown request with a Borrowing Base, duly executed by the Borrowers;
2. each of the representations and warranties made by the Borrowers in this Term Sheet and each Credit Document shall be true and correct in all material respects as of the date made or deemed made (other than to the extent any representation and warranty relate specifically to an earlier date);
3. the DIP Order must not be vacated, stayed, amended, or otherwise caused to become ineffective without the prior written consent of the Agent;
4. Confirmation that no amount is or will be owing pursuant to the Transaction Fee Charge as defined in the Amended and Restated Initial Order while any amounts are outstanding pursuant to the Credit Facility; and
5. no Event of Default shall have occurred and be continuing, nor will any Event of Default occur as a result of the requested advance.

Conditions Precedent to Extension of Credit Facility After CCAA Exit

The following conditions precedent shall be satisfied, or waived by the Agent, prior to the continuation of the availability of the Credit Facility by the Agent and the Lenders to the Borrowers upon the Borrowers exit from the CCAA Proceedings:

1. the Agent being satisfied with the Borrowers' business plan and forecast;
2. an order of the Court sanctioning the CCAA Plan;
3. notwithstanding anything set out in Schedule "B", the CCAA Plan shall have been implemented and become effective by no later than October 31, 2021;
4. the Agent is satisfied (acting reasonably) with the terms of the CCAA Plan and Order of the Court sanctioning the CCAA Plan;
5. negotiation, execution and delivery of a credit agreement (the "**Credit Agreement**") incorporating terms and conditions which are substantially similar to this Term Sheet and such other terms and conditions to be agreed upon between the Agent and the Borrowers to address the Borrowers' business plan upon exit of the CCAA Proceedings and due diligence by the Agent in respect of the same;
6. Completion of satisfactory cash management arrangements relating to the Collateral, including the Blocked Account Agreements, as required;
7. Completion of Security, including receipt of customary legal opinions, in form and substance satisfactory to the Agent and its counsel;
8. Execution of a satisfactory subordination agreement, priorities agreement, intercreditor agreement, estoppel letters or similar arrangements between the Agent and each of the following prior secured creditors of the Obligors to be determined following the completion of PPSA searches in the Provinces of Alberta and Saskatchewan;
9. if required by the Agent, third party appraisal and/or full review of all Collateral;
10. if required by the Agent, receipt of equipment appraisals covering the Approved Equipment where such appraisal is conducted by an appraiser approved and engaged by Cortland;
11. each of the representations and warranties made by the Borrowers in the Credit Agreement shall be true and correct in all material respects as of the date made or deemed made (other than to the extent any representation and warranty relate specifically to an earlier date); and
12. no Event of Default has occurred and is continuing.

Facility Covenants

So long as the Credit Facility is in effect, and until the obligations of the Borrowers to the Agent and the Lenders under the Credit Facility have been indefeasibly paid in full, and except as otherwise permitted by the prior written consent of the Agent, each Borrower covenants and agrees with the Agent that it:

1. Will pay all sums of money when due under the terms of the Credit Documents.
2. Will immediately advise the Agent of any event which constitutes or which, with notice, lapse of time or both, would constitute an Event of Default.
3. Will file all tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Prior-Ranking Claims, which are or will become due and payable and

provide adequate reserves for the payment of any tax, the payment of which is being contested.

4. Will give the Agent, as applicable, 30 days prior notice in writing of any Change of Control, and unless otherwise expressly waived by the Agent in writing, the Borrowers must repay all amounts outstanding under the Credit Facility prior to, or concurrently with, any Change of Control.
5. Will comply in all material respects with all applicable laws, including all Environmental Laws.
6. Will comply with the Borrowing Limit at all times.
7. Will immediately advise the Agent of any material action requests or material violation notices received concerning it and hold the Agent harmless from and against any losses, costs or expenses which the Agent may suffer or incur for any environment related liabilities existent now or in the future with respect to it except to the extent such losses, costs or expenses have resulted from the gross negligence, bad faith or wilful misconduct of the Agent.
8. Will immediately advise the Agent of any unfavourable change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of the Credit Documents.
9. Will keep its assets fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils.
10. Will, at reasonable times and upon reasonable notice (provided that upon the occurrence of an Event of Default, the Agent is permitted to do the following at any time and without notice) permit the Agent or its representatives, from time to time, upon reasonable prior written notice and during normal business hours, i) to visit and inspect a Borrower's premises, properties and assets and examine and obtain copies of such Borrower's records or other information, and ii) to discuss such Borrower's affairs with the auditors of such Borrower (in the presence of such Borrower's representatives as it may designate). Each Borrower hereby authorizes and directs any such third party to provide to the Agent or its representatives all such information, records or documentation reasonably requested by the Agent.
11. Except for Permitted Encumbrances, will not, without the prior written consent of the Agent which will not be unreasonably withheld, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights.
12. Will not, without the prior written consent of the Agent, sell, transfer, convey, lease or otherwise dispose of any of its assets, properties or undertakings (a) to any third party, other than (i) in the ordinary course of business and on arm's-length, commercially reasonable terms; (ii) obsolete or otherwise superfluous tangible assets; (iii) the shares/equity interests of any non-wholly owned subsidiaries of the Borrowers or Guarantors and any minority interests held by the Borrowers or Guarantors, provided that such proceeds of any sale or disposal of shares/equity interests owned by any Borrower or such Guarantor shall be used first to pay down the principal balances outstanding under the Credit Facility; (iv) Osoyoos Property, so long as the net proceeds of such sale are used as follows: (A) an amount equal to REDACTED% of the appraised value of the Osoyoos Property from the net proceeds arising from the disposition of the Osoyoos Property are paid to the Agent to repay outstanding advances under the Credit Facility; and (B) the balance of such net proceeds (if any) are

