District of: Ontario
Division No: 04 - Toronto
Court No.: 31-2875614
Estate No: 31-2875614

**IN THE MATTER OF THE PROPOSAL OF CANNTRUST HOLDINGS INC. OF THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO**

# SECOND REPORT OF ERNST & YOUNG INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE PURSUANT TO SECTION 58(d) AND SECTION 59(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*

**November 18, 2022**

We, Ernst & Young Inc., of the City of Toronto, in our capacity as trustee ("**Proposal Trustee**") acting in the proposal ("**Proposal**") of CannTrust Holdings Inc. ("**CannTrust**" or the "**Company**"), hereby report to the Court as follows:

1. Any capitalized terms not defined herein shall have the meanings ascribed to them in the First Report of the Proposal Trustee dated October 25, 2022 (the "**First Report**").

2. That a proposal was filed with us on the 18th day of October, 2022 (**Appendix A**) (the "**Original Proposal**"). The Proposal Trustee filed a copy of the Proposal with the Official Receiver on October 18th, 2022.

3. A revised Proposal was filed with the Official Receiver and posted on the Proposal Trustee's website on November 3rd, 2022, a copy of which is attached and marked as **Appendix B**.

4. Subsequently, a second revised Proposal was filed with the Official Receiver and posted on the Proposal Trustee's website on November 17th, 2022, a copy of which is attached and marked as **Appendix C**.

5. The Proposal Trustee has reviewed the amendments made to the Original Proposal and is of the view that these amendments do not constitute a Material Adverse Change and were administrative in nature.

6. On the 25th day of October, 2022, the Proposal Trustee gave notice (the "**Notice**") to the Company, to the Division Office of the Superintendent of Bankruptcy and to every known creditor affected by the Proposal, of the calling of a meeting of creditors to be held on the 4th of November, 2022 (the "**Meeting**") at 10:00 am, to consider the Proposal.

7. The following were included with the Notice:

   a) Copy of the Proposal;

   b) The First Report and a projected recovery analysis (**Appendix D**);

   c) Condensed statement of the estimated assets and liabilities (included in **Appendix D**);

   d) List of creditors affected by the proposal who have claims of $250 or more and showing the amounts of their claims (**Appendix E**);

   e) Proof of claim form and proxy (**Appendix F** and **Appendix G**); and

   f) Voting letter (**Appendix H**).

8. Prior to the Meeting, the Proposal Trustee made a detailed and careful inquiry into the liabilities of the Company, the Company's assets and their estimated realizable value, the Company's conduct, the causes of the Company's insolvency and the terms of the Proposal. The Proposal Trustee considered these matters in the First Report.

9. The Meeting was presided over by Emily Beckerman of The Office of the Superintendent of Bankruptcy. At the Meeting, the Proposal was accepted by more than the required statutory majority of creditors. At the Meeting, 100% in dollar value and 100% in number of the creditors voting in person or by voting letter accepted the Proposal.

10. A copy of the minutes of the Meeting (without appendices already referenced herein) is attached and marked as **Appendix I**.

11. On the 9th day of November, 2022, the Proposal Trustee gave notice of the hearing for Court approval of the Proposal to the Company, to the Division Office of the Superintendent of Bankruptcy and to every known creditor affected by the Proposal. A copy of the notice is attached hereto and marked as **Appendix J.**

12. Based on its investigations and the facts, circumstances and information of which it is aware, the Proposal Trustee is of the opinion that:

a) The assets of the Company and the estimated realizable value thereof as at November 4, 2022, are as follows:

| **Assets:** | **Net Book Value** $ | **HIGH Estimated Realizable Value** $ | **LOW Estimated Realizable Value** $ |
|---|---|---|---|
| Cash | 3,195 | 3,195 | 3,195 |
| HST Recoverable | 1,370,274 | 1,070,274 | - |
| Prepaid and Other Receivables | 146,336 | - | - |
| Phoena Inc. Receivable | 3,040,000 | 3,040,000 | - |
| Elmcliffe Investments Inc. Receivable | 4,718,616 | 471,862 | - |
| Elmcliffe Investments [No 2] Inc. Receivable | 50,002 | - | - |
| Securities Claimant Trust | - | - | - |
| Shares of Phoena Holdings | 4,789,433 | 1,131,898 | - |
| Restricted Cash | 5,667,698 | 5,667,698 | - |
| **Total Assets:** | 19,785,554 | 11,384,927 | 3,195 |

The likelihood of recovery will most likely fall closer to the low end of the range. Any recovery beyond the low end of the range, if even possible, would take a long period of time and would be at a considerable cost.

b) The book values of the liabilities of the Company as well as a summary of the claims filed to date are as follows:

| Creditor Name | Statement of Affairs ($) | Claim Submitted ($) | Claim Accepted ($) |
|---|---|---|---|
| Baker & McKenzie | $50,963.01 | $50,963.01 | $50,963.01 |
| TSX Trust Company | $1,264.25 | $1,916.12 | $1,916.12 |
| CTI Holdings (Osoyoos) Inc. | $4,648,777.00 | $4,648,777.00 | $4,648,777.00 |
| Phoena Holdings Inc. (“**Phoena Holdings**”) | $20,911,889.00 | $20,911,889.00 | $20,911,889.00 |
| Franz Ender | $0.00 | $10,936.00 | $0.00 |
| **Total** | **$25,612,893.26** | **$25,624,481.13** | **$25,613,545.13** |

All liabilities listed above are unsecured.

13. The Company is a guarantor of secured credit facilities provided to Opco, Phoena Holdings, Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. by (i) Cortland Credit Lending Corporation, as agent for certain lenders, and (ii) Cannacquisition Limited Partnership and certain other investors. Prior to the commencement of these proceedings, the Company obtained the consent of these two secured creditors to the terms contemplated by the Proposal, including the consent to the distribution to its unsecured creditors, distribution of the shares it holds in Phoena Holdings, transfer of the Residual Assets to Phoena Holdings, release of their secured claims against the Company and its eventual dissolution.

14. The Company also obtained consent from Phoena Holdings, as its primary unsecured creditor.

15. The primary causes of the insolvency of the Company are detailed in the First Report.

16. CannTrust is a holding company that does not have any operating revenues (and for years, it has suffered losses) and requires funding from Phoena Holdings in order to pay for its ongoing costs.

17. As described in detail in the First Report, the Company concluded that it was not feasible in the remaining time to hold the required AGM before November 30, 2022, and in any event, it is insolvent and cannot afford to complete the audit and other work necessary to do so. Further, the Company is also unable to complete a plan of arrangement under the OBCA or apply to the OSC to have the CTO revoked.

18. In the present circumstances, the Company submitted the Proposal in the best interests of its stakeholders to allow it to address its remaining liabilities, dispose of its residual assets and dissolve in advance of November 30, 2022 (or as soon as possible thereafter).

19. The conduct of CannTrust, both prior to and subsequent to the commencement of its proposal proceedings, is not subject to censure in any respects.

20. No facts mentioned in section 173 of the *Bankruptcy and Insolvency Act* (Canada) have been alleged or proved to the satisfaction of the Proposal Trustee.

21. The Proposal is advantageous for CannTrust's creditors for the following reasons:

   a) it is estimated that in the event of a bankruptcy of CannTrust, the unsecured creditors would receive a range of recovery of 44.45% in a high recovery scenario to close to 0% in a low recovery scenario and shareholders of CannTrust would receive no recovery;

   b) in the Proposal, the unsecured creditors of CannTrust, TMX Trust Company and Baker & McKenzie (other than Phoena Holdings and its subsidiaries (CTI Holdings (Osoyoos) Inc.)) will receive a full recovery of their claims; and

   c) in the Proposal, the current shareholders of CannTrust who hold in excess of 10,000 shares of CannTrust will receive a proportionate number of shares in Phoena Holdings allowing certain shareholders to continue to participate in the equity of Phoena Holdings in the future, providing them some potential recovery, which would otherwise not be possible in a bankruptcy.

22. As a result, the Proposal Trustee is supportive of the approval of the Proposal.

23. A copy of this Trustee's Second Report was forwarded to the Official Receiver on this day.

Dated at Toronto this 18th day of November, 2022.

**ERNST & YOUNG INC.,**
**In its capacity as Proposal Trustee *re***
**the Proposal of CannTrust Holdings Inc. and**
**not in its personal capacity**

Per:

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

# APPENDIX A

Court File No: 31-2875614
Estate No: 31-2875614

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF**
**CANNTRUST HOLDINGS INC.**

**PROPOSAL**
**October 18, 2022**

CannTrust Holdings hereby submits the following Proposal under the BIA. Capitalised terms used herein have the meanings ascribed to them in Section 1.1 below.

**Recitals**

A. On March 31, 2020, CannTrust Holdings and certain of its subsidiaries commenced proceedings under the CCAA following a series of adverse events, including the suspension of cannabis licenses necessary to conduct their business and the issuance of the CTO, prohibiting any trading in the CannTrust Shares. They commenced the CCAA proceedings seeking to reinstate their licenses, resume operations, settle several class actions and other litigation brought against them, and explore a range of potential strategic transactions.

B. On January 5, 2022, CannTrust Holdings implemented the CCAA Plan. Pursuant to the CCAA Plan and the related court order approving it, CannTrust Holdings compromised and was released from substantially all of the claims against it as of March 31, 2020.

C. During the CCAA proceeding, CannTrust Holdings obtained court approval to create a new wholly-owned subsidiary, CannTrust Equity Inc. (now Phoena Holdings Inc.) and to transfer to Phoena Holdings the ownership of its wholly-owned subsidiary, Opco, which was the primary operating entity of the CannTrust group of companies.

D. On February 25, 2022, CannTrust Holdings obtained court approval for the Strategic Transaction, which transaction was intended to secure new financing to enable Opco to continue to carry on business.

E. On March 11, 2022, CannTrust Holdings, Phoena Holdings and Opco implemented the Strategic Transaction. As a result, the Strategic Investors invested $11.2 million to acquire a 90% equity interest in Phoena Holdings (at a subscription price of approximately one cent ($0.01) per Phoena Share) and provided a $5.5 million loan (which is subordinated in payment to a pre-existing loan from Cortland Credit Lending Corporation), with CannTrust Holdings retaining Phoena Shares representing a 10% equity interest in Phoena Holdings.

F. Prior to or in connection with the implementation of the Strategic Transaction, CannTrust Holdings satisfied any remaining liabilities of which it was aware, with the exception of claims that were to remain outstanding by agreement with the applicable creditors, such as the Secured Lenders.

G. Despite the implementation of the CCAA Plan and the Strategic Transaction, CannTrust Holdings remains subject to the CTO. To obtain a discretionary order from the OSC revoking the CTO, CannTrust Holdings would be required to cure its disclosure defaults under applicable securities laws, which would including restating certain historical financial statements and obtaining an audit opinion thereon from a qualified independent auditor.

H. CannTrust Holdings had hoped that, after emerging from the CCAA proceeding, it would be able to complete the steps necessary to either (i) hold an annual general meeting and apply to the OSC to have the CTO revoked or (ii) work with Phoena Holdings to obtain a stock exchange listing for the Phoena Shares and then distribute its Phoena Shares to CannTrust Shareholders pursuant to a plan of arrangement effected under the OBCA. Those steps included the need for CannTrust Holdings to either (i) restate some of its historical annual financial statements and prepare other annual and interim financial statements or (ii) prepare annual and interim financial statements in respect of Phoena Holdings.

I. Because CannTrust Holdings is an "offering corporation" for purposes of the OBCA, it cannot convene an annual general meeting without providing certain annual financial statements to the CannTrust Shareholders, and any annual financial statements to be placed before the CannTrust Shareholders at such meeting would be required to be audited and satisfy the other requirements of applicable securities laws. To facilitate that effort, the court granted an order (as subsequently extended) that gave CannTrust Holdings until November 30, 2022 to hold its annual general meeting.

J. CannTrust Holdings has determined that it is not feasible in the remaining time before November 30, 2022 to hold an annual general meeting and, in any event, CannTrust Holdings is insolvent and cannot afford to complete the audit and other work necessary to do so or to seek the revocation of the CTO, and Phoena is not currently in a position to become a "reporting issuer" under applicable securities laws by obtaining a stock exchange listing for the Phoena Shares.

K. In the circumstances, CannTrust Holdings believes it is in the best interests of its stakeholders to make a proposal to its creditors under the BIA to allow it to address its remaining liabilities, dispose of its residual assets, and dissolve in advance of November 30, 2022 or as soon thereafter as is reasonably achievable.

## ARTICLE 1
## DEFINITIONS

### 1.1 Definitions

In this Proposal, capitalized terms have the meanings set out below:

(a) "**Administrative Fees and Expenses**" means:

(i) the proper fees and expenses of the Proposal Trustee, including its legal fees and disbursements; and

(ii) the legal fees and disbursements of CannTrust Holdings incurred on or incidental to negotiations in connection with these proposal proceedings, the preparation of the Proposal and the transactions and agreements contemplated hereby;

(b) "**Amendment**" is defined in Section 7.1;

(c) "**Articles of Reorganization**" means articles of reorganization of CannTrust Holdings to effect, among other things, changes to the terms of the CannTrust Shares to facilitate the distribution of the Phoena Shares to the applicable CannTrust Shareholders that is contemplated by Section 6.4, the form of which articles will be approved by the Proposal Approval Order;

(d) "**BIA**" means the *Bankruptcy and Insolvency Act* (Canada);

(e) "**Business Day**" means a day other than a Saturday, Sunday, statutory or civic holiday in Toronto, Ontario;

(f) "**Canada Pension Plan**" means the *Canada Pension Plan* (Canada);

(g) "**CannTrust D&O Trust**" means a trust that was created on December 17, 2019 to hold and disburse certain funds for the benefit of directors and officers of CannTrust Holdings in accordance with the terms of such trust;

(h) "**CannTrust Holdings**" means CannTrust Holdings Inc., a corporation formed under the OBCA;

(i) "**CannTrust Shareholders**" means the beneficial owners of CannTrust Shares;

(j) "**CannTrust Shares**" means the 1,414,872,032 issued and outstanding common shares in the capital of CannTrust Holdings;

(k) "**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada);

(l) "**CCAA Plan**" means the fourth amended & restated plan of compromise, arrangement and reorganization of CannTrust Holdings, Opco and Elmcliffe Investments Inc. dated July 7, 2021;

(m) "**Claim**" means "claim" as defined by the BIA;

(n) "**Consent**" means, in respect of each Secured Creditor, the written consent of the Secured Creditor to (i) the distributions to Unsecured Creditors contemplated by Section 2.2, (ii) the distribution of the Phoena Shares held by CannTrust Holdings to CannTrust Shareholders that is contemplated by Section 6.4, (iii) the transfer of the Residual Assets to Phoena Holdings contemplated by Section 2.2, (iv) the release of its Claims against CannTrust Holdings and any related security, and (v) the dissolution of CannTrust Holdings contemplated by Section 6.4;

(o) "**Court**" means the Ontario Superior Court of Justice in bankruptcy and insolvency;

(p) "**Court Approval Date**" means the date of the Proposal Approval Order;

(q) "**Creditor**" means any Person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or similar officer acting on behalf or in the name of such Person;

(r) "**Creditor Meeting**" means the meeting of Unsecured Creditors held to consider and vote on this Proposal;

(s) "**Crown**" means His Majesty in right of Canada or a province;

(t) "**CTI**" means CTI Holdings (Osoyoos) Inc.;

(u) "**CTO**" means the cease trade order issued by the OSC on October 13, 2020, on behalf of all of the Canadian securities administrators except for Quebec's, in respect of the CannTrust Shares;

