

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PHOENA HOLDINGS INC., PHOENA INC., ELMCLIFFE INVESTMENTS INC.,
ELMCLIFFE INVESTMENTS [NO. 2] INC., AND CTI HOLDINGS
(OSOYOOS) INC. (collectively, the "**Applicants**")

**APPLICATION RECORD VOL 1
(Returnable April 4, 2023)**

April 4, 2023

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Kyla Mahar LSO#: 44182G
kmahar@millerthomson.com

Patrick Corney LSO#: 65462N
pcorney@millerthomson.com

Gina Rhodes LSO#: 78849U
grhodes@millerthomson.com

Tel: (416) 595 8500 / Fax: (416) 595 8695

Lawyers for the Applicants

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(OSOYOOS) INC. (collectively, the "**Applicants**")

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TAB 1



Court File No.: CV-27-

**ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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(OSOYOOS) INC. (collectively, the "**Applicants**")

NOTICE OF APPLICATION

TO THE RESPONDENT:

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

THIS APPLICATION will come on for a hearing on April 4, 2023 at 9:00 a.m. in front of a Judge of the Superior Court of Justice (Commercial List)

- In person
 By telephone conference
 By video conference

at the following location

Zoom link to be uploaded on Caselines.

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

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

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

Date: April 3, 2023

Issued by _____
Local registrar

Address of court office 330 University Avenue 7th
Floor
Toronto, Ontario
M5G 1R7

TO: **TO THE SERVICE LIST ATTACHED AS SCHEDULE "A"**

APPLICATION

1. The Applicants, Phoena Holdings Inc. (“**Phoena Holdings**”), Phoena Inc. (“**Phoena**”), Elmcliffe Investments Inc. (“**Elmcliffe**”), Elmcliffe Investments [No. 2] Inc. (“**Elmcliffe No. 2**”), and CTI Holdings (Osoyoos) Inc. (“**CTI**”), (collectively, the “**Phoena Group**” or the “**Applicants**”) make an Application for an Initial Order substantially in the form attached at Tab 4 of the Application Record (the “**Initial Order**”), among other things:
 - (a) Declaring that the Applicants are parties to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) applies;
 - (b) Appointing Ernst & Young Inc. (“**EY**”) as Monitor of the Applicants in these proceedings (the “**Proposed Monitor**” and, if appointed, the “**Monitor**”);
 - (c) Appointing Darren Karasiuk (“**Karasiuk**”) as chief restructuring advisor of the Applicants (the “**Chief Restructuring Advisor**”) to oversee the business of the Applicants and the implementation of the restructuring and/or the orderly wind-down of the Applicants and authorizing and empowering Karasiuk to exercise the duties, services and powers set out in the engagement letter between the Applicants and Karasiuk dated March 31, 2023 (the “**CRA Engagement Letter**”);
 - (d) Granting an administration charge in the amount of \$200,000 (the “**Administration Charge**”) in favour of counsel for the Applicants, the Monitor and its counsel and the Chief Restructuring Advisor;

- (e) Approving the DIP Term Sheet (as defined below) between the Applicants and Cortland Credit Lending Corporation (“**Cortland**” and in such capacity, the “**DIP Lender**”), authorizing borrowings under the DIP Loan (as defined below) in an amount up to \$1,200,000 (plus interest, fees and expenses), and granting a charge in favour of the DIP Lender (the “**DIP Lender’s Charge**”);
- (f) Granting a directors’ charge in favour of the directors and officers of the Applicants in the amount of \$450,000 (“**Directors’ Charge**” and together with the DIP Lender’s Charge and the Administration Charge, the “**Priority Charges**”); and
- (g) Granting an initial stay of proceedings (“**Stay of Proceedings**”) to April 14, 2023 (the “**Stay Period**”).

THE GROUNDS FOR THE APPLICATION ARE:

A. Background

- 2. The Phoena Group is a licenced producer of cannabis with its head office located in Vaughan, Ontario and its operations located in Fenwick and Vaughan, Ontario. The Vaughan Facility is leased, and the Fenwick Facility is owned by the Phoena Group, through Elmcliffe.
- 3. Phoena previously operated as CannTrust Inc. CannTrust Inc., CannTrust Holdings Inc. (“**CannTrust**”), CTI and Elmcliffe (the “**CannTrust CCAA Group**”) were debtors under a prior CCAA proceeding (the “**CannTrust CCAA Proceedings**”).

4. Phoena Holdings previously operated as CannTrust Equity Inc. (“**CannTrust Equity**”). CannTrust Equity was not a debtor under the prior CannTrust CCAA Proceedings.
5. On February 25, 2022, as part of the CannTrust CCAA Proceedings, the Court approved a going-concern transaction (the “**Transaction**”) involving the CannTrust CCAA Group. As a result of the Transaction, the CannTrust CCAA Group emerged from the CannTrust CCAA Proceedings on March 15, 2022. Shortly thereafter, on or about May 3, 2022, CannTrust Equity and CannTrust Inc. changed their names to Phoena Holdings Inc. and Phoena Inc., respectively.
6. Under new ownership, the Phoena Group was created to revitalize the CannTrust CCAA Group’s business so that it could be profitable and successful once again.

B. The Business of the Applicants

7. Phoena Holdings is the parent entity in the Phoena Group. The Phoena Group, through Phoena, is licensed by Health Canada to sell the following: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis.
8. Phoena holds the following licenses: (i) standard cultivation and standard processing for the Fenwick Facility; (ii) standard cultivation and standard processing for the Vaughan Facility; (iii) standard processing for 1401 Creditstone Road, Concord; (iv) sales licence issued under the *Cannabis Act* (Canada) and the related *Cannabis Regulations*.

9. On October 21, 2021, Phoena was granted a research license by Health Canada (the “**Research Licence**”). The Research License allows the Phoena Group to possess cannabis for research purposes at the Vaughan Facility.
10. The Phoena Group’s business is focused on three distinct markets: the medical cannabis market, the adult-use recreational cannabis market and the supply of bulk cannabis to other licensed producers, either under contract grow arrangements or spot sales.
11. The Phoena Group has made significant efforts over the past year to attempt to recover CannTrust’s legacy customers. The Phoena Group also diversified its product offerings, including offering oil drops and vegan-based capsules, making them more desirable for a variety of customers and patients.
12. Despite its best efforts, the Phoena Group has been unable to revive the business and generate a profit since emerging from the CannTrust CCAA Proceedings. The Phoena Group is insolvent, and is in breach of its obligations to its first secured creditor, Cortland.