deposited into a deposit account of the Borrowers subject to the Security; (v) Excluded Property subject to the provision contained in (iii) above; and (vi) any other Property that has a fair market value of \$REDACTED or less per calendar year in the aggregate; or (b) to any other Borrower or any Guarantor.

13. Will not, without the prior written consent of the Agent, provide any guarantees, financial assistance or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other person, other than (a) to or for another Obligor; (b) the Security; and (c) Permitted Indebtedness.
14. Will not, without giving the Agent, 15 days prior notice in writing and obtaining the Agent's written consent, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person and it will either: (i) cause any such resulting Person to become a borrower or guarantor, as applicable, hereunder and to grant such security and enter into such agreements as the Agent may require and in the event a Borrower is acquired within the Facility Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, the Credit Facility will not be automatically terminated and the surviving party must agree to be bound by the Credit Documents; or (ii) the Borrowers shall repay all principal, accrued interest, fees and expenses owing to the Agent pursuant to the Credit Documents in the event the Agent withholds its consent.
15. Will not pay any dividends, other corporate distributions, interest or principal on subordinated debt, other than regularly scheduled principal payments on the promissory note dated March 6, 2017 granted by Elmcliffe Investments Inc. in favour of 1970030 Ontario Inc.
16. Will not make any disbursements or provide any funding to any entity which is not an applicant in the Borrowers' CCAA Proceedings or a Guarantor.
17. Will not acquire or move any Collateral to any jurisdiction outside the Provinces of Ontario or British Columbia or any other jurisdiction where the Agent has perfected its Security over such Collateral without first executing and delivering all such security and other documentation and completing all registrations, recordings and filings to grant in favour of the Agent a security interest in such Collateral and to render effective the security interest granted thereby, all in form and substance satisfactory to the Agent.
18. Will not incur additional indebtedness other than Permitted Indebtedness.
19. Will maintain a minimum Tangible Net Worth of \$REDACTED
20. Will maintain a level of actual EBITDA equal to or greater than the EBITDA levels as presented on the Borrowers' Approved Budget Forecast where such actual EBITDA earned (or lost) in any consecutive-three month period must be (i) equal to or greater than REDACTED% of projected EBITDA in such period if projected EBITDA is to be positive, or (ii) greater than or equal to projected EBITDA in such period if EBITDA is projected to be negative, provided that a breach of this covenant will not occur if any absolute variance from actual EBITDA to projected EBITDA is less than \$REDACTED for such three-month period.
21. Shall notify the Agent within one (1) Business Day of any Account Debtor notifying such Borrower that they are contesting any invoice amount greater than an amount to be determined.
22. Will at all times allow the Agent to have view access over all bank accounts maintained by each Borrower.

23. Will fully cooperate with each party conducting any field exam or due diligence on behalf of the Agent and will permit and reimburse the Agent for all costs associated with any appraisals at a minimum of once per calendar year.
24. Will provide information upon request by the Agent as it relates to any vendor number or similar identification of such obligor by its end customers and/or suppliers.

Reporting Covenants

So long as the Credit Facility is in effect, and until the obligations of the Borrowers to the Agent and the Lenders under the Credit Facility have been indefeasibly paid in full, and except as otherwise permitted by the prior written consent of the Agent, each Borrower covenants and agrees that it will provide or cause to be provided to the Agent, all of the following, in form and detail satisfactory to the Agent:

- (i) Quarterly, within 30 days after each calendar quarter, financial reporting from each of the Borrowers on both a consolidated and unconsolidated basis
- (ii) Monthly, within 30 days after the end of each calendar month;
 - i. internal management prepared financial statements of the Obligors as at the end of such calendar month on a consolidated and unconsolidated basis;
 - ii. a trial balance of the Obligors as at the end of such calendar month;
- (iii) Monthly, within 10 days after the end of each calendar month, proof of all payments required to be made on all taxes owing by the Obligors;
- (iv) Monthly, within 2 Business Days after the end of each calendar month;
 - i. A Borrowing Base as at the last day of such calendar month
 - ii. Bank statements of the Obligors
 - iii. a cash reconciliation, to the extent not provided in any Borrowing Base, reconciling all purchases, repayments, chargebacks, write-offs and any other transactions covering the prior calendar month
- (v) Weekly, and specifically on the Monday of each week, for the period covering the immediately prior week ending on Friday of such prior week;
 - i. a Borrowing Base as at the Friday of the immediately prior week;
 - ii. a cash reconciliation, to the extent not provided in any Borrowing Base, reconciling all purchases, repayments, chargebacks, write-offs, credit memos and any other transactions covering the prior week.
 - iii. A 13-week cash forecast of the Borrowers covering the following 13-weeks from the time of reporting such forecast.
- (vi) As requested, copies of all original final purchase orders, invoices, supply agreements etc.;
- (vii) Other items as the Agent may reasonably request from time to time.