(v) "**Directors**" means any Person who, as at the Effective Date, is a current director or officer of CannTrust Holdings or who by applicable law is deemed to be or is treated similarly to a director or officer of CannTrust Holdings or who currently manages or supervises the management of the business and affairs of CannTrust Holdings;

(w) "**Effective Date**" means one Business Day after the Court Approval Date, or such later date as CannTrust Holdings requests and the Proposal Trustee approves;

(x) "**Employment Insurance Act**" means the *Employment Insurance Act* (Canada);

(y) "**Encumbrance**" means, with respect to any property of CannTrust Holdings, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind whatsoever in respect of such property;

(z) "**Filing Date**" means October 18, 2022;

(aa) "**Income Tax Act**" means the *Income Tax Act* (Canada);

(bb) "**OBCA**" means the *Business Corporations Act* (Ontario);

(cc) "**Opco**" means Phoena Inc., a corporation existing under the OBCA;

(dd) "**OSC**" means the Ontario Securities Commission;

(ee) "**Person**" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government, or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

(ff) "**Phoena Claims**" means the Claims of Phoena Holdings and its direct and indirect subsidiaries, including Opco and CTI;

(gg) "**Phoena Holdings**" means Phoena Holdings Inc., a corporation formed under the OBCA;

(hh) "**Phoena Shares**" means common shares in the capital of Phoena Holdings;

(ii) "**Preferred Claim**" means any Unsecured Claim or portion thereof that is required by the BIA to be paid in priority to other Unsecured Claims under a proposal by a debtor, including the Claims of:

(i) employees and former employees of CannTrust Holdings, if any, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA on the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court Approval Date, together with, in the case of travelling salespersons, disbursements properly incurred by those salespersons in and about CannTrust Holdings' businesses during the same period;

(ii) the trustee or other administrator of a prescribed pension plan in which CannTrust Holdings participates, if any, for the amounts, if any, required to be paid pursuant to section 60(1.5) of the BIA; and

(iii) the Crown for all amounts that were outstanding as of the Filing Date and are of a kind that could be subject to a demand under:

(A) subsection 224(1.2) of the *Income Tax Act*;

(B) any provisions of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for collection of a contribution, as defined In the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or

(C) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(I) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act; or

(II) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

(jj) "**Preferred Creditor**" means a Creditor with a Preferred Claim;

(kk) "**Proof of Claim**" shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting;

(ll) "**Proposal**" means this Proposal dated October 18, 2022, as may be further amended or supplemented from time to time in accordance with its terms;

(mm) "**Proposal Approval Order**" means the Order of the Court approving this Proposal and the Articles of Reorganization, in form and content satisfactory to CannTrust Holdings and the Proposal Trustee;

(nn) "**Proposal Funds**" means the aggregate amount, as of the Effective Date, required:

(i) to pay the Administrative Fees and Expenses (as estimated by the Proposal Trustee pursuant to Section 5.2);

(ii) to pay the Superintendent's Levy; and

(iii) to make the payments to Creditors pursuant to Section 2.2,

to be paid by CannTrust Holdings to the Proposal Trustee on or before the Effective Date;

(oo) "**Proposal Trustee**" means Ernst & Young Inc.;

(pp) "**Proposal Trustee's Website**" means http://www.ey.com/ca/canntrust;

(qq) "**Proven Claim**" means the amount of the Claim of any Creditor finally determined in accordance with the provisions of the BIA;

(rr) "**Qualifying Jurisdiction**" means any Province or Territory of Canada or any other jurisdiction in respect of which an opinion has been received pursuant to Section 3.1(e) or 3.1(f) herein;

(ss) "**Residual Assets**" means all of the property and other assets of CannTrust Holdings, other than the Phoena Shares held by CannTrust Holdings, including:

(i) a potential HST refund of up to about $1.4 million;

(ii) the potential residual value from CannTrust D&O Trust, but which has incurred trustee expenses and is subject to claims by beneficiaries that, if determined to be "eligible claims," will exhaust the trust funds;

(iii) the right to receive a payment from the securities claimants with whom CannTrust Holdings settled as part of the CCAA Plan, if the claimants' total recoveries exceed $250 million;

(iv) a $3 million unsecured promissory note owing by Opco to CannTrust Holdings;

(v) the indebtedness of $40,000 owing by Opco to CannTrust Holdings;

(vi) the indebtedness of about $4,718,616 owing by Elmcliffe Investments Inc.to CannTrust Holdings; and

(vii) the indebtedness of about $50,002 owing by Elmcliffe Investments [No. 2] Inc. to CannTrust Holdings;

(tt) "**Secured Claim**" means any Claim to the extent that it is secured by a valid Encumbrance that is duly and properly registered or otherwise perfected in accordance with applicable law in the appropriate jurisdiction as of the Filing Date or thereafter to the extent permitted by the BIA;

(uu) "**Secured Creditor**" means a Creditor with a Secured Claim;

(vv) "**Secured Lenders**" means:

(i) Cortland Credit Lending Corporation, as agent for and on behalf of the lenders pursuant to the credit agreement dated as of March 11, 2022 between, among others, Cortland Credit Lending Corporation, as agent for the lenders party thereto, in respect of which CannTrust Holdings is a guarantor, as such credit agreement is amended, restated, supplemented or otherwise modified from time to time; and

**(ii)** the Subordinate Lenders and Marshall Fields International B.V., as agent for and on behalf of the Subordinate Lenders, pursuant to the credit agreement dated as of March 11, 2022 in respect of which CannTrust Holdings is a guarantor, as such credit agreement is amended, restated, supplemented or otherwise modified from time to time;

(ww) "**Shareholder Record Date**" means the Filing Date;

(xx) "**Strategic Investors**" means collectively, Marshall Fields International B.V. and Daniel Koehn, Andrew Peppin Medicine Professional Corporation, Jeffrey Zietlow and Greg Guyatt;

(yy) "**Strategic Transaction**" means, collectively, the transactions contemplated by the subscription agreements between Phoena Holdings and each of the Strategic Investors dated March 11, 2022 and the related transactions approved by the Court order dated February 25, 2022 in the CCAA proceedings;

(zz) "**Subordinate Lenders**" means collectively, Marshall Fields International B.V., Andrew Peppin Medicine Professional Corporation, Dan Koehn and Cannacquisition Limited Partnership;

(aaa) "**Superintendent's Levy**" means the levy payable in respect of amounts distributed by the Proposal Trustee under this Proposal in accordance with section 147 of the BIA;

(bbb) "**Transfer Agent**" means TSX Trust Company;

(ccc) "**Transfer Documents**" means collectively, all documentation required to be executed by CannTrust Holdings to effect the transfer of Phoena Shares held by CannTrust Holdings to the applicable CannTrust Shareholders;

(ddd) "**Unsecured Claim**" means any Claim other than a Secured Claim; and

(eee) "**Unsecured Creditor**" means a Creditor with an Unsecured Claim.

### 1.2 Interpretation Matters

For the purposes of this Proposal:

(a) any reference in this Proposal to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

(b) any reference in this Proposal to an order, an existing agreement, or an agreement to be made or registration means such order, or agreement or registration as it may have been or may be amended, modified, joined by additional parties or supplemented (in accordance with its terms or this Proposal, if applicable);

(c) unless otherwise specified, all references to currency are in Canadian dollars;

(d) the division of this Proposal into "Articles" and "Sections" and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Proposal, nor are the descriptive headings of "Articles" and "Sections" intended as complete or accurate descriptions of the content thereof;

(e) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of this Proposal to such Person (or Persons) or circumstances as the context otherwise permits;

(f) the words "includes" and "including" and similar terms of inclusion will not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather will mean "includes but is not limited to" and "including but not limited to", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day means prior to 5:00 p.m. (Toronto time) on such Business Day;

(h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(j) references to a specified "Article" or "Section" will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of this Proposal, whereas the terms "this Proposal", "hereof", "herein", "hereto", "hereunder" and similar expressions will be deemed to refer generally to this Proposal and not to any particular article, section or other portion of this Proposal and includes any documents supplemental hereto.

### 1.3 Successor and Assigns

The Proposal will be binding on and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of the Creditors and any other Person named or referred to in the Proposal.

### 1.4 Statutory References

Any reference in this Proposal to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

### 1.5 Governing Law and Jurisdiction

This Proposal will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Proposal and all proceedings taken in connection with the Proposal and its provisions will be subject to the exclusive jurisdiction of the Court.

### 1.6 Corporate Approvals

The execution, delivery, implementation and consummation of all matters contemplated under the Proposal involving corporate action of CannTrust Holdings, including pursuant to any provision of the OBCA, will be deemed to be authorized and approved under this Proposal and by the Court as part of the Proposal Approval Order in all respects and for all purposes without any requirement of further action by any Person.

## ARTICLE 2
## CLASSIFICATION AND TREATMENT OF CLAIMS

### 2.1 Class of Unsecured Creditors

This Proposal is made to the Unsecured Creditors as a single class.

## 2.2 Treatment of Unsecured Claims

As of the Effective Date, Creditors holding the following Unsecured Claims will be entitled to receive the following treatment in respect of, and in full satisfaction of, their Unsecured Claims:

(a) Preferred Claims (if any) that are Proven Claims will be paid in full from the Proposal Funds by the Proposal Trustee on behalf of CannTrust Holdings, in priority to all other Unsecured Claims in accordance with the scheme of distribution set forth in the BIA;

(b) Unsecured Claims (if any) that are Proven Claims, other than the Phoena Claims, will be paid from the Proposal Funds by the Proposal Trustee on behalf of CannTrust Holdings in full, in priority to the Phoena Claims; and

(c) Phoena Claims that are Proven Claims will be satisfied in full by the transfer of the Residual Assets to Phoena Holdings or as it may direct, pursuant to one or more assignment agreements or other conveyance documentation satisfactory to CannTrust Holdings and Phoena Holdings.

## 2.3 Distributions

Distributions pursuant to Section 2.2 will be effected as soon as practical following the Effective Date.

To be eligible to receive a distribution under Section 2.2, a Creditor must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA prior to the Effective Date and its Claim must be a Proven Claim. Each and every Creditor that fails to file a Proof of Claim with the Proposal Trustee before 5:00 p.m. on the day prior to the Effective Date will not be eligible to participate in the distributions from the Proposal Funds.

## 2.4 Secured Lenders

This Proposal does not affect the Secured Claims of the Secured Lenders. The Claims of the Secured Lenders will be addressed pursuant to the terms of the Consents or as otherwise agreed between CannTrust Holdings and the applicable Secured Lenders.

## 2.5 Different Capacities

Persons may be affected by this Proposal in more than one capacity. Unless expressly provided herein to the contrary, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

## 2.6 Set Off

The law of set-off shall be applied to all Claims.

## ARTICLE 3
## CONDITIONS PRECEDENT

### 3.1 Conditions Precedent

The performance of this Proposal by CannTrust Holdings is conditional upon the fulfillment or satisfaction of the following conditions:

(a) CannTrust Holdings has received the Consent of each of the Secured Lenders and each consent remains in effect in accordance with its terms;

(b) this Proposal has been accepted by the requisite majorities of the Unsecured Creditors;

(c) the Proposal Approval Order has been issued and has not been appealed, set aside, varied or stayed;

(d) the consensual termination of the unanimous shareholders agreement dated March 11, 2022 made between the Strategic Investors, CannTrust Holdings and Phoena Holdings, providing for the governance of Phoena Holdings;

(e) the receipt by CannTrust Holdings, on or before the Effective Date, of an opinion from qualified and independent United States securities counsel (which includes Mayer Brown LLP), in form and substance satisfactory to the directors of CannTrust Holdings, confirming that the proposed distribution of Phoena Shares held by CannTrust Holdings to CannTrust Shareholders who are U.S. Persons will be exempt from the registration requirements under the United States *Securities and Exchange Act of 1933*; and

(f) the receipt by CannTrust Holdings, on or before the Effective Date, of an opinion from qualified and independent securities counsel, in form and substance satisfactory to the directors of CannTrust Holdings, confirming that the proposed distribution of Phoena Shares held by CannTrust Holdings to any CannTrust Shareholder who is not a Canadian or a U.S. Person will be exempt from any requirement to prepare, file or deliver any registration statement, prospectus, financial statement, offering memorandum or similar disclosure document in connection with such distribution.

## ARTICLE 4
## RELEASE OF CLAIMS AND SECTIONS 95-101 OF THE BIA

4.1 Upon implementation of this Proposal on the Effective Date and subject to Section 4.2, each Director will be released from any and all demands, claims, debts, judgments, liens and other recoveries on account of any potential, contingent or actual statutory liability of whatsoever nature that any Person may be entitled to assert against such Director as at the Filing Date, including any and all claims howsoever related to any obligation of CannTrust Holdings where the Director(s) are or may be liable at law in their capacity as Director(s) for the payment of such obligation, whether known or unknown, existing or hereafter arising, based in whole or in part on any act of omission, transaction, dealing or other occurrence existing or taking place prior to the Filing Date or, with respect to any agreements of CannTrust Holdings that have been disclaimed, repudiated or terminated after the Filing Date in whole or in part which exist prior to or at the time of such disclaimer, repudiation or termination.

4.2 Notwithstanding Section 4.1, nothing in this Proposal will release or discharge any of the Directors from the exceptions set out in section 50(14) of the BIA.

4.3 Sections 95 to 101 of the BIA and any provincial statute relating to preferences, settlements, fraudulent conveyances, transfers at undervalue or similar impeachable transactions do not apply to any transactions or other dealings by CannTrust Holdings during the period prior to the Filing Date. The release of the Directors contemplated in Section 4.1 includes a release of all claims, actions and remedies available pursuant to sections 95 to 101 of the BIA and any provincial statute relating to preferences, settlements, fraudulent conveyances, transfers at undervalue or similar impeachable transactions.

## ARTICLE 5
## PROPOSAL TRUSTEE

5.1 Ernst & Young Inc. will be the Proposal Trustee under this Proposal.

5.2 CannTrust Holdings will pay the Administrative Fees and Expenses by including in the Proposal Funds the amount estimated by the Proposal Trustee prior to the Effective Date to be sufficient to pay such fees and expenses. The Proposal Trustee will use such funds to pay such fees and expenses on behalf of CannTrust Holdings as contemplated by Section 5.3 and if there is any surplus from the Proposal Funds after payment of the Administration Fees and Expenses, Creditor distributions, and the levy in full, such surplus will constitute Residual Assets and be paid by the Proposal Trustee to Phoena Holdings or as it may direct.

5.3 On or before the Effective Date, CannTrust Holdings will pay the Proposal Funds to the Proposal Trustee. The Proposal Trustee will make payments from the Proposal Funds, on behalf of CannTrust Holdings, of all payments and distributions of monies required to be made in accordance with the terms of this Proposal.

5.4 Any payments made by the Proposal Trustee to the Creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the BIA.

5.5 The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee

will incur any obligations or liabilities in connection with this Proposal or in respect of the business activities or liabilities of CannTrust Holdings.

5.6 Without limitation to Section 5.5, the Proposal Trustee will have no liability whatsoever for any Claims or other obligations of CannTrust Holdings arising before, on or after the Filing Date.

## ARTICLE 6
## FULL PERFORMANCE OF PROPOSAL

6.1 All obligations of CannTrust Holdings under this Proposal will commence as of the Effective Date. This Proposal will be fully performed by CannTrust Holdings after it has completed the following matters:

(a) paid the Proposal Funds to the Proposal Trustee;

(b) filed the Articles of Reorganization and received the certificate of amendment issued under the OBCA in respect thereof; and

(c) executed the Transfer Documents and delivered them to Phoena Holdings.