C. Cash Flow Forecast

13. The Phoena Group, with the assistance of the Proposed Monitor, has prepared a projected 9-week cash flow forecast (the “**Cash Flow Forecast**”) for the period ending June 4, 2023, which is premised on, among other things, the assumption that the Applicants will be granted CCAA protection and that the DIP Term Sheet and DIP Lender’s Charge will be approved as part of the Initial Order. The Cash Flow Forecast is a reasonable forecast of the Applicants’ cash flow during their orderly wind-down.

14. Pursuant to the Cash Flow Forecast, the Applicants will not have sufficient funds to get through the initial Stay Period absent interim financing being approved and the DIP Lender's Charge being granted by the Court.

D. CCAA Proceedings

15. Despite its efforts, the Phoena Group has been unable to revive the business of the CannTrust CCAA Group and it no longer has the financial wherewithal to continue to try and do so. The challenges facing the Phoena Group are unlikely to be resolved.
16. The Applicants have debt in excess of \$5 million, are insolvent, and are facing a liquidity crisis. As at the date hereof, the aggregate amount of the Applicants' liabilities are estimated to be approximately \$77 million.
17. In consultation with its advisors, the Proposed Monitor, and the Chief Restructuring Officer, the Applicants plan to liquidate their assets and effect an orderly wind-down of their business.
18. Specifically, the Applicants, in consultation with the Proposed Monitor, plan to solicit bids from professional third-party liquidators in respect of the liquidation of the inventory, equipment and fixtures located in and/or forming part of the Property (the "**Liquidation Solicitation Process**"), and intend to select a liquidator that they believe will best assist in maximizing the proceeds from these assets, subject to Court approval.
19. Following selection and appointment of the third party liquidator and subject to Court approval, the Applicants intend to complete the liquidation in a timely manner.

20. As part of its wind-down efforts, the Applicants, in consultation with the Proposed Monitor, intend to solicit listing agreements from real estate brokers in respect of the Fenwick Facility and then select the real estate broker that they believe will assist in maximizing the proceeds from the Fenwick Facility, subject to Court approval.
21. During the Liquidation Solicitation Process, the Applicants with the assistance of the Proposed Monitor intend to make one last attempt to pursue all avenues of restructuring and/or selling the business or Property, in whole or part, subject to prior approval of this Court being obtained before any material restructuring or sale.
22. The Applicants require the breathing room and stability offered by a CCAA proceeding in order to execute upon an orderly wind-down of their business in a manner that will maximize the proceeds available for distribution to creditors on a timely and cost-effective basis without causing further harm to the value of the Phoena Group or its assets that would result from an alternative process given the regulated nature of the cannabis industry.

E. Proposed Monitor

23. The Applicants propose that EY be appointed Monitor in these CCAA proceedings. EY has consented to act as Monitor, subject to Court approval, and its written consent is included at Tab 3 of the Application Record.
24. EY has reviewed, and assisted in the preparation of, the Cash Flow Forecast, and has provided guidance and assistance in the commencement of these CCAA proceedings.

25. EY is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

F. Chief Restructuring Advisor

26. The Phoena Group is of the view that the engagement of the Chief Restructuring Advisor will assist in the wind-down process to maximize proceeds available for distribution to creditors.
27. The interim CEO and director of the Phoena Group, Cornelis Pieter Melissen (“**Melissen**”) resides in the Netherlands. The Phoena Group needs a person that is at the facilities and directly able to oversee the liquidation and wind-down activities.
28. On March 31, 2023, the Applicants and Karasiuk (the “**Chief Restructuring Advisor**”) executed the CRA Engagement Letter and the Applicants seek to have the Court appoint Karasiuk as Chief Restructuring Advisor in the Initial Order.
29. Karasiuk is a Canadian cannabis industry veteran and has significant expertise, including serving as the CEO of Flowr Corp., where he led its restructuring and successful sale through a CCAA proceeding, as well as was the founding CEO of Nova Cannabis, one of Canada’s largest cannabis retailers.
30. The Proposed Monitor is satisfied with the proposed Chief Restructuring Advisor’s qualifications, expertise and experience, and is supportive of its appointment.

G. Administration Charge

31. The Applicants seek a super-priority charge over the Applicants' Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor, the Chief Restructuring Advisor and counsel to the Applicants (collectively, the "**Professionals Group**"), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**").
32. The proposed Administration Charge being sought at the initial CCAA Application is for a maximum amount of \$200,000 in order to secure the payment of fees and expenses incurred in connection with moving for the within relief sought and for the initial Stay Period leading up to the first Comeback Hearing. The Administration Charge is proposed to rank as a first-priority charge on the Property.

H. DIP Loan and DIP Lender's Charge

33. The DIP Lender and the Applicants entered into the DIP Term Sheet dated April 3, 2023 (the "**DIP Commitment Letter**"). Based on, among other things, the Cash Flow Forecast, the Applicants believe that the DIP Loan is both reasonable and necessary for the Phoena Group.
34. The material terms of the DIP Term Sheet are as follows:
 - (a) The DIP Loan is in the amount of \$1,200,000 for the initial Stay Period and update to \$3,100,000 thereafter;
 - (b) The purpose of the DIP Loan is to fund:

- i. the Phoena Group's working capital needs in accordance with the cash flow projections attached to the DIP Term Sheet;
- ii. professional fees and expenses incurred by the Phoena Group and the Monitor in respect of the CCAA proceeding in accordance with the cash flow projections attached to the DIP Term Sheet;
- iii. the DIP Lender's fees and expenses; and
- iv. such other costs and expenses of the Phoena Group as may be agreed to by the DIP Lender

(c) The DIP Loan shall be available in advances as follows:

- i. upon the issuance of the Initial Order, \$1,200,000, or such lesser amount as may be approved by the Initial Order, shall be advanced to the Phoena Group to finance working capital requirements for the 10-day period immediately following the date of the Initial Order; and
- ii. upon the issuance of an Amended and Restated Initial Order at the Comeback Hearing, the balance of the DIP Loan, being up to \$3,100,000, shall be advanced to the Phoena Group in weekly draws upon request.