Representations and Warranties

Each Borrower represents and warrants (subject to obtaining the DIP Order, where applicable) to the Agent and the Lenders, upon which the Agent and the Lenders rely on in entering this Term Sheet that:

1. each Borrower is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is duly qualified, licensed or registered

to carry on business under the laws applicable to it in all jurisdictions in which the nature of its assets or business makes such qualification necessary;

2. each Borrower has all requisite corporate power and authority to (i) own and operate its properties and assets and to develop, own and operate its business and (ii) to enter into and perform its obligations under this Term Sheet and the other Credit Documents to which it is a party;
3. the execution and delivery by each Borrower of this Term Sheet and the other Credit Documents to which it is a party and the performance by each Borrower of its respective obligations hereunder and thereunder have been duly authorized by all necessary corporate action and no authorization under any applicable law, and no registration, qualification, designation, declaration or filing with any governmental authority, is or was necessary therefor, other than filings which may be made to register or otherwise record the DIP Charge;
4. this Term Sheet and each of the other Credit Documents to which it is a party has been duly executed and delivered by each Borrower and constitutes a legal, valid and binding obligation of each Borrower, enforceable against it in accordance with its terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally and (ii) the discretion that a court may exercise in the granting of equitable remedies;
5. the Collateral (i) is owned by or licensed to the Borrowers and is only located at the locations disclosed in writing to the Agent and the Lenders, (ii) has not been sold, leased or otherwise disposed of other than inventory in the ordinary course of business and (iii) is not subject to any rights of any person or entity other than Permitted Encumbrances;
6. the execution and delivery by each Borrowers of this Term Sheet and the other Credit Documents to which it is a party and the performance by each Borrower of its obligations hereunder and thereunder and compliance with the terms, conditions and provisions hereof and thereof, will not conflict with or result in a breach of (i) its constating documents or by-laws; (ii) the material contracts to which it is party or (iii) any applicable law;
7. all statements (whether financial or otherwise), information, reports, budgets, forecasts and projections made available by a Borrower or anyone on its behalf to the Agent are true, complete and accurate in all material respects and do not omit any information necessary to make them true, complete and accurate in all material respects;
8. the business operations of each Borrower has been and will continue to be conducted in compliance with all laws of each jurisdiction in which business has been or is being carried on, other than to the extent it would not cause a Material Adverse Change;
9. each Borrower has obtained all licenses and permits required for the operation of its business, which licenses and permits remain in full force and effect. No proceedings have been commenced or, to the knowledge of the Borrowers, threatened to revoke or amend any of such licenses or permits;
10. no Borrower is aware of any person with a secured claim against any Borrower or the Collateral except for the Permitted Encumbrances and the relevant tax authorities and each Borrower is not aware of any unpaid deductions at source owing to the relevant tax authorities;
11. each Borrower has filed or caused to be filed all tax returns and reports which are required to have been filed and has paid or caused to be paid all taxes required to have been paid by it, except taxes that are being contested in good

faith by appropriate proceedings and for which adequate cash reserves are being maintained;

12. other than the CCAA Proceedings and litigation proceedings stayed by the Amended and Restated Initial Order, there are no material actions, suits or proceedings (including any tax-related matter) by or before any arbitrator or governmental authority or by any other person pending against or, to the knowledge of each Borrower, threatened against or affecting the Borrowers;
13. (i) each Borrower is and has been in material compliance with all applicable environmental laws, including obtaining, maintaining and complying with all permits required by any applicable environmental law, (ii) no Borrower is party to, and no real property currently or previously owned, leased or otherwise occupied by or for any Borrower is subject to or the subject of, any contractual obligation or any pending or, to the knowledge of the Borrowers, threatened order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice under or pursuant to any environmental law which could reasonably be expected to result in a remedial obligation having a Material Adverse Change, (iii) no encumbrance in favour of any governmental authority securing, in whole or in part, environmental liabilities has attached to any property of the Borrowers and no facts, circumstances or conditions exist that could reasonably be expected to result in any such encumbrance attaching to any such property, (iv) no Borrower has caused or suffered to occur a release of any hazardous substances or conditions creating any potential for such a release at, to or from any real property other than in compliance with environmental laws and except when failure to do so could not reasonably be expected to have a Material Adverse Change, (v) no Borrower has engaged in operations that, and no facts, circumstances or conditions exist that, in the aggregate, would have a reasonable likelihood of resulting in material environmental liabilities, and (vi) each Borrower has made available to the Agent copies of all existing environmental reports, reviews and audits and all documents pertaining to actual or potential environmental liabilities, in each case to the extent such reports, reviews, audits and documents are in its possession, custody or control;
14. each Borrower maintains insurance policies and coverage which (i) is sufficient for compliance with law and all material agreements to which a Borrower is a party and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against in the same general area by persons engaged in the same or similar business to the assets and operations of the Borrowers; and
15. all factual information provided by or on behalf of the Borrowers to the Agent for the purposes of or in connection with this Term Sheet, the other Credit Documents or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and remains true as of the date provided and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.