6.2 When the Proposal has been fully performed by CannTrust Holdings, the Proposal Trustee will issue to CannTrust Holdings and the Official Receiver the Certificate of Full Performance as provided for in Section 65.3 of the BIA.

6.3 During the currency of this Proposal and until the Certificate of Full Performance referred to in Section 6.2 is issued by the Proposal Trustee, CannTrust Holdings will not amalgamate or otherwise change or reorganize its corporate structure without the approval of the Proposal Trustee (for greater certainty, other than by way of the Articles of Reorganization), unless the new or successor entity agrees to be bound by all terms and conditions of this Proposal.

6.4 Subject to approval by the Court in the Court Approval Order (including approval of the Articles of Reorganization), as soon as practicable following the issuance of the Certificate of Full Performance, CannTrust Holdings intends to:

(a) deliver the Phoena Shares held by CannTrust Holdings to the Transfer Agent, together with a direction to distribute such Phoena Shares to CannTrust Shareholders as of the Shareholder Record Date on the following basis and in the following sequence:

(i) subject to the other clauses of this Section 6.4(a), on or before the first anniversary of the Effective Date, the Transfer Agent will distribute and deliver one Phoena Share for each CannTrust Share held or beneficially owned by each CannTrust Shareholder on the Shareholder Record Date that, relying solely upon the records of the Transfer Agent, is the registered holder or beneficial owner of at least 10,000 CannTrust Shares;

(ii) in the event that, prior to the Effective Date, Phoena Holdings consolidates or splits the outstanding common shares of Phoena, the

10,000 : 1 distribution ratio set forth in Section 6.4(a)(i) shall be adjusted proportionately;

(iii) for any CannTrust Shareholder that, based upon and relying solely upon the records of the Transfer Agent, is not the registered holder or beneficial owner of at least 10,000 CannTrust Shares, no Phoena Shares will be distributed or delivered to such CannTrust Shareholder;

(iv) for any CannTrust Shareholder that, based upon and relying solely upon the records of the Transfer Agent or made available and certified to the satisfaction of the Transfer Agent (in the Transfer Agent's sole discretion), is a resident of a jurisdiction outside of any of the Qualifying Jurisdictions, no Phoena Shares will be distributed or delivered to such CannTrust Shareholder;

(v) if and to the extent that the Transfer Agent has not distributed all or any portion of the Phoena Shares held by CannTrust Holdings on or before the first anniversary of the Effective Date, whether as a consequence of the limitation set forth in Section 6.4(a)(ii) or 6.4(a)(iii) or for any other reason, then the Transfer Agent shall surrender all such undistributed Phoena Shares to Phoena Holdings for cancellation, without payment of any consideration to any CannTrust Shareholder in respect of such undistributed Phoena Shares, and all CannTrust Shareholders will be deemed to have finally and forever relinquished any action, cause of action, suit, claim or demand whatsoever in respect of this Proposal; and

(b) dissolve.

## ARTICLE 7
## AMENDMENT OF PROPOSAL

7.1 At any time and from time to time prior to or at the Creditor Meeting, CannTrust Holdings may vary, amend, restate, modify or supplement this Proposal (in each case, an "**Amendment**") with the consent of the Proposal Trustee. If any such Amendment is made:

(a) CannTrust Holdings or the Proposal Trustee will communicate the details of the Amendment to Creditors and other Persons present at the Creditor Meeting prior to any vote being taken at the Creditor Meeting;

(b) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay and in any event prior to the hearing in respect of the Proposal Approval Order; and

(c) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay and in any event prior to the hearing in respect of the Proposal Approval Order.

7.2 At any time and from time to time after the Creditor Meeting, CannTrust Holdings may make an Amendment with the consent of the Proposal Trustee and approval of the Court. If any such Amendment is made:

(a) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay; and

(b) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay.

7.3 Without limitation to Section 7.2, at any time and from time to time after the Creditor Meeting, CannTrust Holdings may vary, amend, restate, modify or supplement this Proposal with the consent of the Proposal Trustee and without Court approval, provided that such Amendment concerns a matter that is of an administrative nature and is required to better give effect to the implementation of this Proposal and is not adverse to the financial interests of the Creditors. If any such Amendment is made:

(a) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay; and

(b) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay.

Dated this 18th day of October, 2022.

**CANNTRUST HOLDINGS INC.**

DocuSigned by:

Dan Hogan

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# APPENDIX B

Court File No: 31-2875614
Estate No: 31-2875614

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF**
**CANNTRUST HOLDINGS INC.**

# AMENDED AND RESTATED PROPOSAL
**November 3, 2022**

CannTrust Holdings hereby submits the following amended and restated proposal under the BIA which amends and restates the proposal dated October 18, 2022. Capitalised terms used herein have the meanings ascribed to them in Section 1.1 below.

## Recitals

A. On March 31, 2020, CannTrust Holdings and certain of its subsidiaries commenced proceedings under the CCAA following a series of adverse events, including the suspension of cannabis licenses necessary to conduct their business and the issuance of the CTO, prohibiting any trading in the CannTrust Shares. They commenced the CCAA proceedings seeking to reinstate their licenses, resume operations, settle several class actions and other litigation brought against them, and explore a range of potential strategic transactions.

B. On January 5, 2022, CannTrust Holdings implemented the CCAA Plan. Pursuant to the CCAA Plan and the related court order approving it, CannTrust Holdings compromised and was released from substantially all of the claims against it as of March 31, 2020.

C. During the CCAA proceeding, CannTrust Holdings obtained court approval to create a new wholly-owned subsidiary, CannTrust Equity Inc. (now Phoena Holdings Inc.) and to transfer to Phoena Holdings the ownership of its wholly-owned subsidiary, Opco, which was the primary operating entity of the CannTrust group of companies.

D. On February 25, 2022, CannTrust Holdings obtained court approval for the Strategic Transaction, which transaction was intended to secure new financing to enable Opco to continue to carry on business.

E. On March 11, 2022, CannTrust Holdings, Phoena Holdings and Opco implemented the Strategic Transaction. As a result, the Strategic Investors invested $11.2 million to acquire a 90% equity interest in Phoena Holdings (at a subscription price of approximately one cent ($0.01) per Phoena Share) and provided a $5.5 million loan (which is subordinated in payment to a pre-existing loan from Cortland Credit Lending Corporation), with CannTrust Holdings retaining Phoena Shares representing a 10% equity interest in Phoena Holdings.

F. Prior to or in connection with the implementation of the Strategic Transaction, CannTrust Holdings satisfied any remaining liabilities of which it was aware, with the exception of claims that were to remain outstanding by agreement with the applicable creditors, such as the Secured Lenders.

G. Despite the implementation of the CCAA Plan and the Strategic Transaction, CannTrust Holdings remains subject to the CTO. To obtain a discretionary order from the OSC revoking the CTO, CannTrust Holdings would be required to cure its disclosure defaults under applicable securities laws, which would including restating certain historical financial statements and obtaining an audit opinion thereon from a qualified independent auditor.

H. CannTrust Holdings had hoped that, after emerging from the CCAA proceeding, it would be able to complete the steps necessary to either (i) hold an annual general meeting and apply to the OSC to have the CTO revoked or (ii) work with Phoena Holdings to obtain a stock exchange listing for the Phoena Shares and then distribute its Phoena Shares to CannTrust Shareholders pursuant to a plan of arrangement effected under the OBCA. Those steps included the need for CannTrust Holdings to either (i) restate some of its historical annual financial statements and prepare other annual and interim financial statements or (ii) prepare annual and interim financial statements in respect of Phoena Holdings.

I. Because CannTrust Holdings is an "offering corporation" for purposes of the OBCA, it cannot convene an annual general meeting without providing certain annual financial statements to the CannTrust Shareholders, and any annual financial statements to be placed before the CannTrust Shareholders at such meeting would be required to be audited and satisfy the other requirements of applicable securities laws. To facilitate that effort, the court granted an order (as subsequently extended) that gave CannTrust Holdings until November 30, 2022 to hold its annual general meeting.

J. CannTrust Holdings has determined that it is not feasible in the remaining time before November 30, 2022 to hold an annual general meeting and, in any event, CannTrust Holdings is insolvent and cannot afford to complete the audit and other work necessary to do so or to seek the revocation of the CTO, and Phoena is not currently in a position to become a "reporting issuer" under applicable securities laws by obtaining a stock exchange listing for the Phoena Shares.

K. In the circumstances, CannTrust Holdings believes it is in the best interests of its stakeholders to make a proposal to its creditors under the BIA to allow it to address its remaining liabilities, dispose of its residual assets or the proceeds thereof, and dissolve in advance of November 30, 2022 or as soon thereafter as is reasonably achievable.

## ARTICLE 1
## DEFINITIONS

### 1.1 Definitions

In this Proposal, capitalized terms have the meanings set out below:

(a) "**Administrative Fees and Expenses**" means:

(i) the proper fees and expenses of the Proposal Trustee, including its legal fees and disbursements; and

(ii) the legal fees and disbursements of CannTrust Holdings incurred on or incidental to negotiations in connection with these proposal proceedings, the preparation of the Proposal and the transactions and agreements contemplated hereby;

(b) "**Amendment**" is defined in Section 7.1;

(c) "**Articles of Reorganization**" means articles of reorganization of CannTrust Holdings to effect, among other things, changes to the terms of the CannTrust Shares to facilitate the distribution of the Phoena Shares to the applicable CannTrust Shareholders that is contemplated by Section 6.4, the form of which articles will be approved by the Proposal Approval Order;

(d) "**BIA**" means the *Bankruptcy and Insolvency Act* (Canada);

(e) "**Business Day**" means a day other than a Saturday, Sunday, statutory or civic holiday in Toronto, Ontario;

(f) "**Canada Pension Plan**" means the *Canada Pension Plan* (Canada);

(g) "**CannTrust D&O Trust**" means a trust that was created on December 17, 2019 to hold and disburse certain funds for the benefit of directors and officers of CannTrust Holdings in accordance with the terms of such trust;

(h) "**CannTrust Holdings**" means CannTrust Holdings Inc., a corporation formed under the OBCA;

(i) "**CannTrust Shareholders**" means the beneficial owners of CannTrust Shares;

(j) "**CannTrust Shares**" means the 1,414,872,032 issued and outstanding common shares in the capital of CannTrust Holdings;

(k) "**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada);

(l) "**CCAA Plan**" means the fourth amended & restated plan of compromise, arrangement and reorganization of CannTrust Holdings, Opco and Elmcliffe Investments Inc. dated July 7, 2021;

(m) "**Claim**" means "claim" as defined by the BIA;

(n) "**Consent**" means, in respect of each Secured Creditor, the written consent of the Secured Creditor to (i) the distributions to Unsecured Creditors contemplated by Section 2.2, (ii) the distribution of the Phoena Shares held by CannTrust Holdings to CannTrust Shareholders that is contemplated by Section 6.4, (iii) the transfer of the Residual Assets to Phoena Holdings contemplated by Section 2.2, (iv) the release of its Claims against CannTrust Holdings and any related security, and (v) the dissolution of CannTrust Holdings contemplated by Section 6.4;

(o) "**Court**" means the Ontario Superior Court of Justice in bankruptcy and insolvency;

(p) "**Court Approval Date**" means the date of the Proposal Approval Order;

(q) "**Creditor**" means any Person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or similar officer acting on behalf or in the name of such Person;

(r) "**Creditor Meeting**" means the meeting of Unsecured Creditors held to consider and vote on this Proposal;

(s) "**Crown**" means His Majesty in right of Canada or a province;

(t) "**CTI**" means CTI Holdings (Osoyoos) Inc.;

(u) "**CTO**" means the cease trade order issued by the OSC on October 13, 2020, on behalf of all of the Canadian securities administrators except for Quebec's, in respect of the CannTrust Shares;

(v) "**Directors**" means any Person who, as at the Effective Date, is a current director or officer of CannTrust Holdings or who by applicable law is deemed to be or is treated similarly to a director or officer of CannTrust Holdings or who currently manages or supervises the management of the business and affairs of CannTrust Holdings;

(w) "**Effective Date**" means one Business Day after the Court Approval Date, or such later date as CannTrust Holdings requests and the Proposal Trustee approves;

(x) "**Employment Insurance Act**" means the *Employment Insurance Act* (Canada);

(y) "**Encumbrance**" means, with respect to any property of CannTrust Holdings, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind whatsoever in respect of such property;

(z) "**Filing Date**" means October 18, 2022;

(aa) "**Income Tax Act**" means the *Income Tax Act* (Canada);

(bb) "**OBCA**" means the *Business Corporations Act* (Ontario);

(cc) "**Opco**" means Phoena Inc., a corporation existing under the OBCA;

(dd) "**OSC**" means the Ontario Securities Commission;

(ee) "**Person**" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government, or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

(ff) "**Phoena Claims**" means the Claims of Phoena Holdings and its direct and indirect subsidiaries, including Opco and CTI;

(gg) "**Phoena Holdings**" means Phoena Holdings Inc., a corporation formed under the OBCA;

(hh) "**Phoena Shares**" means common shares in the capital of Phoena Holdings;

(ii) "**Preferred Claim**" means any Unsecured Claim or portion thereof that is required by the BIA to be paid in priority to other Unsecured Claims under a proposal by a debtor, including the Claims of:

(i) employees and former employees of CannTrust Holdings, if any, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA on the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court Approval Date, together with, in the case of travelling salespersons, disbursements properly incurred by those salespersons in and about CannTrust Holdings' businesses during the same period;

(ii) the trustee or other administrator of a prescribed pension plan in which CannTrust Holdings participates, if any, for the amounts, if any, required to be paid pursuant to section 60(1.5) of the BIA; and

(iii) the Crown for all amounts that were outstanding as of the Filing Date and are of a kind that could be subject to a demand under:

(A) subsection 224(1.2) of the *Income Tax Act*;

(B) any provisions of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for collection of a contribution, as defined In the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or

(C) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(I) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act; or

(II) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

(jj) "**Preferred Creditor**" means a Creditor with a Preferred Claim;

(kk) “**Proof of Claim**” shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;

(ll) “**Proposal**” means this amended and restated proposal dated November 3, 2022 which amends and restates the proposal dated October 18, 2022, as may be further amended or supplemented from time to time in accordance with its terms;

(mm) “**Proposal Approval Order**” means the Order of the Court approving this Proposal and the Articles of Reorganization, in form and content satisfactory to CannTrust Holdings and the Proposal Trustee;

(nn) “**Proposal Funds**” means the aggregate amount, as of the Effective Date, required:

(i) to pay the Administrative Fees and Expenses (as estimated by the Proposal Trustee pursuant to Section 5.2);

(ii) to pay the Superintendent’s Levy; and

(iii) to make the payments to Creditors pursuant to Section 2.2,

to be paid by CannTrust Holdings to the Proposal Trustee on or before the Effective Date;

(oo) “**Proposal Trustee**” means Ernst & Young Inc.;

(pp) “**Proposal Trustee’s Website**” means http://www.ey.com/ca/canntrust;

(qq) “**Proven Claim**” means the amount of the Claim of any Creditor finally determined in accordance with the provisions of the BIA;

(rr) “**Qualifying Jurisdiction**” means any Province or Territory of Canada or any other jurisdiction in respect of which an opinion has been received pursuant to Section 3.1(e) or 3.1(f) herein;

(ss) “**Residual Assets**” means all of the property and other assets of CannTrust Holdings as of the Effective Date (or the proceeds thereof), other than the Phoena Shares held by CannTrust Holdings, including:

(i) a potential HST refund of up to about $1.4 million;

(ii) the potential residual value from CannTrust D&O Trust, but which has incurred trustee expenses and is subject to claims by beneficiaries that, if determined to be “eligible claims,” will exhaust the trust funds;

(iii) the right to receive a payment from the securities claimants with whom CannTrust Holdings settled as part of the CCAA Plan, if the claimants’ total recoveries exceed $250 million;

(iv) a $3 million unsecured promissory note owing by Opco to CannTrust Holdings;

(v) the indebtedness of $40,000 owing by Opco to CannTrust Holdings;

(vi) the indebtedness of about $4,718,616 owing by Elmcliffe Investments Inc.to CannTrust Holdings;

(vii) the indebtedness of about $50,002 owing by Elmcliffe Investments [No. 2] Inc. to CannTrust Holdings; and

(viii) the surplus, if any, from the Proposal Funds as contemplated by Section 5.2.