I. Director's Charge

35. The Applicants seek a charge on the Applicants' Property in favour of the Applicants' current officers and directors in priority to all other charges other than the Administration Charge, the DIP Lender Charge up to a maximum amount of \$450,000.
36. To ensure the ongoing stability of the Phoena Group's business during the CCAA proceeding, it requires the continued participation of its officers and directors. The officers and directors have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful restructuring. As a practical but critical matter, Health Canada requires at least one director of a licensed cannabis company to have in order to maintain its licence. Phoena must at all times have a director with the required security clearance.
37. Currently, there is a D&O insurance policy in place. It was scheduled to expire on March 15, 2023, but Phoena has negotiated two one week extensions and most recently a one-month extension such that it currently expires on April 29, 2023. The limit of the D&O insurance policy is \$5 million.
38. The quantum of the Directors' Charge was developed with the assistance and support of the Proposed Monitor based on analysis of risk to the directors in the initial Stay Period.

J. Stay of Proceedings

39. Given the challenges faced by the Applicants described herein, the Phoena Group requires a stay of proceedings to maintain the *status quo* and to give the Applicants the

breathing space they require to stabilize its operations for the benefits of all of the stakeholders of the Phoenia Group, in consultation with their advisors and the Monitor.

40. The Initial Order contemplates a Stay of Proceedings against the Applicants and their Property for an initial Stay Period of ten (10) days, in accordance with the CCAA.

GENERAL

41. The provisions of the CCAA including sections 2, 3, 11, 11.001, 11.02, 11.03, 11.2, 11.51, 11.52 and 11.7;
42. Rules 2.03, 3.02, 14.05, 16.04, and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
43. Such further and other grounds as counsel may advise and this Honourable Court may deem just.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:

44. The Affidavit of Cornelis Pieter Melissen, sworn April 3, 2023 and the exhibits annexed thereto;
45. The Consent of EY to act as Monitor;
46. The Pre-Filing Report of EY as proposed Monitor, to be filed; and
47. Such further and other evidence as counsel may advise and as this Honourable Court may admit.

April 3, 2023

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Kyla Mahar LSO#: 44182G
kmahar@millerthomson.com

Patrick Corney LSO#: 65462N
pcorney@millerthomson.com

Gina Rhodes LSO#: 78849U
grhodes@millerthomson.com

Tel: (416) 595 8500 / Fax: (416) 595 8695

Lawyers for the Applicants

SCHEDULE "A"

SERVICE LIST

TO:	<p>MILLER THOMSON LLP Scotia Plaza 40 King Street West, Suite 5800 P.O. Box 1011 Toronto, ON Canada M5H 3S1</p> <p>Kyla Mahar kmahar@millerthomson.com Tel: 416.597.4303</p> <p>Patrick Corney pcorney@millerthomson.com Tel: 416.595.8555</p> <p>Gina Rhodes grhodes@millerthomson.com Tel: 416.595.8500 Fax: 416.595.8695</p> <p>Counsel for the Applicants</p>
AND TO:	<p>ERNST & YOUNG INC. 100 Adelaide Street West P.O. Box 1 Toronto, ON M5H 0B3</p> <p>Alex Morrison Alex.F.Morrison@parthenon.ey.com Tel.: 416.941.7743</p> <p>Karen Fung Karen.K.Fung@parthenon.ey.com Tel: 416.943.2501</p> <p>Allen Yao Allen.Yao@parthenon.ey.com Tel: 416.943.3470</p> <p>Daniel Taylor Daniel.Taylor@parthenon.ey.com Tel: 416.932.6008 Fax: 416.943.3795</p> <p>Proposed Monitor</p>

AND TO:	<p>THORNTON GROUT FINNIGAN LLP 100 Wellington St W #3200 Toronto, ON M5K 1K7</p> <p>Rebecca Kennedy rkennedy@tgf.ca Tel: 416.304.0603</p> <p>Puya Fesharaki pfesharaki@tgf.ca Tel: 416.304.7979</p> <p>Marco Gaspar mgaspar@tgf.ca Tel: 416.306.5825. Fax: 416.304.1313</p> <p>Counsel for the Proposed Monitor</p>
AND TO:	<p>CASSELS BROCK & BLACKWELL LLP Scotia Plaza 40 King St W, Suite 2100 Toronto, ON M5H 3C2</p> <p>Joseph Bellissimo jbellissimo@cassels.com Tel: 416.860.6572 Fax: 416.360.8877</p> <p>Counsel for the DIP Lender, Cortland Credit Lending Corporation</p>
AND TO:	<p>KSV ADVISORY 220 Bay St. Suite 1300 Toronto, ON M5J 2W4</p> <p>Noah Goldstein ngoldstein@ksvadvisory.com Tel: 416.932.6207 Fax: 416.932.6266</p> <p>Financial advisors for Cortland Credit Lending Corporation</p>
AND TO:	<p>Marshall Fields International B.V., as agent for certain Lenders Concertgebouwplein 5, Netherlands Amsterdam 107 1LL</p> <p>Dajana Zubrinic dajana@kenzoll.com</p>

AND TO:	FOGLER, RUBINOFF LLP 77 King Street West, Suite 3000 PO Box 95 Toronto, ON M5K 1G8 David Thiel dthiel@foglers.com Tel: 416.941.8815 Fax: 416.941.8852 Counsel for the Secured Creditor, Balfour Energy Corp.
AND TO:	MINISTRY OF FINANCE Ministry of the Attorney General Collections Branch – Bankruptcy and Insolvency Unit 6-33 King St West Oshawa, Ontario, L1H 8H5 insolvency.unit@ontario.ca Tel.: 1 866 668-8297
AND TO:	ATTORNEY GENERAL OF CANADA Per: Diane Winters, General Counsel Department of Justice 120 Adelaide Street West Suite 400 Toronto, Ontario M5H 1T1 Diane H. A. Winters diane.winters@justice.gc.ca Tel : 647.256.7459 Fax: 416.973.0810 Counsel to the Canada Revenue Agency

kmahar@millertomson.com; pcorney@millertomson.com; grhodes@millertomson.com;
Alex.F.Morrison@parthenon.ey.com; Karen.K.Fung@parthenon.ey.com;
Allen.Yao@parthenon.ey.com; Daniel.Taylor@parthenon.ey.com; rkennedy@tgf.ca;
pfesharaki@tgf.ca; mgaspar@tgf.ca; jbellissimo@cassels.com; dthiel@foglers.com;
dajana@kenzoll.com; insolvency.unit@ontario.ca; diane.winters@justice.gc.ca;
ngoldstein@ksv advisory.com