Target Closing Date

The target date for the closing of this Credit Facility is based on a verbally indicated date of on or before May 7, 2021. The Borrowers will seek to obtain the DIP Order at a hearing on or before May 7, 2021 on notice to the service list in the CCAA Proceedings and such other parties as the Borrowers or the Agent consider appropriate.

Exclusivity

With the execution of this Term Sheet, Borrowers grant exclusivity to the Agent to provide to the Borrowers a senior-secured revolving credit facility until the earlier of:

(i) May 7, 2021; and (ii) the date that the Borrowers obtain the DIP Order (or the Court declines to make the DIP Order).

Amendments/Waivers	This Term Sheet may not be amended nor waived except by an instrument in writing signed by each of the Borrowers and the Agent.
Successors and Assigns; Enurement	This Term Sheet shall be binding upon and enure to the benefit of the Agent, the Lenders and the Borrowers and their respective successors and permitted assigns.
Assignment	No Borrower shall assign any of its rights or obligations under this Term Sheet or any of the Credit Documents to any Person, without the prior written consent of the Agent. The Agent and the Lenders may assign, sell or participate its rights or obligations with respect to this Term Sheet or any of the Credit Documents to any Person, without the prior written consent of the Borrowers.
Governing Law	This Term Sheet shall be governed and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, and each of the Agent, the Lenders and the Borrowers irrevocably attorns to the exclusive jurisdiction of the courts of Ontario.
Execution in Counterparts	This Term Sheet may be executed in counterparts, whether by original copy or facsimile or other electronic means, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.
Agent and Lenders' Counsel:	Dentons Canada LLP
Expiry	If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof by returning to the Agent an executed counterpart to this Term Sheet not later than 5:00 p.m. (Toronto time) on April 13, 2021. The Agent's and the Lenders' commitments and agreements herein will expire at such time in the event the Agent has not received such executed counterpart from the Borrowers in accordance with the immediately preceding sentence.

[Signature Page Follows]

Each Borrower authorizes Cortland Credit Lending Corporation to collect, use and disclose information for the purposes of verification, assessing our credit worthiness, and contract administration. Each Borrower agrees that this information may be collected from any third parties, including current employees, credit bureaus and other persons or organization with whom we have or had financial dealings.

CORTLAND CREDIT LENDING CORPORATION, as Agent and on behalf of the Lenders

Sean Rogister	Chief Executive Officer
Name	Title

Sean Rogister

Signed

Accepted this 13th day of April, 2021

CANNTRUST HOLDINGS INC. as Borrower and on behalf of all other Borrowers

<u>Greg Guyatt</u>	<u>Chief Executive Officer</u>
Name	Title

<u>Greg Guyatt</u>
Signed

**SCHEDULE A
DEFINED TERMS**

“Acceptable Appraiser”

means a Person, who at no time has had an interest, direct or indirect, in the real property being appraised and who, at the time such appraisal was conducted and signed, was designated as an appraiser by the Appraisal Institute of Canada having the designation A.A.I.C. or C.R.A. and who was otherwise acceptable and selected by the Agent and who, in the reasonable opinion of the Borrowers, was qualified to appraise real property in the province in which such real property is located. Each of the Parties acknowledges and agrees that each of Cushman & Wakefield, Inc., Colliers International Group Inc. and Altus Group Limited and their affiliates constitute an Acceptable Appraiser for purposes of the Credit Documents.

“Account Debtor”

means any party which owes any amount under invoices owing to the Borrowers or any Borrower.

“Amended and Restated Initial Order”

means the Amended and Restated Initial Order dated April 9, 2020, made in the CCAA Proceeding.

“Approved Appraised Real Estate Value”

means the net orderly liquidation value of the Real Estate Collateral in question where such value is based on best alternative use, such value to be determined by an Acceptable Appraiser, and such appraisal to be conducted once at any time in each calendar year.

Until such time as a revised or substitute appraisal (acceptable to the Agent) is obtained in respect of the Real Estate Collateral, that the Approved Appraised Real Estate Value is as follows:

- (i) \$REDACTED for the Pelham Property; and
- (ii) \$REDACTED for the Osoyoos Property.

“Approved Budget Forecast”

Means the budget forecast provided by the Borrowers to the Agent which at the time of transmission had the file name ‘REDACTED’

“Approved Debtor”

means each Account Debtor which satisfies any Debtor Eligibility Criteria relevant to classifying debtors of the Borrowers which may be established by the Agent from time to time.