(tt) "**Secured Claim**" means any Claim to the extent that it is secured by a valid Encumbrance that is duly and properly registered or otherwise perfected in accordance with applicable law in the appropriate jurisdiction as of the Filing Date or thereafter to the extent permitted by the BIA;

(uu) "**Secured Creditor**" means a Creditor with a Secured Claim;

(vv) "**Secured Lenders**" means:

(i) Cortland Credit Lending Corporation, as agent for and on behalf of the lenders pursuant to the credit agreement dated as of March 11, 2022 between, among others, Cortland Credit Lending Corporation, as agent for the lenders party thereto, in respect of which CannTrust Holdings is a guarantor, as such credit agreement is amended, restated, supplemented or otherwise modified from time to time; and

(ii) the Subordinate Lenders and Marshall Fields International B.V., as agent for and on behalf of the Subordinate Lenders, pursuant to the credit agreement dated as of March 11, 2022 in respect of which CannTrust Holdings is a guarantor, as such credit agreement is amended, restated, supplemented or otherwise modified from time to time**;**

(ww) "**Shareholder Record Date**" means the Filing Date;

(xx) "**Strategic Investors**" means collectively, Marshall Fields International B.V. and Daniel Koehn, Andrew Peppin Medicine Professional Corporation, Jeffrey Zietlow and Greg Guyatt;

(yy) "**Strategic Transaction**" means, collectively, the transactions contemplated by the subscription agreements between Phoena Holdings and each of the Strategic Investors dated March 11, 2022 and the related transactions approved by the Court order dated February 25, 2022 in the CCAA proceedings;

(zz) "**Subordinate Lenders**" means collectively, Marshall Fields International B.V., Andrew Peppin Medicine Professional Corporation, Dan Koehn and Cannacquisition Limited Partnership;

(aaa) "**Superintendent's Levy**" means the levy payable in respect of amounts distributed by the Proposal Trustee under this Proposal in accordance with section 147 of the BIA;

(bbb) “**Transfer Agent**” means TSX Trust Company;

(ccc) “**Transfer Documents**” means collectively, all assignment and other documentation required to be executed by CannTrust Holdings and Phoena Holdings to effect the transfer of the Residual Assets to Phoena Holdings, in form and content satisfactory to CannTrust Holdings and Phoena Holdings;

(ddd) “**Unsecured Claim**” means any Claim other than a Secured Claim; and

(eee) “**Unsecured Creditor**” means a Creditor with an Unsecured Claim.

1.2 **Interpretation Matters**

For the purposes of this Proposal:

(a) any reference in this Proposal to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

(b) any reference in this Proposal to an order, an existing agreement, or an agreement to be made or registration means such order, or agreement or registration as it may have been or may be amended, modified, joined by additional parties or supplemented (in accordance with its terms or this Proposal, if applicable);

(c) unless otherwise specified, all references to currency are in Canadian dollars;

(d) the division of this Proposal into “Articles” and “Sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Proposal, nor are the descriptive headings of “Articles” and “Sections” intended as complete or accurate descriptions of the content thereof;

(e) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of this Proposal to such Person (or Persons) or circumstances as the context otherwise permits;

(f) the words “includes” and “including” and similar terms of inclusion will not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather will mean “includes but is not limited to” and “including but not limited to”, so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day means prior to 5:00 p.m. (Toronto time) on such Business Day;

(h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(j) references to a specified “Article” or “Section” will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of this Proposal, whereas the terms “this Proposal”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions will be deemed to refer generally to this Proposal and not to any particular article, section or other portion of this Proposal and includes any documents supplemental hereto.

### 1.3 Successor and Assigns

The Proposal will be binding on and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of the Creditors and any other Person named or referred to in the Proposal.

### 1.4 Statutory References

Any reference in this Proposal to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

### 1.5 Governing Law and Jurisdiction

This Proposal will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Proposal and all proceedings taken in connection with the Proposal and its provisions will be subject to the exclusive jurisdiction of the Court.

### 1.6 Corporate Approvals

The execution, delivery, implementation and consummation of all matters contemplated under the Proposal involving corporate action of CannTrust Holdings, including pursuant to any provision of the OBCA, will be deemed to be authorized and approved under this Proposal and by the Court as part of the Proposal Approval Order in all respects and for all purposes without any requirement of further action by any Person.

## ARTICLE 2
## CLASSIFICATION AND TREATMENT OF CLAIMS

### 2.1 Class of Unsecured Creditors

This Proposal is made to the Unsecured Creditors as a single class.

### 2.2 Treatment of Unsecured Claims

As of the Effective Date, Creditors holding the following Unsecured Claims will be entitled to receive the following treatment in respect of, and in full satisfaction of, their Unsecured Claims:

(a) Preferred Claims (if any) that are Proven Claims will be paid in full from the Proposal Funds by the Proposal Trustee on behalf of CannTrust Holdings, in priority to all other Unsecured Claims in accordance with the scheme of distribution set forth in the BIA;

(b) Unsecured Claims (if any) that are Proven Claims, other than the Phoena Claims, will be paid from the Proposal Funds by the Proposal Trustee on behalf of CannTrust Holdings in full, in priority to the Phoena Claims; and

(c) Phoena Claims that are Proven Claims will be satisfied in full by the transfer of the Residual Assets to Phoena Holdings or as it may direct, pursuant to the Transfer Documents and such other arrangements as are satisfactory to CannTrust Holdings and Phoena Holdings.

### 2.3 Distributions

Distributions pursuant to Section 2.2 will be effected as soon as practical following the Effective Date.

To be eligible to receive a distribution under Section 2.2, a Creditor must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA prior to the Effective Date and its Claim must be a Proven Claim. Each and every Creditor that fails to file a Proof of Claim with the Proposal Trustee before 5:00 p.m. on the day prior to the Effective Date will not be eligible to participate in the distributions from the Proposal Funds.

### 2.4 Secured Lenders

This Proposal does not affect the Secured Claims of the Secured Lenders. The Claims of the Secured Lenders will be addressed pursuant to the terms of the Consents or as otherwise agreed between CannTrust Holdings and the applicable Secured Lenders.

### 2.5 Different Capacities

Persons may be affected by this Proposal in more than one capacity. Unless expressly provided herein to the contrary, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

### 2.6 Set Off

The law of set-off shall be applied to all Claims.

## ARTICLE 3
## CONDITIONS PRECEDENT

### 3.1 Conditions Precedent

The performance of this Proposal by CannTrust Holdings is conditional upon the fulfillment or satisfaction of the following conditions:

(a) CannTrust Holdings has received the Consent of each of the Secured Lenders and each consent remains in effect in accordance with its terms;

(b) this Proposal has been accepted by the requisite majorities of the Unsecured Creditors;

(c) the Proposal Approval Order has been issued and has not been appealed, set aside, varied or stayed;

(d) the consensual termination of the unanimous shareholders agreement dated March 11, 2022 made between the Strategic Investors, CannTrust Holdings and Phoena Holdings, providing for the governance of Phoena Holdings;

(e) the receipt by CannTrust Holdings, on or before the Effective Date, of an opinion from qualified and independent United States securities counsel (which includes Mayer Brown LLP), in form and substance satisfactory to the directors of CannTrust Holdings, confirming that the proposed distribution of Phoena Shares held by CannTrust Holdings to CannTrust Shareholders who are U.S. Persons will be exempt from the registration requirements under the United States *Securities and Exchange Act of 1933*; and

(f) the receipt by CannTrust Holdings, on or before the Effective Date, of an opinion from qualified and independent securities counsel, in form and substance satisfactory to the directors of CannTrust Holdings, confirming that the proposed distribution of Phoena Shares held by CannTrust Holdings to any CannTrust Shareholder who is not a Canadian or a U.S. Person will be exempt from any requirement to prepare, file or deliver any registration statement, prospectus, financial statement, offering memorandum or similar disclosure document in connection with such distribution.

## ARTICLE 4
## RELEASE OF CLAIMS AND SECTIONS 95-101 OF THE BIA

4.1 Upon implementation of this Proposal on the Effective Date and subject to Section 4.2, each Director will be released from any and all demands, claims, debts, judgments, liens and other recoveries on account of any potential, contingent or actual statutory liability of whatsoever nature that any Person may be entitled to assert against such Director as at the Filing Date, including any and all claims howsoever related to any obligation of CannTrust Holdings where the Director(s) are or may be liable at law in their capacity as Director(s) for the payment of such obligation, whether known or unknown, existing or hereafter arising, based in whole or in part on any act of omission, transaction, dealing or other occurrence existing or taking place prior to the Filing Date or, with respect to any agreements of CannTrust Holdings that have been disclaimed, repudiated or terminated after the Filing Date in whole or in part which exist prior to or at the time of such disclaimer, repudiation or termination.

4.2 Notwithstanding Section 4.1, nothing in this Proposal will release or discharge any of the Directors from the exceptions set out in section 50(14) of the BIA.

4.3 Sections 95 to 101 of the BIA and any provincial statute relating to preferences, settlements, fraudulent conveyances, transfers at undervalue or similar impeachable transactions do not apply to any transactions or other dealings by CannTrust Holdings during the period prior to the Filing Date. The release of the Directors contemplated in Section 4.1 includes a release of all claims, actions and remedies available pursuant to sections 95 to 101 of the BIA and any provincial statute relating to preferences, settlements, fraudulent conveyances, transfers at undervalue or similar impeachable transactions.

## ARTICLE 5
## PROPOSAL TRUSTEE

5.1 Ernst & Young Inc. will be the Proposal Trustee under this Proposal.

5.2 CannTrust Holdings will pay the Administrative Fees and Expenses by including in the Proposal Funds the amount estimated by the Proposal Trustee prior to the Effective Date to be sufficient to pay such fees and expenses. The Proposal Trustee will use such funds to pay such fees and expenses on behalf of CannTrust Holdings as contemplated by Section 5.3 and if there is any surplus from the Proposal Funds after payment of the Administration Fees and Expenses, Creditor distributions, and the levy in full, such surplus will constitute Residual Assets and be paid by the Proposal Trustee to Phoena Holdings or as it may direct.

5.3 On or before the Effective Date, CannTrust Holdings will pay the Proposal Funds to the Proposal Trustee. The Proposal Trustee will make payments from the Proposal Funds, on behalf of CannTrust Holdings, of all payments and distributions of monies required to be made in accordance with the terms of this Proposal.

5.4 Any payments made by the Proposal Trustee to the Creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the BIA.

5.5 The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee

will incur any obligations or liabilities in connection with this Proposal or in respect of the business activities or liabilities of CannTrust Holdings.

5.6 Without limitation to Section 5.5, the Proposal Trustee will have no liability whatsoever for any Claims or other obligations of CannTrust Holdings arising before, on or after the Filing Date.

## ARTICLE 6
## FULL PERFORMANCE OF PROPOSAL

6.1 All obligations of CannTrust Holdings under this Proposal will commence as of the Effective Date. This Proposal will be fully performed by CannTrust Holdings after it has completed the following matters:

(a) paid the Proposal Funds to the Proposal Trustee;

(b) filed the Articles of Reorganization and received the certificate of amendment issued under the OBCA in respect thereof; and

(c) executed the Transfer Documents and delivered them to Phoena Holdings.

6.2 When the Proposal has been fully performed by CannTrust Holdings, the Proposal Trustee will issue to CannTrust Holdings and the Official Receiver the Certificate of Full Performance as provided for in Section 65.3 of the BIA.

6.3 During the currency of this Proposal and until the Certificate of Full Performance referred to in Section 6.2 is issued by the Proposal Trustee, CannTrust Holdings will not amalgamate or otherwise change or reorganize its corporate structure without the approval of the Proposal Trustee (for greater certainty, other than by way of the Articles of Reorganization), unless the new or successor entity agrees to be bound by all terms and conditions of this Proposal.

6.4 Subject to approval by the Court in the Court Approval Order (including approval of the Articles of Reorganization), CannTrust Holdings intends to:

(a) as soon as practicable following the issuance of the Certificate of Full Performance, deliver the Phoena Shares held by CannTrust Holdings to the Transfer Agent, together with a direction to distribute such Phoena Shares to CannTrust Shareholders as of the Shareholder Record Date on the following basis and in the following sequence:

(i) subject to the other clauses of this Section 6.4(a), on or before the first anniversary of the Effective Date, the Transfer Agent will distribute and deliver one Phoena Share for each CannTrust Share held or beneficially owned by each CannTrust Shareholder on the Shareholder Record Date that, relying solely upon the records of the Transfer Agent, is the registered holder or beneficial owner of at least 10,000 CannTrust Shares;

(ii) in the event that, prior to the Effective Date, Phoena Holdings consolidates or splits the outstanding common shares of Phoena, the 1:1

distribution ratio set forth in Section 6.4(a)(i) shall be adjusted proportionately, subject to the condition set out therein;

(iii) for any CannTrust Shareholder that, based upon and relying solely upon the records of the Transfer Agent, is not the registered holder or beneficial owner of at least 10,000 CannTrust Shares, no Phoena Shares will be distributed or delivered to such CannTrust Shareholder;

(iv) for any CannTrust Shareholder that, based upon and relying solely upon the records of the Transfer Agent or made available and certified to the satisfaction of the Transfer Agent (in the Transfer Agent's sole discretion), is a resident of a jurisdiction outside of any of the Qualifying Jurisdictions, no Phoena Shares will be distributed or delivered to such CannTrust Shareholder;

(v) if and to the extent that the Transfer Agent has not distributed all or any portion of the Phoena Shares held by CannTrust Holdings on or before the first anniversary of the Effective Date, whether as a consequence of the limitation set forth in Section 6.4(a)(ii) or 6.4(a)(iii) or for any other reason, then the Transfer Agent shall surrender all such undistributed Phoena Shares to Phoena Holdings for cancellation, without payment of any consideration to any CannTrust Shareholder in respect of such undistributed Phoena Shares, and all CannTrust Shareholders will be deemed to have finally and forever relinquished any action, cause of action, suit, claim or demand whatsoever in respect of this Proposal; and

(b) as soon as practical following the transfer of the Residual Assets contemplated by Section 2.2(c) or at such other time as may be agreed between CannTrust Holdings and Phoena Holdings, dissolve.

## ARTICLE 7
## AMENDMENT OF PROPOSAL

7.1 At any time and from time to time prior to or at the Creditor Meeting, CannTrust Holdings may vary, amend, restate, modify or supplement this Proposal (in each case, an "**Amendment**") with the consent of the Proposal Trustee. If any such Amendment is made:

(a) CannTrust Holdings or the Proposal Trustee will communicate the details of the Amendment to Creditors and other Persons present at the Creditor Meeting prior to any vote being taken at the Creditor Meeting;

(b) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay and in any event prior to the hearing in respect of the Proposal Approval Order; and

(c) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay and in any event prior to the hearing in respect of the Proposal Approval Order.

