

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.	)	FRIDAY, THE 16TH
JUSTICE PATTILLO	)	DAY OF JULY, 2021
	)	

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

SANCTION ORDER

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order, among other things, approving and sanctioning the fourth amended and restated plan of compromise, arrangement and reorganization of CannTrust Holdings Inc., CannTrust Inc. and Elmcliffe Investments Inc. (the "**CannTrust Plan Companies**") pursuant to the CCAA and the *Business Corporations Act* (Ontario) dated July 7, 2021 (the "**CCAA Plan**"), a copy of which is attached hereto as Schedule "A", was heard this day by Zoom judicial video conference due to the COVID-19 pandemic.

ON READING the materials filed by the Applicants, Ernst & Young Inc. in its capacity as monitor of the Applicants (the "**Monitor**") and certain respondents listed in **Schedule "D"** hereto (the "**Motion Materials**") and on hearing the submissions of counsel for the Applicants, the Monitor and any such other counsel that were present as listed on the counsel slip, no other party appearing although duly served as appears from the affidavit of service, filed:

A. SERVICE AND INTERPRETATION

1. **THIS COURT ORDERS** that the time for service and filing of the Motion Materials be and are hereby abridged and validated, such that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that all capitalized terms used in this Sanction Order and not expressly defined herein shall have the meanings given to them in the CCAA Plan or, if not therein defined, then as given to them in the Meeting Order of the Honourable Mr. Justice Hailey made in these proceedings and dated April 16, 2021 (the “**Meeting Order**”).

B. NOTICE AND CONDUCT OF MEETING

3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service, and delivery of the CCAA Plan, the Meeting Order, the GUC Meetings Materials and the Securities Claimant Meeting Materials to all Persons upon which notice, service, and delivery were required.

4. **THIS COURT ORDERS AND DECLARES** that the Meetings were duly convened, held, and conducted on May 28, 2021 in accordance with the Meeting Order, the CCAA and all other Orders of the Court in these CCAA Proceedings.

C. SANCTION OF THE CCAA PLAN

5. **THIS COURT ORDERS AND DECLARES** that:

- (a) the CCAA Plan has been approved by the required majorities of the Affected Creditors in conformity with the Meeting Order and the CCAA;
- (b) the Applicants have complied with the provisions of the CCAA and the Orders of the Court made in these CCAA Proceedings in all respects;
- (c) the Applicants have acted, and continue to act, in good faith and with due diligence, and have not done or purported to do anything, nor does the CCAA

Plan do or purport to do anything, that is not authorized by the CCAA or the Orders of the Court in these CCAA Proceedings;

- (d) the CCAA Plan and all of the matters and transactions contemplated thereby are fair and reasonable; and
- (e) the CCAA Plan and all associated steps, compromises, arrangements, releases, injunctions, transactions and reorganizations effected thereby are hereby sanctioned and approved pursuant to section 6 of the CCAA.

6. **THIS COURT ORDERS** that, without limitation to paragraph 5 of this Sanction Order, the Allocation and Distribution Scheme is hereby approved.

D. PLAN IMPLEMENTATION

Authorization to Implement the CCAA Plan

7. **THIS COURT ORDERS** that:

- (a) each of the CannTrust Plan Companies and the Monitor, as applicable, is hereby authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to implement the CCAA Plan, the Allocation and Distribution Scheme, the RSA, the RSA Supplemental Letter Agreement, the Zola RSA (as defined below) and the Additional RSAs in accordance with and subject to their respective terms and conditions, and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, payments, deliveries, allocations, instruments and agreements contemplated by, and subject to the terms and conditions of, the CCAA Plan, the Allocation and Distribution Scheme, the RSA, the RSA Supplemental Letter Agreement, the Zola RSA (as defined below) and the Additional RSAs;
- (b) all distributions and payments under the CCAA Plan shall be free and clear of all claims, rights and interests of any Person other than the recipient, including, without limitation, all Encumbrances; and

- (c) none of the CannTrust Plan Companies nor the Monitor shall incur any liability as a result of acting in accordance with the terms of the CCAA Plan and this Sanction Order.

Articles of Reorganization

8. **THIS COURT ORDERS** that CannTrust Holdings shall seek approval of the proposed Articles of Reorganization on or before the Plan Implementation Date and the articles of CannTrust Holdings will be amended as set out in such approved Articles of Reorganization as of the Effective Time.

9. **THIS COURT ORDERS AND DECLARES** that all warrants, options and agreements to purchase Existing Shares are of no further force or effect as of the Effective Time.

Plan Implementation Certificates

10. **THIS COURT ORDERS** that, upon receipt of the Certificate of Amendment for CannTrust Holdings, the Applicants shall deliver to the Monitor a certificate (the “**Applicants’ Certificate**”) (i) stating that each of the Plan Implementation Conditions has been satisfied or waived and that the Articles of Reorganization for CannTrust Holdings have been filed and have become effective as of the date set out in the Certificate of Amendment, and (ii) designating an Effective Time on the Plan Implementation Date. The Applicants shall file the Applicants’ Certificate with this Court as soon as reasonably practicable following delivery thereof to the Monitor.