The Parties acknowledge and agree that the following Persons are “Approved Debtors” for purposes of the Credit Documents:

- (i) Ontario Cannabis Store;
- (ii) Alberta Gaming, Liquor and Cannabis;
- (iii) British Columbia Liquor Distribution Branch;
- (iv) Saskatchewan Liquor and Gaming Authority;
- (v) Liquor, Gaming & Cannabis Authority of Manitoba;
- (vi) Cannabis NB;
- (vii) Nova Scotia Liquor Corporation;
- (viii) Prince Edward Island Cannabis Management Corporation;
- (ix) Newfoundland and Labrador Liquor Corporation;

- (x) Societe quebecoise du cannabis;
- (xi) Nunavut Liquor and Cannabis Commission;
- (xii) Yukon Liquor Corporation; and
- (xiii) Northwest Territories Liquor and Cannabis Commission.

“Approved Debtor Invoice”

Any invoice originally owing from an Approved Debtor to a Borrower and which complies with the following eligibility criteria which may be amended by the Agent from time to time:

- (i) Such invoice is aged less than 90 days past the invoice date;
- (ii) Such invoice does not have any potential Priority Liens which may be attached to it, in the opinion of the Agent;
- (iii) Such invoice is not due from any Approved Debtors whose aggregate outstanding invoice balance that is aged greater than 90 days from the invoice date with any Borrower is greater than REDACTED% of the total amount of invoices outstanding issued by such Borrower and are outstanding at any point in time with such Account Debtor (REDACTED% cross-aging restriction);
- (iv) Such invoice is not related to any products which are either voluntarily or involuntarily recalled by either the Borrowers, any regulatory authority, or any supplier of the Borrowers;
- (v) Such invoice is not an invoice which has been issued to a foreign entity;
- (vi) Such invoice is not an invoice which is contestable by the Account Debtor;
- (vii) Such invoice is valid and collectible in the full amount from the named Account Debtor without right of set-off;
- (viii) Such amount payable pursuant to the invoice is able to be provided as security to the Agent;
- (ix) Such amount payable on such invoice directs the Account Debtor to pay the amount payable via wire transfer to a bank account of a Borrower that is subject to the DIP Charge or the Security and is not payable by cheque in any event and such account where proceeds are deposited has a full block in favour of the Agent where balances are swept daily to the Agent; and
- (x) Other conditions that the Agent may require from time to time upon notice to the Borrowers;

“Approved Equipment”

means certain unencumbered equipment owned by an Obligor which satisfies the Equipment Eligibility Criteria

“Approved Equipment Availability”

means, only after the required equipment appraisals are completed by an appraiser selected and approved by Cortland, the amount which is the lesser of (i) REDACTED% of cost and (ii) REDACTED% of net orderly liquidation value (as determined by a third-party appraiser selected by the Agent) for any Approved Equipment.

“Borrowing Base”	means the calculations prepared by the Borrowers and reviewed by the Agent from time to time which calculates availability under the Credit Facility, such document to determine the advanceable amount under the Credit Facility and presented in a form as required by the Agent. The Borrowing Base will be calculated as follows: (i) REDACTED. Such resulting amount following steps (i) through (ix) above will be the “Borrowing Base Availability”. If the result of subtracting the amount outstanding under the credit facility from the Borrowing Base Availability is negative at any time, such negative amount is the “Borrowing Base Shortfall”.
“Borrowing Limit”	means, at any relevant time, the lesser of; (i) the Facility Limit or (ii) the Borrowing Base Availability.
“Business Day”	Any day that is not a Saturday or Sunday or a day recognized as a statutory holiday in the Province of Ontario, Canada or the country of Canada. If a required payment falls on a non -business day, then such payment shall be made on the next Business Day.
“CCAA”	means the <i>Companies’ Creditors Arrangement Act</i> (Canada).
“CCAA Proceedings”	means the proceedings in Ontario Court File No. CV-20-00638930-00CL whereby the Borrowers have sought to restructure pursuant to the CCAA.
“Change of Control”	means either (i) CannTrust Holdings Inc. ceases to Control the other Obligors, (ii) the assignment, sale, transfer or other disposition of (A) all or substantially all of the assets and business of the Obligors, (B) any material business of any Obligor, (C) a material portion of the Collateral (in each case whether in a single transaction or a series of transactions), or (iii) any transaction or series of transactions whereby any Person or group of Persons, acting jointly or otherwise in concert, acquire the right, by contract or otherwise, to direct the management and activities of any Borrower.
“Contaminant”	includes any pollutant, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental Law.
“Control”	means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, and “Controlling” and “Controlled” have meanings correlative thereto.
“Credit Documents”	means, collectively, this Term Sheet, the Credit Agreement, the Security, and all other documents contemplated by this Term Sheet and the Security.
“Debtor Eligibility Criteria”	means the criteria set by the Agent through the due diligence stage and from time to time thereafter which identifies and sets any

requirements or restrictions for the purpose of determining whether any debtor is an Approved Debtor as it relates to the Credit Facility.