7.2 At any time and from time to time after the Creditor Meeting, CannTrust Holdings may make an Amendment with the consent of the Proposal Trustee and approval of the Court. If any such Amendment is made:

(a) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay; and

(b) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay.

7.3 Without limitation to Section 7.2, at any time and from time to time after the Creditor Meeting, CannTrust Holdings may vary, amend, restate, modify or supplement this Proposal with the consent of the Proposal Trustee and without Court approval, provided that such Amendment concerns a matter that is of an administrative nature and is required to better give effect to the implementation of this Proposal and is not adverse to the financial interests of the Creditors. If any such Amendment is made:

(a) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay; and

(b) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay.

Dated this 3rd day of November, 2022.

**CANNTRUST HOLDINGS INC.**

DocuSigned by:

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# APPENDIX C

Court File No: 31-2875614
Estate No: 31-2875614

**ONTARIO**
**SUPERIOR COURT OF JUSTICE**

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF**
**CANNTRUST HOLDINGS INC.**

# SECOND AMENDED AND RESTATED PROPOSAL
**November 16, 2022**

CannTrust Holdings hereby submits the following second amended and restated proposal under the BIA which amends and restates the amended proposal dated November 3, 2022. Capitalised terms used herein have the meanings ascribed to them in Section 1.1 below.

## Recitals

A. On March 31, 2020, CannTrust Holdings and certain of its subsidiaries commenced proceedings under the CCAA following a series of adverse events, including the suspension of cannabis licenses necessary to conduct their business and the issuance of the CTO, prohibiting any trading in the CannTrust Shares. They commenced the CCAA proceedings seeking to reinstate their licenses, resume operations, settle several class actions and other litigation brought against them, and explore a range of potential strategic transactions.

B. On January 5, 2022, CannTrust Holdings implemented the CCAA Plan. Pursuant to the CCAA Plan and the related court order approving it, CannTrust Holdings compromised and was released from substantially all of the claims against it as of March 31, 2020.

C. During the CCAA proceeding, CannTrust Holdings obtained court approval to create a new wholly-owned subsidiary, CannTrust Equity Inc. (now Phoena Holdings Inc.) and to transfer to Phoena Holdings the ownership of its wholly-owned subsidiary, Opco, which was the primary operating entity of the CannTrust group of companies.

D. On February 25, 2022, CannTrust Holdings obtained court approval for the Strategic Transaction, which transaction was intended to secure new financing to enable Opco to continue to carry on business.

E. On March 11, 2022, CannTrust Holdings, Phoena Holdings and Opco implemented the Strategic Transaction. As a result, the Strategic Investors invested $11.2 million to acquire a 90% equity interest in Phoena Holdings (at a subscription price of approximately one cent ($0.01) per Phoena Share) and provided a $5.5 million loan (which is subordinated in payment to a pre-existing loan from Cortland Credit Lending Corporation), with CannTrust Holdings retaining Phoena Shares representing a 10% equity interest in Phoena Holdings.

F. Prior to or in connection with the implementation of the Strategic Transaction, CannTrust Holdings satisfied any remaining liabilities of which it was aware, with the exception of claims that were to remain outstanding by agreement with the applicable creditors, such as the Secured Lenders.

G. Despite the implementation of the CCAA Plan and the Strategic Transaction, CannTrust Holdings remains subject to the CTO. To obtain a discretionary order from the OSC revoking the CTO, CannTrust Holdings would be required to cure its disclosure defaults under applicable securities laws, which would including restating certain historical financial statements and obtaining an audit opinion thereon from a qualified independent auditor.

H. CannTrust Holdings had hoped that, after emerging from the CCAA proceeding, it would be able to complete the steps necessary to either (i) hold an annual general meeting and apply to the OSC to have the CTO revoked or (ii) work with Phoena Holdings to obtain a stock exchange listing for the Phoena Shares and then distribute its Phoena Shares to CannTrust Shareholders pursuant to a plan of arrangement effected under the OBCA. Those steps included the need for CannTrust Holdings to either (i) restate some of its historical annual financial statements and prepare other annual and interim financial statements or (ii) prepare annual and interim financial statements in respect of Phoena Holdings.

I. Because CannTrust Holdings is an "offering corporation" for purposes of the OBCA, it cannot convene an annual general meeting without providing certain annual financial statements to the CannTrust Shareholders, and any annual financial statements to be placed before the CannTrust Shareholders at such meeting would be required to be audited and satisfy the other requirements of applicable securities laws. To facilitate that effort, the court granted an order (as subsequently extended) that gave CannTrust Holdings until November 30, 2022 to hold its annual general meeting.

J. CannTrust Holdings has determined that it is not feasible in the remaining time before November 30, 2022 to hold an annual general meeting and, in any event, CannTrust Holdings is insolvent and cannot afford to complete the audit and other work necessary to do so or to seek the revocation of the CTO, and Phoena is not currently in a position to become a "reporting issuer" under applicable securities laws by obtaining a stock exchange listing for the Phoena Shares.

K. In the circumstances, CannTrust Holdings believes it is in the best interests of its stakeholders to make a proposal to its creditors under the BIA to allow it to address its remaining liabilities, dispose of its residual assets or the proceeds thereof, and dissolve in advance of November 30, 2022 or as soon thereafter as is reasonably achievable.

L. The original proposal dated October 18, 2022, was restated by the amended and restated proposal dated November 3, 2022, and which is further restated by this second amended and restated proposal dated as of the date first mentioned above.

## ARTICLE 1
## DEFINITIONS

### 1.1 Definitions

In this Proposal, capitalized terms have the meanings set out below:

(a) "**Administrative Fees and Expenses**" means:

(i) the proper fees and expenses of the Proposal Trustee, including its legal fees and disbursements; and

(ii) the legal fees and disbursements of CannTrust Holdings incurred on or incidental to negotiations in connection with these proposal proceedings, the preparation of the Proposal and the transactions and agreements contemplated hereby;

(b) "**Amendment**" is defined in Section 7.1;

(c) "**Articles of Reorganization**" means articles of reorganization of CannTrust Holdings to effect, among other things, changes to the terms of the articles to facilitate the distribution of the Phoena Shares to the applicable CannTrust Shareholders that is contemplated by Section 6.4, the form of which articles will be approved by the Proposal Approval Order;

(d) "**BIA**" means the *Bankruptcy and Insolvency Act* (Canada);

(e) "**Business Day**" means a day other than a Saturday, Sunday, statutory or civic holiday in Toronto, Ontario;

(f) "**Canada Pension Plan**" means the *Canada Pension Plan* (Canada);

(g) "**CannTrust D&O Trust**" means a trust that was created on December 17, 2019 to hold and disburse certain funds for the benefit of directors and officers of CannTrust Holdings in accordance with the terms of such trust;

(h) "**CannTrust Holdings**" means CannTrust Holdings Inc., a corporation formed under the OBCA;

(i) "**CannTrust Shareholders**" means the beneficial owners of CannTrust Shares;

(j) "**CannTrust Shares**" means the issued and outstanding common shares in the capital of CannTrust Holdings;

(k) "**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada);

(l) "**CCAA Plan**" means the fourth amended & restated plan of compromise, arrangement and reorganization of CannTrust Holdings, Opco and Elmcliffe Investments Inc. dated July 7, 2021;

(m) "**Claim**" means "claim" as defined by the BIA;

(n) "**Consent**" means, in respect of each Secured Creditor, the written consent of the Secured Creditor to (i) the distributions to Unsecured Creditors contemplated by Section 2.2, (ii) the distribution of the Phoena Shares held by CannTrust Holdings to CannTrust Shareholders that is contemplated by Section 6.4, (iii) the transfer of the Residual Assets to Phoena Holdings contemplated by Section 2.2, (iv) the release of its Claims against CannTrust Holdings and any related security, and (v) the dissolution of CannTrust Holdings contemplated by Section 6.4;

(o) "**Court**" means the Ontario Superior Court of Justice in bankruptcy and insolvency;

(p) "**Court Approval Date**" means the date of the Proposal Approval Order;

(q) "**Creditor**" means any Person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or similar officer acting on behalf or in the name of such Person;

(r) "**Creditor Meeting**" means the meeting of Unsecured Creditors held to consider and vote on this Proposal;

(s) "**Crown**" means His Majesty in right of Canada or a province;

(t) "**CTI**" means CTI Holdings (Osoyoos) Inc.;

(u) "**CTO**" means the cease trade order issued by the OSC on October 13, 2020, on behalf of all of the Canadian securities administrators except for Quebec's, in respect of the CannTrust Shares;

(v) "**Directors**" means any Person who, as at the Effective Date, is a current director or officer of CannTrust Holdings or who by applicable law is deemed to be or is treated similarly to a director or officer of CannTrust Holdings or who currently manages or supervises the management of the business and affairs of CannTrust Holdings;

(w) "**Effective Date**" means one Business Day after the Court Approval Date, or such later date as CannTrust Holdings requests and the Proposal Trustee approves;

(x) "**Employment Insurance Act**" means the *Employment Insurance Act* (Canada);

(y) "**Encumbrance**" means, with respect to any property of CannTrust Holdings, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind whatsoever in respect of such property;

(z) "**Filing Date**" means October 18, 2022;

(aa) "**Income Tax Act**" means the *Income Tax Act* (Canada);

(bb) "**OBCA**" means the *Business Corporations Act* (Ontario);

(cc) "**Opco**" means Phoena Inc., a corporation existing under the OBCA;

(dd) "**OSC**" means the Ontario Securities Commission;

(ee) "**Person**" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government, or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;

(ff) "**Phoena Claims**" means the Claims of Phoena Holdings and its direct and indirect subsidiaries, including Opco and CTI;

(gg) "**Phoena Holdings**" means Phoena Holdings Inc., a corporation formed under the OBCA;

(hh) "**Phoena Shares**" means common shares in the capital of Phoena Holdings;

(ii) "**Preferred Claim**" means any Unsecured Claim or portion thereof that is required by the BIA to be paid in priority to other Unsecured Claims under a proposal by a debtor, including the Claims of:

(i) employees and former employees of CannTrust Holdings, if any, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA on the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court Approval Date, together with, in the case of travelling salespersons, disbursements properly incurred by those salespersons in and about CannTrust Holdings' businesses during the same period;

(ii) the trustee or other administrator of a prescribed pension plan in which CannTrust Holdings participates, if any, for the amounts, if any, required to be paid pursuant to section 60(1.5) of the BIA; and

(iii) the Crown for all amounts that were outstanding as of the Filing Date and are of a kind that could be subject to a demand under:

(A) subsection 224(1.2) of the *Income Tax Act*;

(B) any provisions of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for collection of a contribution, as defined In the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or

(C) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:

(I) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act; or

(II) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;

(jj) "**Preferred Creditor**" means a Creditor with a Preferred Claim;

(kk) "**Proof of Claim**" shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors' Meeting;

(ll) "**Proposal**" means this second amended and restated proposal dated November 16, 2022, as may be further amended or supplemented from time to time in accordance with its terms;

(mm) "**Proposal Approval Order**" means the Order of the Court approving this Proposal and the Articles of Reorganization, in form and content satisfactory to CannTrust Holdings and the Proposal Trustee;

(nn) "**Proposal Funds**" means the aggregate amount, as of the Effective Date, required:

(i) to pay the Administrative Fees and Expenses (as estimated by the Proposal Trustee pursuant to Section 5.2);

(ii) to pay the Superintendent's Levy; and

(iii) to make the payments to Creditors pursuant to Section 2.2,

to be paid by CannTrust Holdings to the Proposal Trustee on or before the Effective Date;

(oo) "**Proposal Trustee**" means Ernst & Young Inc.;

(pp) "**Proposal Trustee's Website**" means http://www.ey.com/ca/canntrust;

(qq) "**Proven Claim**" means the amount of the Claim of any Creditor finally determined in accordance with the provisions of the BIA;

(rr) "**Qualifying Jurisdiction**" means any Province or Territory of Canada or any other jurisdiction in respect of which an opinion has been received pursuant to Section 3.1(e) or 3.1(f) herein;

(ss) "**Residual Assets**" means all of the property and other assets of CannTrust Holdings as of the Effective Date (or the proceeds thereof), other than the Phoena Shares held by CannTrust Holdings, including:

(i) a potential HST refund of up to about $1.4 million;

(ii) the potential residual value from CannTrust D&O Trust, but which has incurred trustee expenses and is subject to claims by beneficiaries that, if determined to be "eligible claims," will exhaust the trust funds;

(iii) the right to receive a payment from the securities claimants with whom CannTrust Holdings settled as part of the CCAA Plan, if the claimants' total recoveries exceed $250 million;

(iv) a $3 million unsecured promissory note owing by Opco to CannTrust Holdings;

(v) the indebtedness of $40,000 owing by Opco to CannTrust Holdings;

(vi) the indebtedness of about $4,718,616 owing by Elmcliffe Investments Inc.to CannTrust Holdings;

(vii) the indebtedness of about $50,002 owing by Elmcliffe Investments [No. 2] Inc. to CannTrust Holdings; and

(viii) the surplus, if any, from the Proposal Funds as contemplated by Section 5.2.

(tt) "**Secured Claim**" means any Claim to the extent that it is secured by a valid Encumbrance that is duly and properly registered or otherwise perfected in accordance with applicable law in the appropriate jurisdiction as of the Filing Date or thereafter to the extent permitted by the BIA;

(uu) "**Secured Creditor**" means a Creditor with a Secured Claim;

(vv) "**Secured Lenders**" means:

(i) Cortland Credit Lending Corporation, as agent for and on behalf of the lenders pursuant to the credit agreement dated as of March 11, 2022 between, among others, Cortland Credit Lending Corporation, as agent for the lenders party thereto, in respect of which CannTrust Holdings is a guarantor, as such credit agreement is amended, restated, supplemented or otherwise modified from time to time; and

(ii) the Subordinate Lenders and Marshall Fields International B.V., as agent for and on behalf of the Subordinate Lenders, pursuant to the credit agreement dated as of March 11, 2022 in respect of which CannTrust Holdings is a guarantor, as such credit agreement is amended, restated, supplemented or otherwise modified from time to time**;**

(ww) "**Shareholder Record Date**" means the Filing Date;

(xx) "**Strategic Investors**" means collectively, Marshall Fields International B.V. and Daniel Koehn, Andrew Peppin Medicine Professional Corporation, Jeffrey Zietlow and Greg Guyatt;

(yy) "**Strategic Transaction**" means, collectively, the transactions contemplated by the subscription agreements between Phoena Holdings and each of the Strategic Investors dated March 11, 2022 and the related transactions approved by the Court order dated February 25, 2022 in the CCAA proceedings;

(zz) "**Subordinate Lenders**" means collectively, Marshall Fields International B.V., Andrew Peppin Medicine Professional Corporation, Dan Koehn and Cannacquisition Limited Partnership;

(aaa) "**Superintendent's Levy**" means the levy payable in respect of amounts distributed by the Proposal Trustee under this Proposal in accordance with section 147 of the BIA;

(bbb) "**Transfer Agent**" means TSX Trust Company;

(ccc) "**Transfer Documents**" means collectively, all assignment and other documentation required to be executed by CannTrust Holdings and Phoena Holdings to effect the transfer of the Residual Assets to Phoena Holdings, in form and content satisfactory to CannTrust Holdings and Phoena Holdings;

(ddd) "**Unsecured Claim**" means any Claim other than a Secured Claim; and

(eee) "**Unsecured Creditor**" means a Creditor with an Unsecured Claim.