11. **THIS COURT ORDERS** that the Monitor is hereby authorized and directed, as soon as practicable following receipt of the Applicants’ Certificate, to serve on the service list in these CCAA Proceedings (the “**Service List**”) and post on the website established by the Monitor in respect of these proceedings (the “**Monitor’s Website**”) a certificate in the form attached hereto as Schedule “B” (the “**Monitor’s Plan Implementation Certificate**”), signed by the Monitor, certifying that the Plan Implementation Date has occurred. The Monitor shall file the Monitor’s Plan Implementation Certificate with this Court as soon as reasonably practicable following delivery thereof to the Service List.

Restructuring Steps

12. **THIS COURT ORDERS** that the Restructuring Steps to be taken and the transactions, arrangements, reorganizations, transfers, assignments, compromises, settlements, payments, discharges, injunctions and releases to be effected on the Plan Implementation Date are hereby authorized and approved and are and shall be deemed to occur and be effected in accordance with the terms of the CCAA Plan (and, to the extent applicable, in the sequence and at the times contemplated by the CCAA Plan), without any further act or formality.

Settlement and Securities Claimant Trust Matters

13. **THIS COURT ORDERS** that the Applicants and the CCAA Representatives are hereby authorized, *nunc pro tunc*, to enter into the restructuring support agreement made as of May 5, 2021 between the Applicants, the CCAA Representatives, Zola Finance Holdings Ltd. and Igor Gimelshtein, a copy of which is attached as Exhibit “L” to the Affidavit of Serge Kalloghlian affirmed June 2, 2021 (the “**Zola RSA**”).

14. **THIS COURT ORDERS** that the Applicants and CCAA Representatives (i) are hereby authorized to enter into one or more Additional RSAs with the Insurers and Peter Aceto and a supplemental Additional RSA with Ian Abramowitz, in each case on terms substantially consistent with the proposed arrangements described in the Affidavit of Serge Kalloghlian affirmed June 16, 2021, and (ii) are hereby authorized, *nunc pro tunc*, to enter into the Additional RSAs described in the Affidavit of Serge Kalloghlian affirmed June 2, 2021.

15. **THIS COURT ORDERS** that the Trustees are hereby authorized and directed:

- (a) to execute a joinder agreement in order to become a party to the Zola RSA on or before the Plan Implementation Date;
- (b) to execute one or more joinder agreements in order to become a party to the RSA or Additional RSAs on or before the Plan Implementation Date if the Trustees determine, in their sole discretion, that it is necessary or appropriate to do so in order to carry out the terms of the CCAA Plan; and

- (c) to take all steps and actions, and to do all things, necessary or appropriate to implement the CCAA Plan, the Allocation and Distribution Scheme, the RSA, the RSA Supplemental Letter Agreement, the Zola RSA and the Additional RSAs in accordance and subject to their respective terms and conditions, and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, payments, deliveries, allocations, instruments and agreements contemplated by, and subject to the respective terms and conditions of, the CCAA Plan, the Allocation and Distribution Scheme, the RSA, the RSA Supplemental Letter Agreement, the Zola RSA and the Additional RSAs.

16. **THIS COURT ORDERS** that the Applicants shall have no responsibility or liability for the administration of the Securities Claimant Trust and the Allocation and Distribution Scheme, including without limitation the costs and expenses of the Securities Claimant Trust and the Trustees and the allocation and distribution of the funds and other property in the Securities Claimant Trust from time to time.

E. EFFECT OF PLAN IMPLEMENTATION

Effect on Affected Claims

17. **THIS COURT ORDERS AND DECLARES** that, as at the Effective Time, the CCAA Plan and all associated steps, compromises, arrangements, releases, injunctions, transactions and reorganizations effected thereby will be binding and effective upon and with respect to the CannTrust Plan Companies, the Affected Creditors, the Released Parties and all other Persons named or referred to in, or subject to, the CCAA Plan or the Sanction Order.

18. **THIS COURT ORDERS** that each Affected Creditor is hereby deemed to have consented to all of the provisions of the CCAA Plan, in its entirety, and each Affected Creditor is hereby deemed to have executed and delivered to the CannTrust Plan Companies all consents, releases, assignments and waivers, statutory or other, required to implement and carry out the CCAA Plan in its entirety.

19. **THIS COURT ORDERS** that, as at the Effective Time, any and all Affected Claims (other than Insured Securities Claims) shall be and shall be deemed to be fully, finally,

irrevocably and forever compromised, released, discharged and barred, and the ability of any Person to proceed against any of the CannTrust Plan Companies in respect of or relating to any Affected Claims, whether directly, indirectly, derivatively or otherwise is hereby forever barred, estopped, stayed and enjoined, and all proceedings with respect to, in connection with or relating to such Affected Claims are hereby permanently stayed, excepting only any proceeding to enforce the obligation of the CannTrust Plan Companies to make distributions and payments in respect of such Affected Claims in the manner and to the extent provided for in the CCAA Plan and this Sanction Order.

20. **THIS COURT ORDERS** that any Person that did not file a proof of claim in respect of a Claim by the applicable bar date in accordance with the Claims Procedure Order, and any Person with a General Unsecured Claim that is not a Proven Claim or Unresolved General Unsecured Claim at the Effective Time, shall be and is hereby fully, finally, irrevocably and forever barred, estopped, stayed and enjoined from making any such Claim and shall not be entitled to any consideration under the CCAA Plan, and such Person's Claim shall be and is hereby fully, finally, irrevocably and forever barred and extinguished.