“Debtor Invoice”

means any invoice owing from an Account Debtor to any of the Borrowers as the case may be.

“EBITDA”

means for the Obligors taken in aggregate; net income plus interest, depreciation, amortization, taxes, fair value (gains) or losses on any assets and share-based compensation.

“Eligible Inventory”

means inventory owned by the Borrowers which complies with the Inventory Eligibility Criteria which may be amended from time to time.

“Environmental Activity”

means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater.

“Environmental Laws”

means all applicable laws relating to the environment or occupational health and safety, or any Environmental Activity.

“Equipment Eligibility Criteria”

means the criteria set by the Agent from time to time used to determine whether such equipment of the Borrowers and the Guarantors shall be considered Approved Equipment.

“Event of Default”

means the occurrence of any one or more of the following:

- (i) if any Borrower at any time shall fail to pay or perform with regard to the obligation to repay the principal and interest on any Loan Advance, to pay for any adjustment, or to make any remittance on the date required by the Credit Documents for such payment;
- (ii) if any Borrower or any representative of any Borrower ceases or threatens to cease carrying on its business or if a petition shall be filed, an order shall be made or an effective resolution shall be passed for the winding up or liquidation of such Borrower;
- (iii) if a Bankruptcy Event of any Borrower occurs (other than under the CCAA Proceedings);
- (iv) if the Borrowers fail to meet any of the Milestone Dates;
- (v) if a Change of Control occurs;
- (vi) if at any time a Borrowing Base Shortfall exists and the Borrowers do not repay an amount equal to the excess of such Borrowing Base Shortfall on the same day of such occurrence, provided that the Agent shall grant the Borrowers two 3-Business Day cure periods in each 12-month period to allow for the Borrowers to correct any such Borrowing Base Shortfall;
- (vii) if any encumbrancer, lien holder or person acting on its behalf shall take possession of the Collateral or any material part thereof;

- (viii) excluding amounts that are subject to the stay of proceedings under the Amended and Restated Initial Order, if any Borrower permits any sum which has been admitted as due by such Borrower or is not disputed to be due by it and which forms or is capable of being made a charge on any Collateral in priority to the Security Interest to remain unpaid after proceedings have been taken to enforce such charge;
- (ix) if any representation or warranty made by any Borrower or any of its officers, employees or agents to the Agent shall be false or inaccurate in any material respect and such representation and warranty is not thereafter made true and correct within 3 Business Days of any Borrower becoming aware of it being false or inaccurate. The 3-Business Day cure period will only be granted by the Agent to the Borrowers once per 12-month period;
- (x) if any Borrower or Affiliate (as defined in the *Canada Business Corporations Act*) of any Borrower engages in business activities related to Cannabis within the United States of America so long as such activity is not legal in the United States of America;
- (xi) if any Borrower defaults in the observance or performance of any provision relating to the indebtedness or liability of such Borrower to any person in excess of \$REDACTED (taken in aggregate), other than indebtedness or liabilities that are subject to the Amended and Restated Initial Order;
- (xii) if there will have occurred any event of circumstance that has resulted in, or could reasonably be expected to result in, a Material Adverse Change;
- (xiii) if any amount of proceeds of any Collateral is deposited to any bank account of the Borrowers that is not subject to the Security;
- (xiv) if any license, permit or approval required by any law, regulation or governmental policy or any governmental authority for the operation by any Borrower of its business shall be withdrawn, materially altered in a manner materially detrimental to the business of such license holder, or cancelled; or
- (xv) if a final judgment, execution, writ of seizure and sale, sequestration or decree for the payment of money in an amount, individually or in the aggregate, of at least \$REDACTED (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall have been obtained or entered against a Borrower, unless such judgment, execution, writ of seizure and sale, sequestration or decree is and remains vacated, discharged or stayed pending appeal within the applicable appeal period.

“Insured Advance Rate”

means REDACTED%

“Lien”

means any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property or other priority or preferential arrangement of any kind or nature whatsoever, in each case to secure payment of a debt or performance of an obligation, including any conditional sale or any sale with recourse.