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PHOENA HOLDINGS INC., PHOENA INC., ELMCLIFFE INVESTMENTS INC.,
ELMCLIFFE INVESTMENTS [NO. 2] INC., AND CTI HOLDINGS
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Court File No.: CV-23-

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF APPLICATION
RETURNABLE APRIL 4, 2023**

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Kyla Mahar LSO#: 44182G
kmahar@millerthomson.com

Patrick Corney LSO#: 65462N
pcorney@millerthomson.com

Gina Rhodes LSO#: 78849U
grhodes@millerthomson.com

Tel: (416) 595 8500 / Fax: (416) 595 8695

Lawyers for the Applicants

TAB 2

Court File No.: CV-23-00697285-00CL

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(collectively, the "**Applicants**")

**AFFIDAVIT OF CORNELIS PIETER MELISSEN
(sworn April 3, 2023)**

April 3, 2023

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
Toronto Ontario
M5H 3S1, Canada

Kyla Mahar LSO#: 44182G
kmahar@millერთhompson.com

Patrick Corney LSO#: 65462N
pcorney@millერთhompson.com

Gina Rhodes LSO#: 78849U
grhodes@millერთhompson.com

Tel: (416) 595 8500 / Fax: (416) 595 8695

Lawyers for the Applicants

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(collectively, the "**Applicants**")

**AFFIDAVIT OF CORNELIS PIETER MELISSEN
(sworn April 3, 2023)**

I, **CORNELIS PIETER MELISSEN**, of the City of Amsterdam, in the Province of
North Holland, Netherlands **MAKE OATH AND SAY AS FOLLOWS:**

1. I swear this affidavit in support of an application by Phoena Holdings Inc., ("**Phoena Holdings**"), Phoena Inc. ("**Phoena**"), Elmcliffe Investments Inc. ("**Elmcliffe**"), Elmcliffe Investments [No. 2] Inc. ("**Elmcliffe No. 2**"), and CTI Holdings (Osoyoos) Inc., ("**CTI**"), and collectively with Phoena Holdings, Phoena, Elmcliffe, and Elmcliffe No. 2, the "**Phoena Group**" or the "**Applicants**"), for an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended (the "**CCAA**"). This affidavit is also made in support of an amended and restated Initial Order (the "**ARIO**") that will be sought at a hearing (the "**Comeback Hearing**") within 10 days of the date of the Initial Order, if granted.

2. I am a director of each of the Applicants and have held such position since March 11, 2022. In addition, I am Interim CEO of Phoena having been appointed on February 24, 2023 upon the resignation of CEO, Greg Guyatt. In my roles, I oversee the Phoena Group's overall operations and resources and I am responsible for making strategic corporate decisions. I am familiar with the business, and have access to the books and records of the Applicants. As such, I have personal knowledge of the matters to which I herein depose. Where I rely on other sources of information, I state the source of my information and, in all cases, believe such information to be true. I have also consulted with members of the Applicants' senior management and its financial and legal advisors. The Applicants do not waive nor intend to waive any applicable privilege by any statement herein.
3. All references to currency in this Affidavit are references to Canadian dollars, unless otherwise indicated.

I. INTRODUCTION

A. Relief Sought

4. The Applicants are seeking, among other relief, the following as part of the proposed Initial Order:
 - (a) Declaring that the Applicants are parties to which the CCAA applies;
 - (b) Appointing Ernst & Young Inc. ("**EY**") as Monitor of the Applicants in these proceedings (the "**Proposed Monitor**" and, if appointed, the "**Monitor**");

- (c) Appointing Darren Karasiuk (“**Karasiuk**”) as chief restructuring advisor of the Applicants (the “**Chief Restructuring Advisor**”) to oversee the business of the Applicants and the implementation of the restructuring and/or the orderly wind-down of the Applicants and authorizing and empowering Karasiuk to exercise the duties, services and powers set out in the engagement letter between the Applicants and Karasiuk dated March 31, 2023 (the “**CRA Engagement Letter**”);
 - (d) Granting an administration charge in the amount of \$200,000 (the “**Administration Charge**”) in favour of counsel for the Applicants, the Monitor and its counsel and the Chief Restructuring Advisor;
 - (e) Approving the DIP Term Sheet (as defined below) between the Applicants and Cortland Credit Lending Corporation (“**Cortland**” and in such capacity, the “**DIP Lender**”), authorizing borrowings under the DIP Loan (as defined below) in an amount up to \$1,200,000 (plus interest, fees and expenses), and granting a charge in favour of the DIP Lender (the “**DIP Lender’s Charge**”);
 - (f) Granting a directors’ charge in favour of the directors and officers of the Applicants in the amount of \$450,000 (“**Directors’ Charge**” and together with the DIP Lender’s Charge and the Administration Charge, the “**Priority Charges**”); and
 - (g) Granting an initial stay of proceedings to April 14, 2023 (the “**Stay Period**”).
5. If the proposed Initial Order is granted, at the Comeback Hearing the Applicants intend to seek an Amended and Restated Initial Order (“**ARIO**”), which is expected to include this Court’s approval of:
- (a) An extension of the Stay Period until June 2, 2023;
 - (b) An increase in the authorized borrowings under the DIP Loan to \$3,100,000;
 - (c) An increase in the amount of the Priority Charges as follows:

- (1) the Administration Charge to \$400,000; and
 - (2) the Directors' Charge to \$550,000; and
 - (d) A transaction between PINNRZ Inc. ("**Pinnrz**") and Phoena in respect of the Vaughan Facility and the sale of certain equipment as described herein (the "**Pinnrz Transaction**").
6. In addition to the above, if finalized prior to the date of the Comeback Hearing, the Applicants intend to seek Court approval of:
- (a) A listing agreement for the sale of the Fenwick Property (as defined below); and
 - (b) An agreement in respect of the liquidation of the inventory, equipment and fixtures located in and/or forming part of the Applicants' assets, undertakings and properties of every nature and kind whatsoever (the "**Property**").