Releases and Injunctions

21. **THIS COURT ORDERS** that, as at the Effective Time, (i) any and all Released Claims shall be and shall be deemed to be fully, finally, irrevocably and forever released, discharged and barred, (ii) the ability of any Person to proceed against any of the Released Parties in respect of or relating to any Released Claims, whether directly, indirectly, derivatively or otherwise is hereby forever barred, estopped, stayed and enjoined, (iii) all proceedings with respect to, in connection with or relating to such Released Claims are hereby permanently stayed and (iv) subject to Section 7.1(4) of the CCAA Plan, there shall be a full policy release in respect of the Insurance Policies in favour of each Insurer that is an Additional Settlement Party.

22. **THIS COURT ORDERS** that, as at the Effective Time, all Persons shall be and shall be deemed to be permanently and forever barred, estopped, stayed and enjoined from: (i) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released

Parties with respect to any and all Released Claims; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or their property with respect to any and all Released Claims; (iii) commencing, conducting, continuing or making against any other Person in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) that relates to a Released Claim if such other Person makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties, unless such claim of such other Person is itself a Released Claim; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against the Released Parties or their property with respect to any and all Released Claims; and (v) taking any actions to interfere with the implementation or consummation of the CCAA Plan with respect to any and all Released Claims.

23. **THIS COURT ORDERS** that, from and after the Effective Time, the recovery of Securities Claimants from a Non-Settlement Party with which any Settlement Party is judicially determined to be jointly and severally liable shall be limited to only that proportion of damages attributable to the liability of the Non-Settlement Party, as finally determined in the Actions.

24. **THIS COURT ORDERS** that, from and after the Effective Time, all claims for contribution, indemnity or other claims over that relate to the Released Claims or the Channelled Claims, which were or could have been brought by a Settlement Party in the Actions or otherwise against a Co-Defendant that is a Non-Settlement Party, are permanently and forever barred, estopped, stayed and enjoined.

25. **THIS COURT ORDERS** that a Co-Defendant, on motion to the applicable court on at least thirty (30) days' notice to counsel for each applicable Settlement Party, but not to be brought unless and until the Action against the Co-Defendant has been certified and all appeals or times to appeal have been exhausted if such Action is a class proceeding, may seek orders for the following, determined as if the Settlement Party remained a party to the Action:

- (a) documentary discovery and an affidavit of documents from the Settlement Party in accordance with the *Rules of Civil Procedure*, RRO 1990, Reg. 1994, as amended (the “**Rules of Civil Procedure**”);
- (b) oral discovery of the Settlement Party or a representative of the Settlement Party, as applicable, the transcript of which may be read in at trial;
- (c) leave to serve a request to admit on the Settlement Party in respect of factual matters; and
- (d) the attendance of the Settlement Party, or the production of a representative of the Settlement Party, as applicable, to testify at trial, with such witness to be subject to cross-examination by counsel for the Co-Defendant.

26. **THIS COURT ORDERS** that each Settlement Party retains all rights to oppose such motion(s) brought under paragraph 25 of this Sanction Order. Moreover, nothing herein restricts a Settlement Party from seeking a protective order to maintain confidentiality and protection of proprietary information in respect of documents to be produced and or for information obtained from discovery in accordance with paragraph 25 of this Sanction Order. Notwithstanding any provision in this Sanction Order, on any motion brought pursuant to paragraph 25 of this Sanction Order, the applicable court may make such orders as to costs and other terms as it considers appropriate.

27. **THIS COURT ORDERS** that a Co-Defendant may effect service of the motion(s) referred to in paragraph 25 of this Sanction Order above on the Settlement Party by service on counsel for the Settlement Party.

28. **THIS COURT ORDERS** that, from and after the Effective Time, each Person having a Channelled Claim will be limited to recovering from the Securities Claimant Trust in respect of such Channelled Claim in accordance with the CCAA Plan and Definitive Documents and, if applicable, from any Person who is not a Released Party, and such Person with a Channelled Claim will have no right to and shall not make any claim against or seek any recovery from any Released Party in respect of such Channelled Claim, provided that this Sanction Order will not prevent a Person with an Insured Securities Claim or Insured Securities-Related Claim from

making a claim against a Settlement Party to establish liability (but without recovery from it or its property) solely to the extent necessary to enable the Securities Claimant Trust to enforce Assigned Claims against Insurers who are not Settlement Parties.

29. **THIS COURT ORDERS** that, from and after the Effective Time, all Persons are permanently and forever barred, estopped, stayed and enjoined from: (i) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties with respect to any and all Channelled Claims; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or their property with respect to any and all a Channelled Claims; (iii) commencing, conducting, continuing or making against any other Person in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) that relates to a Channelled Claim if such Person makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties, unless such claim of such other Person is itself a Released, Claim, Channelled Claim; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against any of the Released Parties with respect to any and all Channelled Claims; and (v) taking any actions to interfere with the implementation or consummation of the CCAA Plan with respect to any and all Channelled Claims, provided that this Sanction Order will not prevent a Person with an Insured Securities Claim or Insured Securities-Related Claim from making a claim against a Settlement Party to establish liability (but without recovery from it or its property) solely to the extent necessary to enable the Securities Claimant Trust to enforce Assigned Claims against Insurers who are not Settlement Parties.