### 1.2 Interpretation Matters

For the purposes of this Proposal:

(a) any reference in this Proposal to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;

(b) any reference in this Proposal to an order, an existing agreement, or an agreement to be made or registration means such order, or agreement or registration as it may have been or may be amended, modified, joined by additional parties or supplemented (in accordance with its terms or this Proposal, if applicable);

(c) unless otherwise specified, all references to currency are in Canadian dollars;

(d) the division of this Proposal into "Articles" and "Sections" and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Proposal, nor are the descriptive headings of "Articles" and "Sections" intended as complete or accurate descriptions of the content thereof;

(e) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of this Proposal to such Person (or Persons) or circumstances as the context otherwise permits;

(f) the words "includes" and "including" and similar terms of inclusion will not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather will mean "includes but is not limited to" and "including but not limited to", so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day means prior to 5:00 p.m. (Toronto time) on such Business Day;

(h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(j) references to a specified "Article" or "Section" will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of this Proposal, whereas the terms "this Proposal", "hereof", "herein", "hereto", "hereunder" and similar expressions will be deemed to refer generally to this Proposal and not to any particular article, section or other portion of this Proposal and includes any documents supplemental hereto.

1.3 **Successor and Assigns**

The Proposal will be binding on and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of the Creditors and any other Person named or referred to in the Proposal.

1.4 **Statutory References**

Any reference in this Proposal to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

1.5 **Governing Law and Jurisdiction**

This Proposal will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Proposal and all proceedings taken in connection with the Proposal and its provisions will be subject to the exclusive jurisdiction of the Court.

1.6 **Corporate Approvals**

The execution, delivery, implementation and consummation of all matters contemplated under the Proposal involving corporate action of CannTrust Holdings, including pursuant to any provision of the OBCA, will be deemed to be authorized and approved under this Proposal and by the Court as part of the Proposal Approval Order in all respects and for all purposes without any requirement of further action by any Person.

## ARTICLE 2
## CLASSIFICATION AND TREATMENT OF CLAIMS

### 2.1 Class of Unsecured Creditors

This Proposal is made to the Unsecured Creditors as a single class.

### 2.2 Treatment of Unsecured Claims

As of the Effective Date, Creditors holding the following Unsecured Claims will be entitled to receive the following treatment in respect of, and in full satisfaction of, their Unsecured Claims:

(a) Preferred Claims (if any) that are Proven Claims will be paid in full from the Proposal Funds by the Proposal Trustee on behalf of CannTrust Holdings, in priority to all other Unsecured Claims in accordance with the scheme of distribution set forth in the BIA;

(b) Unsecured Claims (if any) that are Proven Claims, other than the Phoena Claims, will be paid from the Proposal Funds by the Proposal Trustee on behalf of CannTrust Holdings in full, in priority to the Phoena Claims; and

(c) Phoena Claims that are Proven Claims will be satisfied in full by the transfer of the Residual Assets to Phoena Holdings or as it may direct, pursuant to the Transfer Documents and such other arrangements as are satisfactory to CannTrust Holdings and Phoena Holdings.

### 2.3 Distributions

Distributions pursuant to Section 2.2 will be effected as soon as practical following the Effective Date.

To be eligible to receive a distribution under Section 2.2, a Creditor must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA prior to the Effective Date and its Claim must be a Proven Claim. Each and every Creditor that fails to file a Proof of Claim with the Proposal Trustee before 5:00 p.m. on the day prior to the Effective Date will not be eligible to participate in the distributions from the Proposal Funds.

### 2.4 Secured Lenders

This Proposal does not affect the Secured Claims of the Secured Lenders. The Claims of the Secured Lenders will be addressed pursuant to the terms of the Consents or as otherwise agreed between CannTrust Holdings and the applicable Secured Lenders.

### 2.5 Different Capacities

Persons may be affected by this Proposal in more than one capacity. Unless expressly provided herein to the contrary, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

2.6 **Set Off**

The law of set-off shall be applied to all Claims.

**ARTICLE 3**
**CONDITIONS PRECEDENT**

3.1 **Conditions Precedent**

The performance of this Proposal by CannTrust Holdings is conditional upon the fulfillment or satisfaction of the following conditions:

(a) CannTrust Holdings has received the Consent of each of the Secured Lenders and each consent remains in effect in accordance with its terms;

(b) this Proposal has been accepted by the requisite majorities of the Unsecured Creditors;

(c) the Proposal Approval Order has been issued and has not been appealed, set aside, varied or stayed;

(d) the consensual termination of the unanimous shareholders agreement dated March 11, 2022 made between the Strategic Investors, CannTrust Holdings and Phoena Holdings, providing for the governance of Phoena Holdings;

(e) the receipt by CannTrust Holdings, on or before the Effective Date, of an opinion from qualified and independent United States securities counsel (which includes Mayer Brown LLP), in form and substance satisfactory to the directors of CannTrust Holdings, confirming that the proposed distribution of Phoena Shares held by CannTrust Holdings to CannTrust Shareholders who are U.S. Persons will be exempt from the registration requirements under the United States *Securities and Exchange Act of 1933*; and

(f) the receipt by CannTrust Holdings, on or before the Effective Date, of an opinion from qualified and independent securities counsel, in form and substance satisfactory to the directors of CannTrust Holdings, confirming that the proposed distribution of Phoena Shares held by CannTrust Holdings to any CannTrust Shareholder who is not a Canadian or a U.S. Person will be exempt from any requirement to prepare, file or deliver any registration statement, prospectus, financial statement, offering memorandum or similar disclosure document in connection with such distribution.

**ARTICLE 4**
**RELEASE OF CLAIMS AND SECTIONS 95-101 OF THE BIA**

4.1 Upon implementation of this Proposal on the Effective Date and subject to Section 4.2, each Director will be released from any and all demands, claims, debts, judgments, liens and other recoveries on account of any potential, contingent or actual statutory liability of whatsoever nature that any Person may be entitled to assert against such Director as at the Filing Date, including any and all claims howsoever related to any obligation of CannTrust Holdings where the Director(s) are or may be liable at law in their capacity as Director(s) for the payment of such obligation, whether known or unknown, existing or hereafter arising, based in whole or in part on any act of omission, transaction, dealing or other occurrence existing or taking place prior to the Filing Date or, with respect to any agreements of CannTrust Holdings that have been disclaimed, repudiated or terminated after the Filing Date in whole or in part which exist prior to or at the time of such disclaimer, repudiation or termination.

4.2 Notwithstanding Section 4.1, nothing in this Proposal will release or discharge any of the Directors from the exceptions set out in section 50(14) of the BIA.

4.3 Sections 95 to 101 of the BIA and any provincial statute relating to preferences, settlements, fraudulent conveyances, transfers at undervalue or similar impeachable transactions do not apply to any transactions or other dealings by CannTrust Holdings during the period prior to the Filing Date. The release of the Directors contemplated in Section 4.1 includes a release of all claims, actions and remedies available pursuant to sections 95 to 101 of the BIA and any provincial statute relating to preferences, settlements, fraudulent conveyances, transfers at undervalue or similar impeachable transactions.

## ARTICLE 5
## PROPOSAL TRUSTEE

5.1 Ernst & Young Inc. will be the Proposal Trustee under this Proposal.

5.2 CannTrust Holdings will pay the Administrative Fees and Expenses by including in the Proposal Funds the amount estimated by the Proposal Trustee prior to the Effective Date to be sufficient to pay such fees and expenses. The Proposal Trustee will use such funds to pay such fees and expenses on behalf of CannTrust Holdings as contemplated by Section 5.3 and if there is any surplus from the Proposal Funds after payment of the Administration Fees and Expenses, Creditor distributions, and the levy in full, such surplus will constitute Residual Assets and be paid by the Proposal Trustee to Phoena Holdings or as it may direct.

5.3 On or before the Effective Date, CannTrust Holdings will pay the Proposal Funds to the Proposal Trustee. The Proposal Trustee will make payments from the Proposal Funds, on behalf of CannTrust Holdings, of all payments and distributions of monies required to be made in accordance with the terms of this Proposal.

5.4 Any payments made by the Proposal Trustee to the Creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the BIA.

5.5 The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee

will incur any obligations or liabilities in connection with this Proposal or in respect of the business activities or liabilities of CannTrust Holdings.

5.6 Without limitation to Section 5.5, the Proposal Trustee will have no liability whatsoever for any Claims or other obligations of CannTrust Holdings arising before, on or after the Filing Date.

## ARTICLE 6
## FULL PERFORMANCE OF PROPOSAL

6.1 All obligations of CannTrust Holdings under this Proposal will commence as of the Effective Date. This Proposal will be fully performed by CannTrust Holdings after it has completed the following matters:

(a) paid the Proposal Funds to the Proposal Trustee;

(b) filed the Articles of Reorganization and received the certificate of amendment issued under the OBCA in respect thereof; and

(c) executed the Transfer Documents and delivered them to Phoena Holdings.

6.2 When the Proposal has been fully performed by CannTrust Holdings, the Proposal Trustee will issue to CannTrust Holdings and the Official Receiver the Certificate of Full Performance as provided for in Section 65.3 of the BIA.

6.3 During the currency of this Proposal and until the Certificate of Full Performance referred to in Section 6.2 is issued by the Proposal Trustee, CannTrust Holdings will not amalgamate or otherwise change or reorganize its corporate structure without the approval of the Proposal Trustee (for greater certainty, other than by way of the Articles of Reorganization), unless the new or successor entity agrees to be bound by all terms and conditions of this Proposal.

6.4 Subject to approval by the Court in the Court Approval Order (including approval of the Articles of Reorganization), CannTrust Holdings intends to:

(a) as soon as practicable following the issuance of the Certificate of Full Performance, deliver the Phoena Shares held by CannTrust Holdings to the Transfer Agent, together with a direction to distribute such Phoena Shares to CannTrust Shareholders as of the Shareholder Record Date on the following basis and in the following sequence, and subject to the exclusions set out in the Articles of Reorganization:

(i) subject to the other clauses of this Section 6.4(a), on or before the first anniversary of the Effective Date, the Transfer Agent will distribute and deliver one Phoena Share for each CannTrust Share held or beneficially owned by each CannTrust Shareholder on the Shareholder Record Date that, relying solely upon the records of the Transfer Agent, is the registered holder or beneficial owner of at least 10,000 CannTrust Shares;

(ii) in the event that, prior to the Effective Date, Phoena Holdings consolidates or splits the outstanding common shares of Phoena, the 1:1 distribution ratio set forth in Section 6.4(a)(i) shall be adjusted proportionately, subject to the condition set out therein;

(iii) for any CannTrust Shareholder that, based upon and relying solely upon the records of the Transfer Agent, is not the registered holder or beneficial owner of at least 10,000 CannTrust Shares, no Phoena Shares will be distributed or delivered to such CannTrust Shareholder;

(iv) for any CannTrust Shareholder that, based upon and relying solely upon the records of the Transfer Agent or made available and certified to the satisfaction of the Transfer Agent (in the Transfer Agent's sole discretion), is a resident of a jurisdiction outside of any of the Qualifying Jurisdictions, no Phoena Shares will be distributed or delivered to such CannTrust Shareholder;

(v) if and to the extent that the Transfer Agent has not distributed all or any portion of the Phoena Shares held by CannTrust Holdings on or before the first anniversary of the Effective Date, whether as a consequence of the limitation set forth in Section 6.4(a)(ii) or 6.4(a)(iii) or for any other reason, then the Transfer Agent shall surrender all such undistributed Phoena Shares to Phoena Holdings for cancellation, without payment of any consideration to any CannTrust Shareholder in respect of such undistributed Phoena Shares, and all CannTrust Shareholders will be deemed to have finally and forever relinquished any action, cause of action, suit, claim or demand whatsoever in respect of this Proposal; and

(b) as soon as practical following the transfer of the Residual Assets contemplated by Section 2.2(c) or at such other time as may be agreed between CannTrust Holdings and Phoena Holdings, dissolve (in accordance with the Articles of Reorganization).

## ARTICLE 7
## AMENDMENT OF PROPOSAL

7.1 At any time and from time to time prior to or at the Creditor Meeting, CannTrust Holdings may vary, amend, restate, modify or supplement this Proposal (in each case, an "**Amendment**") with the consent of the Proposal Trustee. If any such Amendment is made:

(a) CannTrust Holdings or the Proposal Trustee will communicate the details of the Amendment to Creditors and other Persons present at the Creditor Meeting prior to any vote being taken at the Creditor Meeting;

(b) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay and in any event prior to the hearing in respect of the Proposal Approval Order; and

(c) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay and in any event prior to the hearing in respect of the Proposal Approval Order.

7.2 At any time and from time to time after the Creditor Meeting, CannTrust Holdings may make an Amendment with the consent of the Proposal Trustee and approval of the Court. If any such Amendment is made:

(a) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay; and

(b) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay.

7.3 Without limitation to Section 7.2, at any time and from time to time after the Creditor Meeting, CannTrust Holdings may vary, amend, restate, modify or supplement this Proposal with the consent of the Proposal Trustee and without Court approval, provided that such Amendment concerns a matter that is of an administrative nature and is required to better give effect to the implementation of this Proposal and is not adverse to the financial interests of the Creditors. If any such Amendment is made:

(a) CannTrust Holdings will provide notice to the service list of the Amendment and file a copy thereof with the Court without delay; and

(b) the Proposal Trustee will post an electronic copy of the Amendment on the Proposal Trustee's Website without delay.

Dated this 16th day of November, 2022.

**CANNTRUST HOLDINGS INC.**

DocuSigned by:

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# APPENDIX D

EY
Building a better working world

CANADA
Province of Ontario

ESTATE NO: 31-2875614
COURT FILE NO.: 31-2875614

**IN THE MATTER OF THE PROPOSAL OF CANNTRUST HOLDINGS INC. OF THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO**

**REPORT OF TRUSTEE ON PROPOSAL**
*Bankruptcy and Insolvency Act* s. 50 (10)

## INTRODUCTION

On the 18th day of October, 2022, CannTrust Holdings Inc. ("**CannTrust**" or the "**Company**") filed with the Official Receiver a Proposal pursuant to Part 3 Division I of the *Bankruptcy and Insolvency Act* (the "**Proposal**") and appointed Ernst & Young Inc. as Trustee (the "**Proposal Trustee**" or "**EYI**").

The purpose of this report (the "**Report**") is to provide information to the creditors of CannTrust to consider the Proposal. This report is based on information provided to the Proposal Trustee by CannTrust and the Proposal Trustee does not provide an opinion with respect to the accuracy or completeness of the information contained herein.

The Proposal has been developed for settlement of CannTrust's obligations to its creditors. The objective of the Proposal is to allow CannTrust to address its remaining liabilities, dispose of its residual assets and dissolve in advance of November 30, 2022, or as soon as realistically possible after that date. CannTrust is proposing to pay the unsecured claims against it in full, other than the claims of Phoena Holdings Inc. ("**Phoena Holdings**") and its subsidiaries, which CannTrust is proposing to satisfy by transferring its residual assets to Phoena Holdings. As part of the Proposal, CannTrust intends to distribute the shares representing its ownership interest in Phoena Holdings to its existing shareholders.

The capitalized terms used in this report, not otherwise defined, are defined in the Proposal and this Report should only be read in conjunction with the Proposal. An overview of the Proposal is outlined in this Report.