B. Overview of Applicants' Business and Restructuring Efforts to Date

- (i) **The CannTrust Entities' prior CCAA Proceedings**
7. Phoena is a licenced producer of cannabis with its head office located in Vaughan, Ontario and its operations located in Fenwick and Vaughan, Ontario.
8. Phoena previously operated as CannTrust Inc. CannTrust Inc., CannTrust Holdings Inc. ("**CannTrust**"), CTI and Elmcliffe (for background purposes, the "**CannTrust CCAA Group**") were debtors under a prior CCAA proceeding (the "**CannTrust CCAA Proceedings**"), as explained below.

9. Phoena Holdings previously operated as CannTrust Equity Inc. (“**CannTrust Equity**”). CannTrust Equity was not a debtor under the prior CannTrust CCAA Proceedings, and was incorporated in September 2021.
10. The CannTrust CCAA Group, through CannTrust Inc., was a successful licensed producer of cannabis used for medical and adult-use recreational purposes in Canada. CannTrust was a publicly traded company, and was listed for trading on the TSX and the New York Stock Exchange. As of March 2019, the CannTrust CCAA Group had over 68,000 registered patients in Canada, who were prescribed its products by over 2,500 physicians across Canada. The CannTrust CCAA Group was named *Licensed Producer of the Year* at the 2018 Canadian Cannabis Awards.
11. However, in September 2019, following regulatory audits of the CannTrust CCAA Group’s facilities, Health Canada partially suspended the CannTrust Inc.’s cannabis licenses at the Vaughan Facility and the Fenwick Facility (each defined below) (for non-compliance with Federal cannabis legislation). Though I understand from court documents that the CannTrust CCAA Group made subsequent remediation efforts, and that the suspension of its licenses and resulting losses of revenue and clients, combined with the COVID-19 pandemic and multiple putative securities class actions, resulted in the CannTrust CCAA Group seeking creditor protection.
12. On March 31, 2020, the CannTrust CCAA Group commenced the CannTrust CCAA Proceedings. The CannTrust CCAA Group was not operating at the time having had its cannabis licenses partially suspended. The goals of the CannTrust CCAA Proceedings included to restructure its business and have its cannabis licenses reinstated and to

provide a structure to deal with the multiple class actions lawsuits through a coordinated process.

13. CannTrust Inc.'s cannabis licenses for the Vaughan Facility and Fenwick Facility (defined below) were re-issued on September 14, 2020 and December 15, 2020, respectively.
14. During the CannTrust CCAA Proceedings, the CannTrust CCAA Group effected an internal reorganization, whereby CannTrust Equity was incorporated as a subsidiary of CannTrust, and acquired shares in CannTrust Inc.
15. On February 25, 2022, as part of the CannTrust CCAA Proceedings, the Court approved a going-concern transaction (the "**Transaction**") involving the CannTrust CCAA Group, which consisted of the following, among other things:
 - (a) Per a subscription agreement, certain investors, including Marshall Fields International B.V. ("**Marshall**") through its subsidiary, Marshall Field Canada Investments Inc. (the "**Investor**") as well as other individual investors, acquired 90% of the equity of CannTrust Equity, which owned CannTrust Inc., for a subscription price of \$11.2 million;
 - (b) CannTrust retained the remaining 10% equity ownership in CannTrust Equity;
 - (c) Marshall, in addition to the subscription price, provided a \$5.5 million second lien secured loan to CannTrust Equity; and
 - (d) Intercompany debt (approximately \$300 million) owed by CannTrust Inc. to CannTrust was assigned to CannTrust Equity, together with related security, as explained further below.

16. As a result of the Transaction, the CannTrust CCAA Group emerged from the CannTrust CCAA Proceedings on March 15, 2022 with CannTrust Equity and its wholly owned subsidiary CannTrust Inc. being private companies with 90% of the equity of CannTrust Equity being held by the Investor and the remaining 10% of the equity being held by CannTrust (a non-Applicant in this CCAA proceeding).
17. On or about May 3, 2022, CannTrust Equity and CannTrust Inc. changed their names to Phoena Holdings Inc. and Phoena Inc. , respectively.

(ii) The Phoena Group

18. I became a director of each entity of the Phoena Group entities on March 11, 2022, as a result of the Transaction. The Phoena Group, through Phoena, is licensed by Health Canada to sell the following: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis.
19. Under new ownership, the Phoena Group was created to revitalize the CannTrust CCAA Group's business so that it could be profitable and successful once again. Despite its best efforts, the Phoena Group has been unable to revive the business and generate a profit since emerging from the CannTrust CCAA Proceedings. The Phoena Group is insolvent, and is in breach of its obligations to its first secured creditor, Cortland.
20. The Phoena Group has been unable to recover CannTrust's patient base that was lost during the period of time when CannTrust's cannabis licenses were suspended. Further, since the suspension of those licenses in September 2019, the Canadian cannabis market has become increasingly competitive, with market share dominated by a handful of major corporations.

21. The Phoena Group incurred substantial losses in its year ended December 31, 2022. The Investor supported the business through its first year since emerging from the CannTrust CCAA Proceedings with additional advances under Marshall's secured loan, but it is unwilling to continue to fund these losses. As a result, the Phoena Group cannot continue to operate as a going concern.
22. As set out above, I was appointed on an urgent basis as Interim CEO of Phoena as a result of the CEO resigning and given the serious performance/liquidity issues at the Phoena Group. I am not a cannabis manager but given I am part of the Investor, and a director with security clearance with Health Canada, I saw no other option but to take on the role on an interim basis.
23. Since becoming Interim CEO of Phoena on February 24, 2023, I engaged Karasiuk, whose experience in the cannabis sector is exemplary and is set out below, as a consultant. I worked with Karasiuk, the Investor and management of the Phoena Group with a goal of finding a path to profitability could be created and implemented that would be supported by Cortland and funded either by the Investor and/or by new investors. Unfortunately, we were unable to achieve this goal.
24. As a director of each entity in the Phoena Group and the Interim CEO of Phoena, I have concluded, following consultation with the Applicants' senior management, professional advisors and secured creditors, that this application under the CCAA and the proposed Initial Order being sought is the best alternative available to the Applicants. These CCAA proceedings will result in the best possible outcome for creditors and other stakeholders of the Phoena Group in the current circumstances.