“Material Adverse Change”	means any event, circumstance or change that could be expected to result, individually or in the aggregate, in a material adverse effect, in any respect, on (a) the legality, validity or enforceability of any of the Credit Documents or any of the security interests provided for thereunder, (b) the right or ability of a Borrower to perform any of its obligations under any of the Credit Documents, in each case to which it is a party, or to consummate the transactions contemplated under any of the Credit Documents, (c) the financial condition, assets, business or prospects of the Borrowers, taken as a whole, (d) any Material Permit, (e) a Borrower's ability to retain, utilize, exploit or comply with its obligations under any Material Permit, or (f) the rights or remedies of the Agent under any of the Credit Documents; provided that, (i) any change in the financial condition of a Borrower as the date hereof caused by or related to the COVID-19 global pandemic occurring prior to the date of this Term Sheet will not constitute a Material Adverse Change; and (ii) the commencement and continuation of the CCAA Proceedings will not constitute a Material Adverse Change.
“Material Permits”	means all cannabis licences issued by Health Canada to CannTrust Inc. which are required to legally conduct its business.
“Milestone Dates”	means the dates set out in Schedule B.
“Obligors”	means the Borrowers and any Guarantors.
“Osoyoos Property”	means Osoyoos & Oliver, Silkameen, Division of Yale Land District, British Columbia (Title Number: CA7422902) comprised of 4 parcels of land having a combined area of 81.50 acres, which are currently zoned for agricultural purposes.
“Parties”	means the Agent, the Lenders and the Borrowers and the term “Party” shall mean any one of such Parties.
“Pelham Property”	means 1396 Balfour Street Pelham, Ontario (PIN: 64030-0908 LT), having a total site area of 65.5 acres of land improved with 8.27 acres of glass and double ply greenhouses and service buildings.
“Permitted Encumbrances”	means, collectively, (i) Liens granted in favor of the Agent pursuant to the Credit Documents and the DIP Charge, (ii) Subordinated Liens, (iii) Liens granted in favor of a lessor of vehicles, provided that such Liens attach only to such leased vehicles and the proceeds thereof and do not attach to any other Collateral and such lien covered in clause (iii) has been expressly approved and consented to by the Agent; (iv) existing equipment leases and related arrangements; (v) liens for taxes, rates, assessments or other governmental charges or levies not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person; (vi) undetermined or inchoate liens, rights of distress and charges incidental to current operations that have not at such time been filed or exercised and of which none of the Agent has been given notice, or that relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person; (vii) reservations, limitations, provisos and conditions expressed in any original grant

from the Crown or other grants of real or immovable property, or interests therein, that do not materially affect the use of the affected land for the purpose for which it is used by that Person; (viii) licences, easements, rights of way and rights in the nature of easements (including licences, easements, rights of way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) that do not materially impair the use of the affected land for the purpose for which it is used by that Person; (ix) title defects, irregularities or other matters relating to title that are of a minor nature and that in the aggregate do not materially impair the use of the affected property for the purpose for which it is used by that Person; (x) the right reserved to or vested in any governmental authority by the terms of any lease, licence, franchise, grant or permit acquired by that Person or by any statutory provision to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof; (xi) security given to a public utility or any governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of its business; (xii) a Lien created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default; and (xiii) a Lien in favour of a financial institution to secure indebtedness under letters of credit, corporate credit cards and/or other cash management.

“Permitted Indebtedness”

shall include (i) certain intercompany indebtedness owing by any Obligor to any other Obligor, (ii) existing indebtedness which is exclusive to; (A) promissory note dated March 6, 2017 granted by Elmclyffe Investments Inc. in favour of 1970030 Ontario Inc.; (B) the letter of credit issued in favour of landlord of Unit 1 of 3280 Langstaff Road in Vaughan, Ontario; (C) debt under corporate credit cards and letters of credit in an aggregate amount not to exceed \$250,000; and (D) equipment leases; and (iii) future indebtedness owing to other third parties where such indebtedness is fully subordinated and postponed to the Agent and the Lenders and the Agent has consented to such indebtedness.

“Person”

means an individual, a corporation, a limited partnership, a general partnership, a trust, a joint stock company, a joint venture, an association, a syndicate, a bank, a trust company, a governmental authority and any other legal or business entity.

“Priority Lien”

means any Lien that is not a Subordinated Lien.

“Priority Supplier Lien”

means any Supplier Lien that is not a Subordinated Supplier Lien.

“Real Estate Advance Rate”

means REDACTED%.

“Real Estate Collateral”

means the unencumbered real estate owned by the Obligors.

“Restricted Cash”

means cash (i) in the amount of approximately \$6,000,000 that the Borrowers deposited in a trust to settle potential directors and officers liabilities; and (ii) in the amount of approximately \$250,000 that is pledged as cash collateral for use of the Borrowers' line of

credit, corporate credit cards, letters of credit and other cash management.

“Subordinated Lien”

means any Lien for which the holder thereof has agreed, pursuant to a subordination agreement in form satisfactory to the Agent, that such Lien shall at all times be subordinated and postponed in favor of the Liens granted in favor of the Agent.

“Subordinated Supplier Lien”

means any Supplier Lien that is a Subordinated Lien.

“Tangible Net Worth”

As it relates to the Obligors on a consolidated basis and where the following definition may change in the Credit Documents; the value in dollars which remains after subtracting the following from the Obligors' total assets at any point in time:

(i) REDACTED.

“Uninsured Advance Rate”

means REDACTED%

“Unrestricted Cash”

means the aggregate value of cash held by the Borrowers in accounts which have either a full or springing block in favour of the Agent, and in any event, is not Restricted Cash.