30. **THIS COURT ORDERS** that, in respect of each Action, the applicable Securities Claimants who are plaintiffs in such Action are hereby authorized and directed to dismiss the Action as against the Settlement Parties without delay after the Plan Implementation Date, and

the applicable court is hereby requested to dismiss such Action against the Settlement Parties without costs.

Assigned Claims

31. **THIS COURT ORDERS** that, as of the Effective Time:

- (a) all of the rights and obligations of CannTrust Holdings and each Settlement Party to and in respect of the Assigned Claims shall be assigned to and assumed by the Securities Claimant Trust and such assignment is valid and binding upon the applicable Non-Settlement Parties in respect of such Assigned Claims notwithstanding any restriction or prohibition contained in any insurance policy, audit engagement letter or other agreement relating to the assignment thereof (an “**Assigned Claims Related Agreement**”), including any provision requiring the consent of any party to an assignment;
- (b) the counterparties to the Assigned Claims Related Agreements are prohibited from exercising any rights or remedies under the Assigned Claims Related Agreements and shall be forever barred, estopped, stayed and enjoined from taking such action, by reason of:
 - (i) any restriction, condition or prohibition contained in any such Assigned Claim Related Agreement relating to the assignment of the applicable Assigned Claim(s);
 - (ii) any event that occurred on or prior to the Effective Time and is not continuing that would have entitled such counterparty to enforce those rights or remedies (including defaults or events or default arising as a result of the insolvency of any of the Applicants);
 - (iii) the insolvency of any of the Applicants or the fact that any of the Applicants sought or obtained relief under the CCAA;
 - (iv) any compromises or arrangements effected pursuant to the CCAA Plan or any action taken or transaction effected pursuant to the CCAA Plan

(including the compromise or release of any Affected Claim or Released Claim arising under such Assigned Claim Related Agreement);

(v) any change in the control of the Applicants arising from the implementation of the CCAA Plan; and

(c) such counterparties are hereby deemed to waive any defaults relating thereto.

32. **THIS COURT ORDERS** that nothing in the CCAA Plan or this Sanction Order limits the right of any defendant to an Assigned Claim to plead any defences that would be available to them absent the CCAA Plan or this Sanction Order.

33. **THIS COURT ORDERS** that nothing in the CCAA Plan or this Sanction Order affects the jurisdiction of the court in the exercise of its case management powers or under the Rules of Civil Procedure to make any appropriate order affecting the conduct of the Assigned Claims, including referring any such claims to arbitration. In the event that an Assigned Claim proceeds by arbitration, nothing in the CCAA Plan or this Sanction Order affects the jurisdiction of an arbitrator or arbitral panel to make any appropriate order affecting the conduct of the Assigned Claims. For greater certainty, the Sanction Order does not limit KPMG LLP's ability to rely on any term in its engagement letter or terms and conditions with CannTrust Holdings or the Securities Claimant Trust's ability to dispute such reliance.

Existing Agreements

34. **THIS COURT ORDERS AND DECLARES** that all contracts, leases and other agreements and arrangements to which any of the Applicants or Cannabis Coffee and Tea Pod Company Ltd., Cannatrek Ltd., Elmclyffe Investments [No. 2] Inc. and O Cannabis We Stand on Guard for Thee Corporation (each, an "**Affected Party**" and collectively, the "**Affected Parties**") is a party, whether written or oral (each, including any and all amendments or supplements thereto, an "**Existing Agreement**") that have not been terminated or disclaimed pursuant to the applicable paragraph of the Initial Order and related provision of the CCAA will be and remain in full force and effect, unamended as of the Effective Time (except for all Affected Claims and Released Claims thereunder that have been compromised and released), and no Person who is a party to any such Existing Agreement may accelerate, terminate, rescind,

refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or other remedy) or make any demand under or in respect of any such Existing Agreement and no automatic termination will have any validity or effect, as against any member of the CannTrust Group, any Affected Party or any Released Party that is a party to such Existing Agreement, by reason of:

- (a) any event that occurred on or prior to the Effective Time and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events or default arising as a result of the insolvency of the Applicants);
- (b) the insolvency of the Applicants or the fact that the Applicants sought or obtained relief under the CCAA;
- (c) any compromises or arrangements effected pursuant to the CCAA Plan (including the compromise or release of any Claim arising under such Existing Agreement) or any action taken or transaction effected pursuant to the CCAA Plan; or
- (d) any change in the control of the Applicants or the Affected Parties arising from the implementation of the CCAA Plan,

and such counterparties are hereby deemed to waive any defaults relating thereto.

Effect on Unaffected Claims

35. **THIS COURT ORDERS** that:

- (a) the designation of any claim as an Unaffected Claim is without prejudice to the CannTrust Plan Companies' right to dispute the existence, validity or quantum of any Unaffected Claim; and
- (b) nothing in this Sanction Order or the CCAA Plan shall affect or waive the CannTrust Plan Companies' rights and defences, both legal and equitable, with respect to any Unaffected Claim, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments against such Unaffected Claim.