**A meeting of creditors to consider the Proposal will be held virtually via Microsoft Teams, on the 4th day of November, 2022 at the hour of 10:00 a.m.**

**The Link to the Meeting is:**
Click here to join the meeting
+1 647-749-1785,,41159753#

Details relating to the filing of claims and documents prior to the meeting of creditors are outlined in this Report.

Additional information can be obtained on the Proposal Trustee's website at www.ey.com/ca/canntrust or by contacting the Proposal Trustee at 416-943-2091 and at CannTrust.Proposal@ca.ey.com.

## TERMS OF REFERENCE

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

The Proposal Trustee has based its comments in this Report on information it has obtained from the Company but has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of any such information contained in this Report.

The Proposal Trustee and its affiliates have had, and in the case of affiliated entities, continues to have, ongoing professional and business relationships with CannTrust. The Proposal Trustee was engaged by CannTrust and its counsel to give privileged and confidential advice in relation to, and in preparation for, the filing of the Proposal by the Company. In addition, EYI continues to be Monitor of CannTrust for which EYI has not yet been discharged as Monitor in proceedings under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C*-36 ("**CCAA Proceedings**"). This includes consultation with the Company with respect to the dispute with Canada Revenue Agency ("**CRA**") regarding input tax credits claimed by CannTrust.

## BACKGROUND AND CAUSES OF FINANCIAL DIFFICULTY

CannTrust is a holding company that earlier this year settled substantially all of the claims against it at the time pursuant to a plan of arrangement in the CCAA Proceedings described in more detail below. Its remaining assets consist primarily of an approximate 10% equity interest in Phoena Holdings (formerly known as CannTrust Equity Inc.) and some miscellaneous contingent receivables. Although CannTrust is a reporting issuer under the laws of each of the Canadian provinces except for Québec, it remains subject to a cease trade order issued by the Ontario Securities Commission (the "**OSC**") ("**CTO**") and its common shares have been delisted by the Toronto Stock Exchange and the New York Stock Exchange.

On March 31, 2020, CannTrust and certain of its subsidiaries (the "**CannTrust CCAA Companies**") commenced proceedings under the CCAA following a series of adverse events, including the suspension of cannabis licenses necessary to conduct their business and the issuance of a CTO, prohibiting any trading of the CannTrust shares. The CannTrust CCAA Companies commenced the CCAA Proceedings seeking to reinstate their licenses, resume operations, settle several class actions and other litigation brought against them, and explore a range of potential strategic transactions. Details of the CCAA Proceedings can be found on the Monitor's website at www.ey.com/ca/canntrust.

On January 5, 2022, CannTrust implemented the CCAA Plan. Pursuant to the CCAA Plan and the related approving court order, CannTrust compromised and was released from substantially all of the claims against it as of March 31, 2020.

The CannTrust CCAA Companies then continued to seek a strategic transaction to secure new financing to enable the continuation of the cannabis operations conducted by its wholly-owned subsidiary, at the time CannTrust Inc. (currently, Phoena Inc.) ("**Opco**").

On March 11, 2022, the CannTrust CCAA Companies implemented a strategic transaction that resulted in a group of investors investing $11.2 million to acquire a 90% equity interest in Phoena Holdings (at a subscription price of approximately one cent ($0.01) per Phoena Holdings share), and providing a $5.5 million loan (which is subordinated in payment to a pre-existing loan from Cortland Credit Lending Corporation), with CannTrust retaining a 10% equity interest in Phoena Holdings.

The CannTrust CCAA Companies emerged from the CCAA Proceedings on March 15, 2022. During the CCAA Proceeding, CannTrust obtained a Court order that permitted it to defer holding an annual general meeting (the "**AGM**") until 120 days after its exit, to give it time to prepare the necessary financial statements and other materials (i.e., July 13, 2022). CannTrust worked towards the preparation for the AGM, however, it required additional time and sought an extension from the Court. On July 7, 2022, CannTrust received an order extending the AGM deadline to November 30, 2022.

CannTrust had hoped that, after emerging from the CCAA Proceeding, it would be able to complete the steps necessary to either (i) hold an AGM and apply to the OSC to have the CTO revoked, or (ii) work with Phoena Holdings to obtain a stock exchange listing for the Phoena Holdings shares and then distribute its Phoena shares to CannTrust shareholders pursuant to a plan of arrangement effected under the *Business Corporations Act* (Ontario) ("**OBCA**"). To be eligible to apply for a plan of arrangement under the OBCA, CannTrust would either need to (i) restate some of its historical annual financial statements and prepare other annual and interim financial statements, or (ii) prepare annual and interim financial statements in respect of Phoena Holdings.

CannTrust determined that it is not feasible in the remaining time before November 30, 2022 to hold its AGM and, in any event, CannTrust is insolvent and cannot afford to complete the audit and other work necessary to do so, or to seek the revocation of the CTO. Furthermore, Phoena Holdings is not currently in a position to become a "reporting issuer" under applicable securities laws by obtaining a stock exchange listing for the Phoena Holdings shares.

In the present circumstances, CannTrust believes it is in the best interests of its stakeholders to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (the "**Act**") to allow the Company to address its remaining liabilities, dispose of its residual assets, and dissolve in advance of November 30, 2022 (or as soon as possible thereafter).

*Assets and Liabilities*

As a holding company, CannTrust does not have any operating revenues and requires funding from Phoena Holdings or Opco in order to pay for its costs. Most of its costs relate to the professional fees associated with the HST tax recovery process and costs related to its administration. The following table summarizes CannTrust's assets and liabilities based on book values from its financial records as at October 14, 2022:

| CannTrust Holdings Inc. | | |
|---|---|---|
| **Unaudited Statement of Financial Position** | | |
| **As at October 16, 2022** | | |
| **Assets** | | **Note** |
| Cash | $ 3,195 | 1 |
| Harmonized sales tax recoverable | 1,370,274 | 2 |
| Prepaid and other receivables | 146,336 | 3 |
| Receivable from Phoena Inc. | 3,000,000 | 4 |
| Note Receivable from Phoena Inc. | 40,000 | 5 |
| Receivable from Elmcliffe Investments Inc. | 4,718,616 | 6 |
| Receivable from Elmcliffe Investments [No 2] Inc. | 50,002 | 7 |
| Investment in Shares of Phoena Holdings Inc. | 4,789,433 | 8 |
| Restricted cash | 5,667,698 | 9 |
| **Total assets** | **19,785,554** | |
| | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 52,810 | |
| Payable to Phoena Holdings Inc. | 20,911,889 | |
| Payable to CTI Holdings (Osoyoos) Inc. | 4,648,777 | |
| **Total liabilities** | **$ 25,613,476** | |

Notes:

1. Cash – is based upon the balance as of October 16, 2022.
2. HST Recoverable –. – CannTrust has claimed input tax credits which are currently being denied by the CRA. CannTrust is currently disputing the CRA's position. Approximately $800,000 is held by the Monitor as a disputed claim in the CCAA Proceedings.
3. Prepaid and Other Receivables – Prepaid and Other Receivables consist of: i) pre-paid legal retainers; and ii) accrued interest income on the CannTrust D&O Trust (defined below).
4. Phoena Inc. Receivable – consists of an unsecured loan from CannTrust to Phoena Inc.
5. Phoena Inc. Note Receivable – consists of an unsecured receivable from Phoena Inc.
6. Elmcliffe Investments Inc. Receivable – consists of an unsecured loan to Elmcliffe Investments Inc.
7. Elmcliffe Investments [No 2] Inc. Receivable – consists of an unsecured loan to Elmcliffe Investments [No 2] Inc.

8. Shares of Phoena Holdings – the shares of Phoena Holdings represent 10% equity interest in Phoena Holdings.
9. Restricted Cash – consists of funds held in trust, by a third party, for the directors and officers of the Company, to respond to certain claims against them (the "**CannTrust D&O Trust**"). The CannTrust D&O Trust is subject to claims by beneficiaries and incurs trustee expenses.

## CONDUCT AND FUNDING DURING THE PROPOSAL PERIOD

Pursuant to Section 50(10) of the BIA, the Proposal Trustee is required to monitor the affairs of the Company until the Proposal is approved by the Court. There will be no operating activities during the Proposal period.

During the Proposal period, CannTrust will be required to pay the professional fees of the Proposal Trustee and CannTrust's counsel. Without sufficient cash in the CannTrust entity and no direct operations, CannTrust will require funding from its affiliates. As provided in the Cash Flow Forecast, the estimated cost for professional fees incurred during the Proposal period is $310,750. The funding for these professional fees is being provided as a loan by Phoena Holdings.

## PROPOSAL

This is an overview of the terms of the Proposal. This Report is not a substitute for reading the Proposal and creditors entitled to vote are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal.

*Overview of Proposal*

The purpose of the filing of the Proposal is to allow CannTrust to address its remaining liabilities, dispose of its residual assets and dissolve CannTrust in advance of November 30, 2022, as soon as realistically possible after that date. The Proposal Funds (as defined in the Proposal) will be funded by Phoena Holdings.

The Proposal is summarized as follows:

- Preferred Claims (if any) will be paid in full from the Proposal Funds in priority to all other Unsecured Claims in accordance with the scheme of distribution set forth in the BIA;
- Unsecured Claims, other than the Phoena Claims (as defined below), will be paid from the Proposal Funds in full, in priority to the Phoena Claims; and
- Phoena Claims will be satisfied in full by the transfer of the Residual Assets (as defined below) to Phoena Holdings. "**Phoena Claims**" means claims of Phoena Holdings and its direct and indirect subsidiaries, including Opco and CTI Holdings (Osoyoos) Inc.

"**Residual Assets**" include:

- a potential HST refund of up to approximately $1.4 million;

- the potential residual value from CannTrust D&O Trust, but which has incurred trustee expenses and is subject to claims by beneficiaries that, if determined to be "eligible claims," will exhaust the trust funds;
- the right to receive a payment from the securities claimants with whom CannTrust settled as part of the CCAA Plan, if the claimants' total recoveries exceed $250 million (which CannTrust views as unlikely);
- a $3 million unsecured promissory note owing by Opco to CannTrust;
- other unsecured indebtedness of approximately $40,000 owing by Opco to CannTrust;
- unsecured indebtedness of approximately $4,718,616 owing by Elmcliffe Investments Inc. to CannTrust; and
- unsecured indebtedness of $50,002 owing by Elmcliffe Investments [No. 2] Inc. to CannTrust.

The Proposal provides for the payment of any unpaid Administrative Fees and Expenses, Crown claims and Preferred Claims, if any, and the Superintendent's Levy (all as defined in the Proposal).

After the above settlement of claims, CannTrust will have no other assets except the shares it holds in Phoena Holdings. CannTrust intends to distribute these Phoena Holdings shares to CannTrust shareholders in the manner described in the Proposal.

*Affected and Unaffected Creditors*

The Proposal will have one class of creditors to consider and vote on the Proposal.

The Proposal does not affect the Secured Claims of the Secured Lenders.

*Conditions Precedent*

The Proposal is subject to the following conditions:

- CannTrust has received the Consent of each of the Secured Lenders and each consent remains in effect in accordance with its terms;
- the Proposal has been accepted by the requisite majorities of the Unsecured Creditors;
- the Proposal Approval Order has been issued and has not been appealed, set aside, varied or stayed;
- the consensual termination of the unanimous shareholders agreement dated March 11, 2022 made between the Strategic Investors, CannTrust and Phoena Holdings, providing for the governance of Phoena Holdings;
- the receipt by CannTrust, on or before the Effective Date, of an opinion from qualified and independent United States securities counsel (which includes Mayer Brown LLP), in form and substance satisfactory to the directors of CannTrust, confirming that the proposed distribution of Phoena Holdings Shares held by CannTrust to CannTrust Shareholders who are U.S. Persons will be exempt from the registration requirements under the United States *Securities and Exchange Act of 1933*; and

- the receipt by CannTrust, on or before the Effective Date, of an opinion from qualified and independent United States securities counsel, in form and substance satisfactory to the directors of CannTrust, confirming that the proposed distribution of Phoena Shares held by CannTrust to any CannTrust Shareholder who is not a Canadian or a U.S. Person will be exempt from any requirement to prepare, file or deliver any registration statement, prospectus, financial statement, offering memorandum or similar disclosure document in connection with such distribution.

The Proposal Trustee is not aware of any transactions that may be preferential. The Proposal will release claims against each Director related to the obligations of CannTrust, including those pursuant to Sections 95-101 of the Act which relate to preferential or reviewable transactions.

**ESTIMATED RECOVERY IN BANKRUPTCY**

If the Proposal is not accepted by the Creditors, CannTrust will be deemed bankrupt.

The Proposal Trustee, with the assistance of the management of CannTrust, has prepared an illustrative liquidation analysis (the "**Liquidation Analysis**") as of the date of the meeting of creditors, to estimate CannTrust's recovery in a bankruptcy scenario.

The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of CannTrust's information used in the Liquidation Analysis. In addition, as this is an estimate and a forecast, the ultimate recoveries may differ from the amounts presented in the Liquidation Analysis. The below is a statement of the estimated realizations under a bankruptcy scenario:

**CannTrust Holdings Inc.**
**Liquidation Analysis**

| | | HIGH | LOW |
|---|---|---|---|
| | **Net Book Value** | **Estimated Realizable Value** | **Estimated Realizable Value** |
| **Assets** | **$19,785,554** | **$11,384,927** | **$3,195** |
| **Unsecured Creditor Claims** | | **$25,613,476** | **$25,613,476** |
| **Estimated recovery for Unsecured Creditor Claims** | | **44.45%** | **0.01%** |

Additional details of the Liquidation Analysis are provided in Appendix "**A**" attached hereto.

The Liquidation Analysis illustrates that in a bankruptcy scenario, the range of estimated realization to the Unsecured Creditors in a "high" recovery scenario would be a recovery of 44.45% on their claims, and less than 1% recovery under a "low" estimated realization scenario.

The Proposal offers 100% recovery for the Unsecured Creditors other than Phoena Holdings and its subsidiaries (who have agreed to support the Proposal). Therefore, the Proposal offers a greater recovery scheme than in a bankruptcy scenario.

## PROCEDURE FOR DEALING WITH THE PROPOSAL - MEETING AND VOTING

The primary purpose of the creditors meetings is to permit creditors to consider the acceptance or rejection of the Proposal. There is one class of unsecured creditors under the Proposal. For the Proposal to be accepted, the Act requires that at least two-thirds (66.67%) of the unsecured creditor class by dollar value, and more than 50% of unsecured creditors by number, vote in favour of the Proposal at the meeting either in person, by proxy or by voting letter.

To be eligible to vote on the Proposal, Creditors must have filed with the Proposal Trustee, Ernst & Young Inc., before the meeting, a proof of claim form properly completed and accompanied by a statement of account signed and witnessed as required. Those Creditors who do not intend to have a personal representative at the meeting to be held on November 4, 2022, may complete and submit the voting letter, which is enclosed herein, prior to the meeting indicating their vote for or against the acceptance of the Proposal.

We have enclosed within this package a proof of claim form, voting letter, and a form of proxy should a creditor wish to appoint a proxy to represent them at the meeting.

If the Proposal is not accepted by the requisite majorities of creditors, the Company will automatically be deemed to have immediately made an assignment in bankruptcy.

## SUMMARY COMMENTS

As set out in this Report, the Proposal will provide 100% recovery to the Unsecured Creditors other than Phoena Holdings and its subsidiaries. This recovery would not otherwise be available to the Creditors except as a result of the Proposal.