C. Purpose of the CCAA Proceedings

25. I believe a liquidation and orderly wind-down of the Applicants is in the best interests of the Applicants' creditors and other stakeholders. The Applicants require the breathing room and stability offered by a CCAA proceeding in order to execute upon an orderly wind-down of their business in a manner that will maximize the proceeds available for distribution to creditors on a timely and cost-effective basis without causing further harm to the value of the Phoena Group or its assets that would result from an alternative process given the regulated nature of the cannabis industry.
26. The Applicants, in consultation with the Proposed Monitor, plan to solicit bids from professional third-party liquidators in respect of the liquidation of the inventory, equipment and fixtures located in and/or forming part of the Property (the "**Liquidation Solicitation Process**"), and intend to select a liquidator that they believe will best assist in maximizing the proceeds from these assets, subject to Court approval.
27. Following selection and appointment of the third party liquidator, the Applicants intend to complete the liquidation in a timely manner.
28. As part of its wind-down efforts, the Applicants, in consultation with the Proposed Monitor, intend to solicit listing agreements from real estate brokers in respect of the Fenwick Facility and then select the real estate broker that they believe will assist in maximizing the proceeds from the Fenwick Facility, subject to Court approval.
29. During the Liquidation Solicitation Process, the Applicants with the assistance of the Proposed Monitor intend to make one last attempt to pursue all avenues of restructuring

and/or selling the business or Property, in whole or part, subject to prior approval of this Court being obtained before any material restructuring or sale.

30. However, subject to implementation of the Pinnrz Transaction (as described below) if finalized and approved by the Court and anything that results from the restructuring efforts of the Applicants and the Monitor, the Phoena Group intends to focus on liquidation activities. Such activities will include, among other things:
- (a) Immediately terminating approximately 87 employees, including 37 employees employed at the Vaughan Facility;
 - (b) Subject to Court approval, implementing the Pinnrz Transaction;
 - (c) Immediately cease planting any new plants and terminate cultivation of current plants and destroying of all non-harvested plants;
 - (d) In consultation with the Monitor and the DIP Lender, destroying of certain harvested inventory that has not been released for sale;
 - (e) Collecting accounts receivable;
 - (f) Disclaiming contracts;
 - (g) Closing the Phoena Group's books and records;
 - (h) Maintaining IT and accounting systems;
 - (i) Resolving priority claims and other liabilities; and
 - (j) Protecting and securing the Phoena Group's assets during the CCAA proceedings.

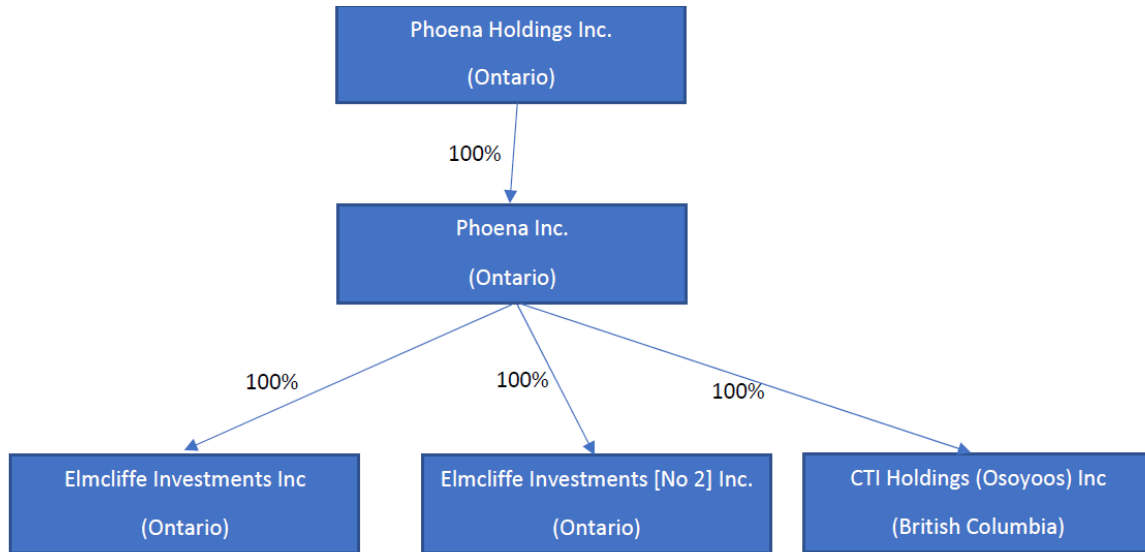
II. OVERVIEW OF THE APPLICANTS

A. Background and Corporate Structure

31. Phoena Holdings is a corporation incorporated under the *Business Corporations Act* (Ontario). Phoena Holdings is the parent entity in the Phoena Group.
32. Phoena is a corporation incorporated under the *Business Corporations Act* (Ontario). Phoena is the Phoena Group's operating entity and holds the licenses and certifications necessary to operate in the cannabis industry, and leases a 49,465 square-foot warehouse and manufacturing facility at 3280 Langstaff Road, Unit 1, Vaughan Ontario (the "**Vaughan Facility**"), which also houses the Phoena Group's head office. Phoena is a wholly-owned subsidiary of Phoena Holdings.
33. Elmcliffe is a corporation incorporated under the *Business Corporations Act* (Ontario). Elmcliffe is the owner of a 450,000 square-foot perpetual harvest greenhouse facility in the Niagara region, located at the property known municipally as 1396 Balfour Street, Pelham, Ontario (the "**Fenwick Facility**") used to grow the Phoena Group's cannabis flower. Elmcliffe conducts no other functions for the Phoena Group. Elmcliffe is a wholly-owned subsidiary of Phoena.
34. Elmcliffe No. 2 is a corporation incorporated under the *Business Corporations Act* (Ontario). Elmcliffe No. 2 is inactive with no assets and intercompany liabilities. Elmcliffe No. 2 is a wholly-owned subsidiary of Phoena.
35. CTI is a corporation incorporated under the laws of British Columbia ("**B.C.**"). It previously owned lands in B.C. that were disposed of during the CannTrust CCAA

Proceedings. It currently has no operating activities and no assets. CTI is a wholly-owned subsidiary of Phoena.