Bankruptcy

36. **THIS COURT ORDERS AND DECLARES** that notwithstanding: (i) the pendency of these CCAA Proceedings; (ii) any applications for a bankruptcy, receivership or other order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”), the CCAA or otherwise in respect of the CannTrust Plan Companies and any bankruptcy, receivership or other order issued pursuant to any such applications; and (iii) any assignment in bankruptcy made or deemed to be made in respect of any of the CannTrust Plan Companies, the transactions contemplated by the CCAA Plan will be binding on any trustee in bankruptcy or receiver that may be appointed in respect of any of the CannTrust Plan Companies or its assets and will not be void or voidable by creditors of any of the CannTrust Plan Companies, nor will the CCAA Plan, or the payments and distributions contemplated pursuant thereto constitute nor be deemed to constitute a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the BIA, CCAA or any other applicable federal or provincial legislation, nor will the CCAA Plan constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

Stay of Proceedings, Ongoing Effect of Orders Made in these CCAA Proceedings and Conflict with the CCAA Plan

37. **THIS COURT ORDERS** that:

- (a) the Stay Period (as defined in the Initial Order) be and is hereby extended until the earlier of: (i) the Effective Time; and (ii) September 3, 2021;
- (b) paragraphs 63 and 64 of the Amended and Restated Initial Order issued in these proceedings and dated April 9, 2020 shall continue in full force and effect in accordance with their respective terms for the duration of the AGM Extension (as defined below);
- (c) other than as expressly set out herein, the provisions of the Initial Order shall terminate at the Effective Time except with respect to the protections granted therein in favour of the Monitor; and

- (d) all other Orders of the Court made in these CCAA Proceedings shall continue in full force and effect in accordance with their respective terms including, without limiting the generality of the foregoing, (i) paragraph 2 of the Order (re: AGM Deadline Extension) issued in these proceedings and dated September 16, 2020 (the “**AGM Extension**”) and (ii) the Order (CCAA Representatives and CCAA Representative Counsel Appointment Order) issued in these proceedings and dated January 29, 2021, except to the extent that such Orders are varied by or are inconsistent with this Sanction Order or any further Order of this Court in these CCAA Proceedings.

38. **THIS COURT ORDERS** that, from and after the Effective Time, any conflict between:

- (a) the CCAA Plan; and
- (b) the terms of any Agreement existing between any Person and the Applicants as at the Plan Implementation Date (including, without limitation, the RSA, the Zola RSA and any Additional RSA),

will be deemed to be governed by the terms of the CCAA Plan and this Sanction Order, which shall take precedence and priority.

Termination of SISP and Mediation Process

39. **THIS COURT ORDERS** that the sale and investment solicitation process (the “**SISP**”) approved by this Court pursuant to the Sale and Investment Solicitation Process Order dated May 8, 2020 (the “**SISP Order**”) is hereby terminated.

40. **THIS COURT ORDERS** that the mediation process (the “**Mediation Process**”) approved by this Court pursuant to the Mediation Order dated May 8, 2020 (the “**Mediation Order**”) is hereby terminated.

41. **THIS COURT ORDERS** that the Court-Appointed Mediator (as defined in the Mediation Order) is hereby discharged from his duties, obligations and responsibilities as Court-Appointed Mediator and is hereby forever released, remised and discharged from any claims against him relating to his activities as Court-Appointed Mediator.

42. **THIS COURT DECLARES** that, notwithstanding the termination of the SISP and the Mediation Process, the protections afforded to the Monitor, the CRO, Greenhill & Co. Canada Ltd. and the Court-Appointed Mediator and their respective affiliates, partners, directors, employees, agents and controlling persons pursuant to the terms of the SISP Order, the Mediation Order and the other Orders made in the CCAA Proceedings, as applicable, shall not expire or terminate and, subject to the terms hereof, shall remain effective and in full force and effect.

Termination of CCAA Proceedings of CTI Holdings (Osoyoos) Inc.

43. **THIS COURT ORDERS** that upon the filing of the Monitor's Plan Implementation Certificate:

- (a) the CCAA Proceedings in respect of CTI Holdings (Osoyoos) Inc. ("**CTI**") shall be terminated effective as of the Effective Time; and
- (b) Ernst & Young Inc. shall be deemed to be discharged from its duties, obligations and responsibilities as monitor of CTI and shall be forever released, remised and discharged from any claims against it relating to its activities as monitor of CTI.

44. **THIS COURT ORDERS** that any Person that did not file a proof of claim in respect of a Pre-Filing Claim, Restructuring Claim or D&O Claim (as each such term is defined in the Claims Procedure Order) against CTI (each, a "**CTI Claim**") by the applicable bar date in accordance with the Claims Procedure Order, shall be and is hereby fully, finally, irrevocably and forever barred, estopped, stayed and enjoined from making any such CTI Claim, and such Person's CTI Claim shall be and is hereby fully, finally, irrevocably and forever barred and extinguished.

F. CCAA CHARGES

45. **THIS COURT ORDERS** that:

- (a) the Administration Charge (as provided for and defined in the Initial Order) shall continue to apply as against the Administration Reserve and shall be terminated, discharged, expunged and released upon the filing of the Monitor's Discharge Certificate (as defined below);
- (b) the Directors' Charge, the KERP Charge and the Transaction Fee Charge (as each is provided for and defined in the Initial Order) shall each be terminated, discharged, expunged and released as at the Effective Time;
- (c) the DIP Lender's Charge (as provided for and defined in the DIP Approval Order dated April 30, 2021 in the CCAA Proceedings) shall be terminated, discharged, expunged and released as at the Effective Time; and
- (d) the Intercompany Charge (as provided for and defined in the Initial Order) shall be terminated, discharged, expunged and released at the Effective Time but, for greater certainty, the Intercompany Advances (as provided for and defined in the Initial Order) shall remain outstanding and be governed by the applicable agreements between the relevant Applicants.