For the reasons set out above, it is the opinion of the Proposal Trustee that the Proposal is in the best interest of the Creditors. If the Proposal is rejected by the Creditors, a bankruptcy will ensue and it is expected that the Creditors will not receive a full payment of their claim, and there would likely be no recovery for equity holders in CannTrust. The Proposal offers an opportunity for recovery to the Creditors, higher than the recovery available in a bankruptcy scenario. The Trustee recommends that the Creditors support the Proposal.

Yours very truly,
ERNST & YOUNG INC.
In its capacity as Proposal Trustee *re* the Proposal of CannTrust Holdings Inc.
Per:

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

## Appendix A

**CannTrust Holdings Inc.**
**Liquidation Analysis**

| Assets: | Net Book Value $ | HIGH Estimated Realizable Value $ | LOW Estimated Realizable Value $ | Note |
|---|---|---|---|---|
| Cash | 3,195 | 3,195 | 3,195 | 1 |
| HST Recoverable | 1,370,274 | 1,070,274 | - | 2 |
| Prepaid and Other Receivables | 146,336 | - | - | 3 |
| Phoena Inc. Receivable | 3,040,000 | 3,040,000 | - | 4 |
| Elmcliffe Investments Inc. Receivable | 4,718,616 | 471,862 | - | 5 |
| Elmcliffe Investments [No 2] Inc. Receivable | 50,002 | - | - | 6 |
| Securities Claimant Trust | - | - | - | 7 |
| Shares of Phoena Holdings | 4,789,433 | 1,131,898 | - | 8 |
| Restricted Cash | 5,667,698 | 5,667,698 | - | 9 |
| **Total Assets:** | 19,785,554 | 11,384,927 | 3,195 | |
| Less: Priority Claims | | - | - | 10 |
| **Amount Available for Unsecured Creditors** | | **11,384,927** | **3,195** | |
| **Unsecured Creditor Claims** | | **25,613,476** | **25,613,476** | 11 |
| **Estimated recovery for Unsecured Creditor Claims** | | **44.45%** | **0.01%** | |

Notes:

1. Cash –Estimated book value as at the date of the meeting of creditors.

2. HST Recoverable – CannTrust has claimed input tax credits which are currently being denied by the CRA. CannTrust is currently disputing the CRA's position. Approximately $800,000 is held by the Monitor as a disputed claim in the CCAA Proceedings. In the high estimated realization, it is assumed the Company will recover these amounts net of the cost of consultants to prepare the materials for this appeal. In the low estimated realization scenario, it is assumed there will be no refund available to CannTrust.

3. Prepaid and Other Receivables – Prepaid and Other Receivables consist of: i) pre-paid legal retainers; and ii) accrued interest income on the CannTrust D&O trust. Under both the high and low estimated realization scenario it is not expected that these funds will be recoverable.

4. Phoena Inc. Receivable – This consists of an unsecured loan from CannTrust to Phoena Inc. Currently Phoena is not in a profitable position. In a high estimated realization scenario, it is assumed that Phoena Inc. will repay the loan to CannTrust. In a low estimated realization scenario, these funds will not be recoverable.

5. Elmcliffe Investments Inc. Receivable – This consists of an unsecured loan to Elmcliffe Investments Inc. Even though there are real estate assets in Elmcliffe Investments Inc., this is subordinated to security of the Secured Creditors. In a high estimated realization scenario, Elmcliffe Investments Inc. will repay approximately 10% of the loan to CannTrust. In a low estimated realization scenario, there will not be sufficient equity above that of the secured loans.

6. Elmcliffe Investments [No 2] Inc. Receivable – This consists of an unsecured loan to Elmcliffe Investments [No 2] Inc. There are minimal assets in Elmcliffe. In both estimated realization scenario, Elmcliffe Investments [No 2] Inc. will not be able to repay the loan to CannTrust.

7. Securities Claimant Trust – Is the right to receive a payment from the securities claimants with whom CannTrust settled as part of the CCAA Plan if the claimants' total recoveries exceed $250 million. This is a contingent claim which can not be accurately valued in either the high or low scenario, but it is highly unlikely that recoveries of this magnitude will be recovered with any degree of certainty.

8. Shares of Phoena Holdings – The shares of Phoena Holdings represent a 10% equity interest in Phoena Holdings. In a high realization scenario, these shares perhaps could be sold for $0.01 per share to the majority shareholder of Phoena Holdings (the subscription price when 90% if Phoena Holdings was acquired through the CCAA strategic transaction). In a low realization scenario, there may be no value to these shares.

9. Restricted Cash – Restricted Cash consists of funds held in trust, by a third party, for the directors and officers of CannTrust to respond to certain claims against them. The CannTrust D&O Trust is subject to claims by beneficiaries and incurs trustee expenses. If it is determined that there are "eligible claims" this will exhaust the trust funds.

10. Priority claims – There are not anticipated to be any priority claims to be paid as CannTrust does not have any employees.

11. Unsecured Creditor Claims – There are $25.6 million of Unsecured Creditor Claims based on CannTrust's books and records including intercompany claims. This may differ depending on the Claims received up until the meeting of creditors.

# APPENDIX E

| | |
|---|---|
| District of: | Ontario |
| Division No. | 04 - Toronto |
| Court No. | 31-2875614 |
| Estate No. | 31-2875614 |

FORM 92 --- Concluded

In the Matter of the Proposal of
CannTrust Holdings Inc.
of the City of Vaughan, in the Province of Ontario

**List of Creditors with claims of $250 or more.**

| Creditor | Address | Account# | Claim Amount |
|---|---|---|---|
| Baker & McKenzie | 181 Bay Street, Suite 2100, BCE Place<br>P.O. Box 874<br>Toronto ON M5J 2T3 | | 50,963.01 |
| CTI Holdings (Osoyoos) Inc. | 3280 Langstaff Rd Unit 1<br>vaughan ON L4K 5B6 | | 4,648,777.00 |
| Phoena Holdings Inc. | 3280 Langstaff Rd Unit 1<br>Vaughan ON L4K 5B6 | | 20,911,889.00 |
| TSX Trust Company | Suite 2110, 685 Centre Street SW<br>Calgary AB T2G 1S5 | | 1,264.25 |
| **Total** | | | 25,612,893.26 |

# APPENDIX F

Ernst & Young Inc.
100 Adelaide Street West
Toronto ON M5H 0B3
Fax: (416) 943-3300

| | |
|---|---|
| District of: | Ontario |
| Division No. | 04 - Toronto |
| Court No. | 31-2875614 |
| Estate No. | 31-2875614 |

FORM 31
Proof of Claim
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1), and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the Matter of the Proposal of
CannTrust Holdings Inc.
of the City of Vaughan, in the Province of Ontario

All notices or correspondence regarding this claim must be forwarded to the following address:

______________________________________________________

______________________________________________________

In the matter of the proposal of CannTrust Holdings Inc. of the City of Vaughan in the Province of Ontario and the claim of ____________________________, creditor.

I, ____________________________ (name of creditor or representative of the creditor), of the city of ______________ in the province of _____________, do hereby certify:

1. That I am a creditor of the above named debtor (or I am ______________________ (position/title) of ______________________, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 18th day of October 2022, and still is, indebted to the creditor in the sum of $______________________, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

☐ A. UNSECURED CLAIM OF $______________________

(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and

(Check appropriate description.)

☐ Regarding the amount of $ ______________________, I claim a right to a priority under section 136 of the Act.

☐ Regarding the amount of $______________________. I do not claim a right to a priority.

(Set out on an attached sheet details to support priority claim.)

☐ B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE $______________________

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

☐ C. SECURED CLAIM OF $______________________

That in respect of this debt, I hold assets of the debtor valued at $________________ as security, particulars of which are as follows:

*(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)*

☐ D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF $______________________

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of $______________

(Attach a copy of sales agreement and delivery receipts.)

District of Ontario
Division No. 04 - Toronto
Court No. 31-2875614
Estate No. 31-2875614

FORM 31 --- Concluded

In the Matter of the Proposal of
CannTrust Holdings Inc.
of the City of Vaughan, in the Province of Ontario

☐ E. CLAIM BY WAGE EARNER OF $____________________

☐ That I hereby make a claim under subsection 81.3(8) of the Act in the amount of $_________.

☐ That I hereby make a claim under subsection 81.4(8) of the Act in the amount of $_________,

☐ F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF $____________________

☐ That I hereby make a claim under subsection 81.5 of the Act in the amount of $_________,

☐ That I hereby make a claim under subsection 81.6 of the Act in the amount of $_________,

☐ G. CLAIM AGAINST DIRECTOR $_________

*(To be completed when a proposal provides for the compromise of claims against directors.)*
That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

☐ H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM $_________

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:

5. That, to the best of my knowledge, I __________(am/am not) (or the above-named creditor __________(is/is not)) related to the debtor within the meaning of section 4 of the Act, and _______(have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Provide details of payments, credits and transfers at undervalue.)

7. (Applicable only in the case of the bankruptcy of an individual.)

☐ Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.

☐ I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at ________________________________, this ________________ day of ____________________.

________________________ Witness

________________________ Creditor

Phone Number: ________
Fax Number : ________
E-mail Address : ________

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

# APPENDIX G

District of: Ontario
Division No. 04 - Toronto
Court No. 31-2875614
Estate No. 31-2875614

FORM 36
Proxy
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the Matter of the Proposal of
CannTrust Holdings Inc.
of the City of Vaughan, in the Province of Ontario

I, ____________________________, of ________________, a creditor in the above matter, hereby appoint ______________________________, of ________________________________, to be my proxyholder in the above matter, except as to the receipt of dividends,___________ (with or without) power to appoint another proxyholder in his or her place.

Dated at ______________________________, this _______ day of ______________, ________.

_________________________
Witness

_________________________________
Individual Creditor

_________________________
Witness

_________________________________
Name of Corporate Creditor

Per _________________________________
Name and Title of Signing Officer

Return To:

Ernst & Young Inc. - Licensed Insolvency Trustee
Per:

____________________________________
Alex Morrison - Licensed Insolvency Trustee
100 Adelaide Street West
Toronto ON M5H 0B3
Fax: (416) 943-3300

# APPENDIX H

District of: Ontario
Division No. 04 - Toronto
Court No. 31-2875614
Estate No. 31-2875614

FORM 37

Voting Letter
(Paragraph 51(1)(f) of the Act)

In the Matter of the Proposal of
CannTrust Holdings Inc.
of the City of Vaughan, in the Province of Ontario

I, ____________________________, creditor (or I, ____________________________, representative of ____________________________, creditor), of ________________, a creditor in the above matter for the sum of $ ____________ , hereby request the trustee acting with respect to the proposal of CannTrust Holdings Inc., to record my vote ____________ (for or against) the acceptance of the proposal as made on the _______ day of ____________________, ____________.

Dated at __________________________, this ______ day of ____________________ ____________.

______________________
Witness

______________________
Witness

____________________________________
Individual Creditor

____________________________________
Name of Corporate Creditor

Per ____________________________________
Name and Title of Signing Officer

Return To:
Ernst & Young Inc. - Licensed Insolvency Trustee
Per:

____________________________________
Alex Morrison - Licensed Insolvency Trustee
100 Adelaide Street West
Toronto ON M5H 0B3
Fax: (416) 943-3300

# APPENDIX I

District of Ontario
Division No. 09- Toronto
Court No. 31-2875614
Estate No. 31-2875614

IN THE MATTER OF THE PROPOSAL OF
**CANN TRUST HOLDINGS INC.**
OF THE CITY OF TORONTO, IN THE PROVICE OF ONTARIO

Minutes of the First Meeting of Creditors:

November 4, 2022 @ 10 a.m
Ernst & Young Inc.
Conference Meeting Via MS Teams

Chairperson: Emily Beckerman, Official Receiver
Office of the Superintendent of Bankruptcy ("OSB")

## ATTENDANCE

OFFICIAL RECEIVER: Emily Beckerman, Elaine Ewers and Anne Alegre-Rock
TRUSTEE: Alexander Morrison, Karen Fung and Greg McDonald
BANKRUPT (OR REPRESENTATIVE): David Blair
SOLICITOR FOR BANKRUPT: James Gage and Saneea Tanvir

## CALL TO ORDER

Emily Beckerman acted as chairperson for the meeting under the authority of Section 51(3) of the *Bankruptcy and Insolvency Act* ('**BIA**').

The chairperson called the meeting to order at 10:00 a.m

## QUORUM

The chairperson noted that there were no creditors present, however, proxy and voting letters have been received, quorum was established.

The chairperson explained the purpose of the meeting set out in s. 102(5) of the BIA.

## GENERAL DISCUSSION

The chairperson noted that an Amended Proposal was filed. As the meeting was held virtually, the documents were provided electronically for review.

If creditors would like to review any of the documents, they may contact the Licensed Insolvency trustee ('**LIT**')

## TRUSTEE'S PRELIMINARY REPORT

The LIT presented the Preliminary Report of the Trustee (attached) and explained that the purpose of the report was to provide a brief overview of the background of the company and the causes of its financial difficulties.

## GENERAL QUESTIONS

After the LIT presented their Preliminary Report, the chairperson opened the floor to questions. The chairperson confirmed that there were no other questions for the LIT or Representative of the Bankrupt.

## APPOINTMENT OF INSPECTORS

Inspectors were not appointed.

## INSTRUCTIONS TO THE LIT

No instructions were made to the LIT during the meeting.

## ADDITIONAL QUESTIONS

The chairperson confirmed that there were no other questions.

**VOTING FOR PROPOSAL**

The chairperson determined that a motion to approve the Proposal was not necessary as 2 creditors had voted for the proposal and the trustee had proxy's for the other two creditors and the trustee had voted for the proposal.

| | Creditor | Claim | Voting Letter | Trustee Proxy | For proposal |
|---|---|---|---|---|---|
| 1 | Baker & McKenzie | $50,963.01 | Yes | | Yes |
| 2 | TSX Trust Company | $1,916.12 | Yes | | Yes |
| 3 | CTI Holdings | $ 4,648, 777 | | Yes | Yes |
| 4 | Phoena Holdings | $20,911,899 | | Yes | Yes |
| | | $25,613,545.13 | | | 100% |

Accordingly, the chairperson declared that the vote on the Proposal has been carried.

**ADJOURNMENT OF MEETING**

With there being no further business to discuss, the chairperson called for a motion to adjourn the meeting. Alex Morrison motion to adjourn the meeting. David Blair seconded this motion.

Motion was carried. The meeting was adjourned at 10:14 a.m.

Beckerman

Emily Beckerman — November 4, 2022.
Chairperson / Official Receiver
Office of the Superintendent of Bankruptcy

Encl.: Attendance Sheet

# APPENDIX J

District of: Ontario
Division of: 04 - Toronto
Court No. 31-2875614
Estate No. 31-2875614

Notice of Hearing of Application for Court Approval of Proposal
(Paragraph 58(b) of the Act)

In the Matter of the Proposal of
CannTrust Holdings Inc.
of the City of Vaughan, in the Province of Ontario

In Ontario Superior Court of Justice in Bankruptcy - Toronto.

In the matter of the proposal of CannTrust Holdings Inc., a debtor.

Take notice that an application will be made to the court, at, Toronto, on the 28 day of November, 2022, at 11:00 AM, to approve the proposal of CannTrust Holdings Inc., accepted by the creditors at a meeting held on the 4th day of November 2022.

Dated at the City of Toronto in the Province of Ontario, this 9th day of November 2022.

Ernst & Young Inc. - Licensed Insolvency Trustee
Per:

Alex Morrison - Licensed Insolvency Trustee
100 Adelaide Street West
Toronto ON M5H 0B3
Fax: (416) 943-3300