36. A corporate organization chart depicting the structure of the Phoena Group follows. Solid lines illustrate a direct parent-subsiary relationship.



B. The Business of the Applicants

37. The Phoena Group is a licensed producer of cannabis in Canada. Its business is focused on three distinct markets: the medical cannabis market, the adult-use recreational cannabis market and the supply of bulk cannabis to other licensed producers, either under contract grow arrangements or spot sales.
38. For medical use, the Phoena Group offers dried cannabis flower formats, as well as several cannabis oil drops and encapsulated cannabis oil products under the ESTORA brand. The Phoena Group also produces similar products in capsule form using two-piece capsules that are vegan-based and do not use animal products, such as gelatin, making

them more desirable for a variety of customers and patients due to possible religious or ethical reasons.

39. For adult recreational use, the Phoena Group offers a variety of dried flower, pre-rolls, cannabis oils, capsules, topical gels and sublingual strips, under three brands: LIIV; SYN.R.G; and XSCAPE.

C. The Fenwick and Vaughan Facilities

40. The 450,000 square-foot Fenwick Facility is a state-of-the-art greenhouse with computer controlled irrigation, co-generation power supply and full supplemental lighting. The Fenwick Facility is operated with a perpetual harvest system which is capable of producing cannabis 365 days a year and allows for a continuous work cycle, creating a steady production capacity and a stable work environment for employees.
41. The 49,465 square-foot Vaughan Facility is an extraction, manufacturing, and packaging facility, which includes a quality control laboratory. The Vaughan Facility is leased. The Vaughan Facility also serves as the Phoena Group's headquarters.

D. Licensing

42. The Phoena Group, through Phoena, holds the following licenses ("**Cannabis Licenses**") from Health Canada:
 - (a) Standard cultivation, to possess, test, and sell cannabis for the Fenwick Facility, effective as of December 15, 2020, and expires on December 15, 2023;

- (b) Standard cultivation, standard processing, and sale for medical purposes for the Vaughan Facility, effective as of September 14, 2020, and expires on September 11, 2023;
- (c) Standard processing for 1401 Creditstone Road, Concord, effective as of December 18, 2020 and expires on December 18, 2023; and
- (d) Cannabis Drug Licence for the Vaughan facility, issued under the *Cannabis Act* (Canada) and the related *Cannabis Regulations*, which permits the possession, production, and sale of cannabis effective as of October 26, 2021 and expires on December 16, 2023.

Copies of the Cannabis Licenses are attached hereto as **Exhibit “A”**.

43. On October 21, 2021, Phoena was granted a research license by Health Canada (the “**Research Licence**”). The Research License allows the Phoena Group to possess cannabis for research purposes at the Vaughan Facility. The Research License expires on October 26, 2026. A copy of the Research License is attached hereto as **Exhibit “B”**.

E. The Phoena Group’s Directors and Officers

44. The below table identifies the board of directors and officers of the Phoena Group as at the date of this Affidavit:

Phoena Group Entity	Board of Director(s)	Officer(s) (Position)
Phoena Holdings	Cornelis Melissen Edwin Van Der Knaap	Cornelis Melissen (Interim CEO) David Blair (Vice President)
Phoena	Cornelis Melissen	David Blair (Chief Financial Officer) Jeffrey Zietlow (Senior Vice President and Chief Commercial Officer)

		Charl van Rensburg (Vice President Sales) David Hamby (Chief Operating Officer)
Elmcliffe	Cornelis Melissen	David Blair (Secretary)
Elmcliffe No. 2	Cornelis Melissen	David Blair (Secretary)
CTI	Cornelis Melissen	David Blair (Secretary)

F. Employees and Payroll

45. The Phoena Group has a total of 238 total employees, comprised of 174 hourly employees, and 64 salaried employees.
46. At the Fenwick Facility, there are 159 hourly employees, of which eight are currently on unpaid leave, and 31 salaried employees.
47. At the Vaughan Facility, there are 15 hourly employees, of which one is currently on unpaid leave, and 33 salaried employees, of which five are currently on unpaid leave.
48. Payroll is administered through ADP Payroll Services, a third party payroll administrator, on a biweekly basis. The last payroll occurred on Thursday March 30, 2023 and employees were paid for their time to Sunday March 26, 2023.
49. The Applicants do not sponsor, administer, or otherwise have any registered or unregistered pension plans for their employees.

50. To the best of my knowledge, the Applicants are current on payroll and source deduction remittances.

G. Leases

(i) *Vaughan Facility Lease*

51. The Phoena Group, through Phoena, leases the Vaughan Facility, which also serves as the Phoena Group's headquarters. The Vaughan Facility is leased pursuant to an agreement dated September 27, 2013 between N.H.D. Developments Limited (the "**Landlord**") and Cannamed Pharma Inc.¹ ("**Original Lease**").
52. On October 23, 2017, the Original Lease was amended by way of agreement between the Landlord and CannTrust Inc. (the "**Amended Lease**") which, among other things, increased the total rentable area to include the second floor of the Vaughan Facility effective December 1, 2017. Under the Amended Lease, the total rentable area increased from 40,500 to 49,465 square feet. A copy of the Original Lease and the Amended Lease (collectively, the "**Vaughan Lease**") are attached hereto as **Exhibit "C"**, and provide for, among other things:
- (a) A base rent of \$25,763.02 per month plus additional rent for a total rent per month of approximately \$54,240.52 (the "**Rent**"); and
 - (b) A term of 10 years ending on November 30, 2023. Phoena has the option to extend the lease for 2 additional periods of 5 years each.
53. Under the Pinnrz Transaction, Pinnrz will take an assignment or otherwise assume the Vaughan Lease.

¹ Cannamed Pharma Inc. a predecessor to CannTrust Inc. which is now Phoena.

(ii) *Equipment Lease*

54. Pursuant to a master equipment lease dated January 12, 2022 (the “**Master Equipment Lease**”) between Keirton Inc. (“**Keirton**”) and CannTrust Inc., Keirton agreed to lease certain equipment for use in post-harvest processing to CannTrust Inc. The Master Equipment Lease provides, among other things:

- (a) A base rental fee of \$10,000 per month (plus harmonized sales tax) (“**HST**”);
- (b) An hourly usage fee of \$190.00 per hour (plus HST), which is tracked by software;
- (c) A service contract fee of \$11,458.05 per month (plus HST), which provides Keirton to provide monthly, preventative maintenance trips to for the equipment; and
- (d) A term that ends on January 31, 2024.