G. APPLICANTS AND COURT-APPOINTED PARTIES

Conduct of the Directors and CRO of the Applicants

46. **THIS COURT ORDERS AND DECLARES** that the activities and conduct of the CRO and Directors of the Applicants in these CCAA Proceedings, as disclosed in the affidavits filed with the Court on behalf of the Applicants from time to time and the reports of the Monitor to the Court from time to time, be and are hereby ratified and approved.

47. **THIS COURT DECLARES** that the protections afforded to the CRO pursuant to the terms of the Initial Order and the other Orders made in the CCAA Proceedings shall not expire

or terminate on the Plan Implementation Date and, subject to the terms hereof, shall remain effective and in full force and effect.

The Monitor

48. **THIS COURT ORDERS AND DECLARES** that the Monitor has complied with the provisions of the CCAA and the Orders of this Court made in these CCAA Proceedings in all respects.

49. **THIS COURT ORDERS AND DECLARES** that the Monitor has not done or purported to do anything that is not authorized by the CCAA.

50. **THIS COURT ORDERS AND DECLARES** that the activities and conduct of the Monitor and its representatives in these CCAA Proceedings, as disclosed in its reports to the Court from time to time, including, without limitation, in relation to conducting and administering the Meetings, be and are hereby ratified and approved, and that the Monitor has satisfied all of its obligations up to and including the date of this Sanction Order and all claims of any kind or nature against the Monitor arising from or relating to the services provided to the Applicants up to and including the date of this Sanction Order are hereby barred and extinguished.

51. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein, under the CCAA Plan and under the other Orders of this Court, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the CCAA Plan to facilitate the implementation of the CCAA Plan and to complete all matters incidental to the termination of these CCAA Proceedings.

52. **THIS COURT ORDERS** that:

- (a) in carrying out the terms of this Sanction Order and the CCAA Plan, the Monitor shall have all the protections given to it by the CCAA and the other Orders in these CCAA Proceedings, and as an officer of the Court, including the stay of proceedings in its favour;

- (b) the Monitor shall incur no liability or obligation for any act or omission as a result of carrying out any duties or work in connection with the Sanction Order and/or the CCAA Plan, save and except for any gross negligence or wilful misconduct on its part;
- (c) the Monitor shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants without independent investigation; and
- (d) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

53. **THIS COURT ORDERS AND DECLARES** that any payments or deliveries under the CCAA Plan or this Sanction Order made or assisted by the Monitor shall not constitute a “distribution” and the Monitor shall not constitute a “legal representative” or “representative” of the Applicants or “other person” for the purposes of section 159 of the *Income Tax Act* (Canada), section 270 of the *Excise Tax Act* (Canada), section 46 of the *Employment Insurance Act* (Canada), section 22 of the *Retail Sales Tax Act* (Ontario), section 107 of the *Corporations Tax Act* (Ontario), or any other similar federal, provincial or territorial tax legislation (collectively, the “**Statutes**”), and the Monitor in making any such payments or deliveries of funds or assets in relation to the CCAA Plan is not “distributing”, nor shall it be considered to have “distributed”, such funds or assets for the purposes of the Statutes, and the Monitor shall not incur any liability under the Statutes for making any payments or deliveries under the CCAA Plan or failing to withhold amounts, ordered or permitted hereunder, and the Monitor shall not have any liability for any of the Applicants’ tax liabilities regardless of how or when such liabilities may have arisen, and is hereby forever released, remised and discharged from any claims against it under or pursuant to the Statutes or otherwise at law, arising as a result of the distributions and deliveries under the CCAA Plan and this Sanction Order and any claims of this nature are hereby forever barred.

54. **THIS COURT ORDERS** that upon: (i) fulfillment of the Monitor’s duties under the Claims Procedure Order, the Meeting Order and this Sanction Order; and (ii) the Monitor receiving an acknowledgement of payment in full of the claims secured by the Administration

Charge, the Monitor shall serve on the Service List, post on the Monitor's website, and file with the Court a certificate substantially in the form attached hereto as Schedule "C" (the "**Monitor's Discharge Certificate**"), and that, upon the filing of the Monitor's Discharge Certificate, Ernst & Young Inc. shall be deemed to be discharged from its duties, obligations and responsibilities as Monitor of the CannTrust Plan Companies and shall be forever released, remised and discharged from any claims against it relating to its activities as Monitor of the CannTrust Plan Companies.

Fee Approval

55. **THIS COURT ORDERS** that the fees and disbursements of the Monitor for the period from January 9, 2021 to May 14, 2021, inclusive, as set out in the Eleventh Report of the Monitor dated June 2, 2021 (the "**Eleventh Report**"), are hereby approved.

56. **THIS COURT ORDERS** that the fees and disbursements of Aird & Berlis LLP, in its capacity as counsel to the Monitor, for the period from January 4, 2021 to April 30, 2021, inclusive, as set out in the Eleventh Report, are hereby approved.

57. **THIS COURT ORDERS** that the Monitor and its counsel shall not be required to pass any further accounts in these CCAA Proceedings unless otherwise requested by the Applicants.