SCHEDULE B

MILESTONE DATES

The following events are to occur by the dates set forth below, unless otherwise agreed to by the Agent and the Borrowers in writing:

1. CCAA Plan Filed by April 30, 2021.
2. Creditors Meeting by June 14, 2021.
3. Plan Sanction Order by June 30, 2021.
4. US Securities Class Action Dismissal Order by the later of the following: (i) September 30, 2021 and (ii) the date which occurs 130 days after the Borrowers obtain the Plan Sanction Order described immediately above.
5. Plan Implementation by the later of the following: (i) October 31, 2021; and (ii) the date which occurs 31 days after the Borrowers obtain the US Securities Class Action Dismissal Order described immediately above.
6. Presentation of a go-forward business plan acceptable to the Agent on or before the earlier of: (i) October 31, 2021; and (ii) no less than 21 days before the Borrowers' exit from the CCAA Proceedings.

APPENDIX “C”
VARIANCE ANALYSIS

CannTrust Variance Analysis (CAD \$000s)		Cumulative for the period March 1, 2021 to April 18, 2021		
	Notes	Forecast	Actual	Variance
Receipts				
Receipts from Operations	[1]	979	344	(635)
Other Receipts	[2]	3,017	3,396	379
Total Receipts		3,996	3,740	(256)
Operating Disbursements				
Payroll and benefits	[3]	(3,658)	(3,296)	362
Property Leases		(58)	-	58
Utilities	[4]	(802)	(240)	562
Other operating expenses	[5]	(6,466)	(4,834)	1,632
Capital expenditures	[6]	(456)	(238)	218
Total Operating Disbursements		(11,440)	(8,608)	2,832
Cash Flow From Operations		(7,444)	(4,868)	2,576
Restructuring Disbursements				
Professional fees	[7]	(1,001)	(1,214)	(213)
KERP		-	-	-
Total Restructuring Disbursements		(1,001)	(1,214)	(213)
Net Cash Inflows / (Outflows)		(8,445)	(6,082)	2,363
Cash *				
Beginning Balance		69,780	69,780	-
Net Cash Inflows / (Outflows)		(8,445)	(6,082)	2,363
Ending Balance		61,335	63,698	2,363
Intercompany Advances	[8]	(10,000)	(5,000)	5,000

* Cash balances exclude amounts held in the D&O Trust.

Notes to the Variance Analysis:

- [1] Receipts from Operations – Unfavourable permanent variance of \$635,000 due to lower than anticipated market demands for medical and recreational, and bulk cannabis sales. There continues to be a challenge in the market with lower than anticipated market prices and volumes available.
- [2] Other Receipts – There is a positive permanent variance of \$126,000 due to higher than anticipated proceeds from sale of High Tide shares and \$252,000 due to a fee charged in error by Moneris in the previous Forecast Period that has now been refunded. High Tide Shares were owned by Elmclyffe Investments [No.2] Inc., a non-filing entity, and the proceeds were used to pay down the intercompany receivable owed to CannTrust Inc. The remaining \$1,000 is a positive temporary difference for interest income and bank fees.
- [3] Payroll and Benefits – The permanent positive difference of \$362,000 is due to lower than anticipated headcount, hourly wages and employee benefits paid.
- [4] Utilities – CannTrust's usage of natural gas and carbon dioxide gas is lower than forecast due to lower than anticipated production for the Forecast Period. This results in a permanent positive variance of \$536,000. In addition, there is a temporary positive variance of \$26,000 that is expected reverse in subsequent weeks.
- [5] Other Operating Expenses – The overall positive variance of \$1,632,000 is due to:
 - permanent positive variance of \$61,000 related to freight and logistics due to lower than anticipated sales volumes;
 - positive variance of \$40,000 from equipment leases, of which \$17,000 is a permanent difference due to lower than expected fleet vehicle rentals and \$23,000 is a timing difference that is expected to be reversed in future periods;
 - positive variance of \$847,000 in marketing expenses, of which \$726,000 is a permanent difference due to a slower ramp-up in sales and the remaining \$121,000 is a timing difference;
 - positive permanent variance of \$515,000 in production costs due to lower than anticipated production volumes from a slower sales ramp-up;
 - positive variance of \$44,000 in contract labour, of which \$38,000 is a permanent difference from lower than anticipated contractor services and the remaining \$6,000 is a timing difference;
 - positive permanent difference of \$30,000 due to lower than expected excise tax;
 - positive timing difference of \$150,000 in IT expenses;
 - positive timing difference of \$104,000 in G&A expenses; offset by
 - negative timing difference of \$157,000 for consulting and professional fees that is anticipated to be reversed in future periods.
- [6] Capital Expenditures – The positive variance of \$218,000 is a permanent difference due to lower than originally anticipated costs on product development lab.

- [7] Professional Fees – The negative permanent difference of \$213,000 is due to higher than expected legal and CCAA expenses.
- [8] Intercompany Advance – Intercompany Advances from CannTrust Holdings Inc. were made to CannTrust Inc. during the Reporting Period. CannTrust Inc. drew \$5,000,000 less than anticipated as it had sufficient cash in its back account to cover expenditures.

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.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDING COMMENCED AT TORONTO

NINTH REPORT OF THE MONITOR
(April 22, 2021)

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