CCAA Representatives and CCAA Representative Counsel

58. **THIS COURT ORDERS** that, without limitation to the terms of the CCAA Representation Order, the CCAA Representatives and CCAA Representative Counsel are hereby authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to implement the CCAA Plan, the Allocation and Distribution Scheme, the RSA, the RSA Supplemental Letter Agreement, the Zola RSA and the Additional RSAs in accordance with and subject to their respective terms and conditions, and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, payments, deliveries, allocations, instruments and agreements contemplated by, and subject to the terms and conditions of, the CCAA Plan, the Allocation and Distribution Scheme, the RSA, the RSA Supplemental Letter Agreement, the Zola RSA and the Additional RSAs (the "**CCAA Representative Work**").

59. **THIS COURT ORDERS** that the CCAA Representatives and CCAA Representative Counsel shall incur no liability or obligation as a result of carrying out the CCAA Representative Work, save and except for any gross negligence or wilful misconduct on their part.

60. **THIS COURT DECLARES** that the protections afforded to the CCAA Representatives and CCAA Representative Counsel pursuant to the terms of the CCAA Representation Order and the other Orders made in the CCAA Proceedings shall not expire or terminate on the Plan Implementation Date and, subject to the terms hereof, shall remain effective and in full force and effect.

Claims Officers

61. **THIS COURT ORDERS** that the Claims Officer (as defined in the Order (Claims Officer) made in these proceedings and dated February 19, 2021) is hereby discharged from his duties, obligations and responsibilities as Claims Officer and is hereby forever released, remised and discharged from any claims against him relating to his activities as Claims Officer.

H. LATE CLAIMS

62. **THIS COURT ORDERS** that the Monitor is authorized, in its discretion, to accept the Proofs of Claim identified in the Tenth Report of the Monitor dated May 21, 2021 as having been received subsequent to the Pre-Filing Claims Bar Date or the Restructuring Claims Bar Date (as each term is defined in the Claims Procedure Order), as applicable (“**Late Claims**”), which Late Claims shall be reviewed by the Monitor in accordance with the Claims Procedure Order for the purposes of determining whether such Late Claims are Proven Claims.

I. SEALING

63. **THIS COURT ORDERS** that the Confidential Affidavit of Serge Kalloghlian affirmed June 2, 2021 shall be sealed, kept confidential and shall not form part of the public record [until the Effective Time](#), unless otherwise ordered by the Court.

J. RECOGNITION AND NOTICE

Notice

64. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Sanction Order, the Monitor shall cause a copy of this Sanction Order to be posted on the Monitor's Website, and the Applicants shall serve a copy on the parties on the Service List and those parties who appeared at the hearing of the motion for this Sanction Order. From and after the Effective Time, any notices, motions or documents which may be filed with the Court need only be served on the Applicants, the Monitor, the parties on the Service List and such Persons who deliver a Notice of Appearance to the Applicants and the Monitor, and file it with the Court, after the Effective Time.

65. **THIS COURT ORDERS** that the measures in paragraph 64 shall constitute good and sufficient service and notice of this Sanction Order on all Persons who may be entitled to receive notice thereof or who may have an interest in these proceedings, and no other form of notice or service need be made on such Persons and no other document or material need be served on such Persons in respect of these proceedings.

General Provisions

66. **THIS COURT ORDERS** that, notwithstanding any other provision of this Sanction Order, the Applicants and the Monitor shall remain entitled to seek advice, directions or assistance from the CCAA Court in respect of any matters arising from or in relation to the CCAA Plan.

67. **THIS COURT ORDERS AND DECLARES** that, pursuant to section 142 of the *Courts of Justice Act* (Ontario), no Person shall be liable for any act done in good faith in accordance with any Order issued in this proceeding, and any person who takes any action whatsoever in reliance on this Sanction Order prior to the commencement of any appeal hereof or the expiry of any appeal period shall not be prejudiced or harmed in any manner by any such subsequent appeal.

68. **THIS COURT ORDERS** that this Sanction Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.

69. **THIS COURT ORDERS** that this Sanction Order is effective from the date that it is made and is enforceable without any need for entry and filing.

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

SCHEDULE "A"

Fourth Amended and Restated Plan of Compromise, Arrangement and Reorganization

See attached.

SCHEDULE "B"
Monitor's Plan Implementation Certificate

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

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

MONITOR'S PLAN IMPLEMENTATION CERTIFICATE

WHEREAS pursuant to the Order of this Court dated March 31, 2020, Ernst & Young Inc. was appointed as the monitor (the "**Monitor**") of the Applicants in the within CCAA proceedings (the "**CCAA Proceedings**");

AND WHEREAS pursuant to the Order of this Court dated April 16, 2021, CannTrust Holdings Inc., CannTrust Inc. and Elmclyffe Investments Inc. (the "**CannTrust Plan Companies**") filed a plan of compromise, arrangement and reorganization pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (Ontario) (as may be amended or restated in accordance with its terms, the "**CCAA Plan**") with the Court;

AND WHEREAS the CCAA Plan has been sanctioned by this Honourable Court by Order dated July 16, 2021 (the "**Sanction Order**");

AND WHEREAS section 9.3 of the CCAA Plan and paragraph 11 of the Sanction Order require the Monitor to serve on the service list in the CCAA Proceedings and post on the website established by the Monitor in respect of the CCAA Proceedings a certificate, signed by the Monitor, certifying that the Plan Implementation Date has occurred;

AND WHEREAS pursuant to the Sanction Order, upon the delivery of the certificate, signed by the Monitor, certifying that the Plan Implementation Date has occurred: (i) the CCAA Proceedings in respect of CTI Holdings (Osoyoos) Inc. ("**CTI**") will be terminated as of the

Effective Time; and (ii) Ernst & Young Inc. shall be deemed to be discharged from its duties, obligations and responsibilities as monitor of CTI and shall be forever released, remised and discharged from any claims against it relating to its activities as monitor of CTI;

AND WHEREAS the CannTrust Plan Companies have delivered to the Monitor a copy of a certificate (i) stating that each of the Plan Implementation Conditions have been satisfied or waived and the Articles of Reorganization of CannTrust Holdings have been filed and have become effective as of the date set out in the Certificate of Amendment and (ii) designating an Effective Time on the Plan Implementation Date;

AND WHEREAS the Plan Implementation Date has occurred;

AND WHEREAS all capitalized terms used but not defined herein shall have the meanings given to them in the CCAA Plan;

THE MONITOR HEREBY CERTIFIES that:

1. The Plan Implementation Date has occurred; and
2. This Certificate is delivered by the Monitor on _____, 2021 at _____ which is the Effective Time for the purposes of the CCAA Plan and the Sanction Order.

Ernst & Young Inc., solely in its capacity as court appointed monitor of the Applicants, and not in its personal capacity or in any other capacity

Per: _____

Name:

Title:

SCHEDULE "C"
Monitor's Discharge Certificate

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

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

MONITOR'S DISCHARGE CERTIFICATE

WHEREAS pursuant to the Order of this Court dated March 31, 2020, Ernst & Young Inc. was appointed as the monitor (the "**Monitor**") of the Applicants in the within CCAA proceedings (the "**CCAA Proceedings**");

AND WHEREAS pursuant to the Order of this Court dated April 16, 2021, CannTrust Holdings Inc., CannTrust Inc. and Elmcliffe Investments Inc. (the "**CannTrust Plan Companies**") filed a plan of compromise, arrangement and reorganization pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (Ontario) (as may be amended or restated in accordance with its terms, the "**CCAA Plan**") with the Court;

AND WHEREAS the CCAA Plan has been sanctioned by this Honourable Court by Order dated July 16, 2021 (the "**Sanction Order**");

AND WHEREAS paragraph 54 the Sanction Order requires that, upon (i) fulfillment of the Monitor's duties under the Claims Procedure Order, the Meeting Order and the Sanction Order; and (ii) the Monitor receiving an acknowledgement of payment in full of the claims secured by the Administration Charge, the Monitor shall serve on the service list in the CCAA Proceedings and post on the website established by the Monitor in respect of these proceedings a certificate, signed by the Monitor, certifying same;

AND WHEREAS the Monitor has completed its duties under the Claims Procedure Order, the Meeting Order and the Sanction Order and has received an acknowledgement of payment in full of the claims secured by the Administration Charge;

AND WHEREAS all capitalized terms used but not defined herein shall have the meanings given to them in the CCAA Plan;

THE MONITOR HEREBY CERTIFIES that:

1. The Monitor has completed its duties under the Claims Procedure Order, the Meeting Order and the Sanction Order;
2. The Monitor has received an acknowledgement of payment in full of the claims secured by the Administration Charge;
3. Upon the filing of this Monitor's Discharge Certificate:
 - (a) the CCAA Proceedings shall be terminated;
 - (b) Ernst & Young Inc. shall be discharged and released from its duties, obligations and responsibilities as Monitor of the CannTrust Plan Companies and shall be forever released, remised and discharged from any claims against it relating to its activities as Monitor of the CannTrust Plan Companies;
 - (c) the Administration Charge (as provided for and defined in the Initial Order and any subsequent Orders in the CCAA Proceedings) shall be terminated, discharged, expunged and released; and
 - (d) any Claims Officer appointed in accordance with the Claims Procedure Order shall be discharged and released from all duties, obligations and responsibilities as Claims Officer pursuant to the Orders in the CCAA Proceedings; and

4. This Certificate is delivered by the Monitor on _____, 2021.

Ernst & Young Inc., solely in its capacity as court appointed monitor of the CannTrust Plan Companies, and not in its personal capacity or in any other capacity

Per: _____

Name:

Title:

SCHEDULE "D"

Motion Materials

1. Motion Record of the Applicants dated July 13, 2021, containing:
 - a. Affidavit of Greg Guyatt sworn July 13, 2021
2. Motion Record of the CCAA Representatives dated June 2, 2021, containing:
 - a. Affidavit of Serge Kalloghlian affirmed June 2, 2021
3. Supplementary Motion Record of the CCAA Representatives dated June 16, 2021, containing:
 - a. Affidavit of Serge Kalloghlian affirmed June 16, 2021
4. Tenth Report of the Monitor, dated May 21, 2021
5. Eleventh Report of the Monitor, dated June 2, 2021
6. Supplement to the Eleventh Report of the Monitor, dated June 4, 2021

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS
AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CANSTRUST HOLDINGS INC., CANSTRUST INC., CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE
INVESTMENTS INC.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding Commenced at Toronto

SANCTION ORDER

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