A copy of the Master Equipment Lease is attached hereto as **Exhibit “D”**.

H. Banking & Cash Management

55. The Phoena Group maintains six bank accounts through which it deals with its cash management, collections, and disbursements. The Phoena Group primarily banks with Bank of Montreal (“**BMO**”) having five operating accounts plus one blocked account which receives the Provincial receivables and which is swept by Cortland in accordance with the Cortland Facility (as defined below).

56. The Phoena Group has two credit cards from BMO, which are fully secured by a GIC held by BMO.

III. FINANCIAL CIRCUMSTANCES AND CASH FLOW FORECAST

A. Financial Performance and Financial Statements

57. When the CannTrust CCAA Group emerged from the CannTrust CCAA Proceedings, what is now Phoena Holdings did not become a public company. The Phoena Group has remained private and the Phoena Group has not prepared audited financial statements.
58. The Phoena Group's fiscal year end is December 31. The Phoena Group financial statements are internally prepared, unaudited consolidated financial statements for the December 31, 2022 year-end ("**2022 Financial Statements**"). A copy of the 2022 Financial Statements are attached hereto as **Exhibit "E"**.
59. In addition, a copy of the internally prepared, unaudited consolidated financial statements for the one-month period ended January 31, 2023 are attached hereto as **Exhibit "F"**.
60. The Financial Statements indicate that as of December 31, 2022, the Phoena Group had total assets of approximately \$116 million, and total liabilities of approximately \$75 million. The \$116 million figure includes right of use assets in the amount of \$35.9 million, which relate to Phoena's rights under a co-gen lease, as further discussed herein. For the fiscal year ended December 31, 2022, the Phoena Group had a net loss of \$24.8 million based on gross revenue of \$13.2 million.
61. For the one-month period ending January 31, 2023, the Phoena Group had a \$317,000 loss on gross revenue of \$1.2 million. As described herein, the Phoena Group is not able to meet its obligations as they become due and I am advised by the Proposed Monitor and counsel for the Applicants that this makes it insolvent.

62. The Applicants' liquidity has been fully depleted and they cannot maintain operations without additional financing under the proposed DIP Term Sheet in the CCAA proceedings, as further discussed herein. Based on available information and uncertainty to continue as a going concern, the Applicants believe it is necessary to significantly write down the carrying values of certain assets, including inventory, biological assets and the aforementioned right-to-use assets, due to impairment. If such adjustments for impairment were made to the balance sheet, the Applicants' liabilities would significantly exceed their assets.

B. Cash Flow Forecast

63. The Phoena Group, with the assistance of the Proposed Monitor, has prepared a projected 9-week cash flow forecast (the "**Cash Flow Forecast**") for the period ending June 4, 2023, which is premised on, among other things, the assumption that the Applicants will be granted CCAA protection and that the DIP Term Sheet and DIP Lender's Charge as set out herein, will be approved as part of the Initial Order. I believe that the Cash Flow Forecast is a reasonable forecast of the Applicants' cash flow during their orderly wind-down. Attached hereto as **Exhibit "G"** is a copy of the Cash Flow Forecast.

64. Pursuant to the Cash Flow Forecast, the Applicants will not have sufficient funds to get through the initial Stay Period absent interim financing being approved and the DIP Lender's Charge being granted by the Court.

IV. CREDITORS OF THE PHOENA GROUP

A. Secured Creditors

(i) Cortland Credit Lending Corporation

65. Cortland is the Phoena Group's senior secured creditor. Pursuant to a Credit Agreement dated March 11, 2022 (as amended by amending agreements dated as of May 2, 2022, October 18, 2022 and December 21, 2022, the "**Cortland Credit Agreement**") among Canntrust Inc., Elmcliffe, and CTI, as borrowers (the "**Cortland Borrowers**"), CannTrust Holdings Inc.², Elmcliffe No. 2 and CannTrust Equity, as guarantors (the "**Cortland Guarantors**", and together with the Cortland Borrowers, the "**Cortland Credit Parties**"), and Cortland, as agent on behalf of certain lenders, Cortland established a revolving credit facility (the "**Cortland Facility**") in favour of the Cortland Borrowers in the maximum aggregate principal amount of \$22,500,000. Attached as **Exhibit "H"** is a copy of the Cortland Credit Agreement.
66. The purpose of the Cortland Facility was to finance general corporate and working capital requirements of the Cortland Borrowers and to facilitate the exit of the CannTrust CCAA Proceedings.
67. Interest on the Cortland Facility accrues at the greater of: (a) 10%; and (b) the Toronto-Dominion Bank prime rate plus 7.55%; and is payable on the first day of each month. The Cortland Facility matures on March 31, 2023, subject to a three-month extension that is available to the Cortland Borrowers with the agreement of Cortland.

² CannTrust Holdings Inc. was released from its obligations under the Cortland Credit Agreement and related documents pursuant to the amendment agreement dated October 18, 2022.

68. As general and continuing security for the Cortland Borrowers' obligations under the Cortland Facility, the Cortland Credit Parties agreed to provide Cortland, among other things:
- (a) A debenture granted by Elmcliffe in favour of Cortland in the principal amount of \$25,700,000, creating a first-priority lien (subject to certain permitted liens) in the Fenwick Property, which is attached hereto as **Exhibit "I"**;
 - (b) A security agreement executed by each Cortland Credit Party granting a first-priority security interest (subject to certain permitted liens) in the present and after acquired personal property of each Cortland Credit Party, which is attached hereto as **Exhibit "J"**; and
 - (c) A blocked account agreement for all bank accounts where the Cortland Credit Parties hold funds (excluding accounts relating to certain excluded collateral).
69. In addition to the security noted above, Cortland received a subordination, postponement and standstill agreement with respect to the indebtedness of CannTrust Inc. (now Phoena) to CannTrust Equity (now Phoena Holdings).
70. The Cortland Borrowers have not made the required payments under the Cortland Facility since November 2022 and are accordingly in default of the terms of the Cortland Credit Agreement. As at March 31, 2023, approximately \$18.8 million is currently drawn under the Cortland Facility.

(ii) Marshall Fields International B.V.

71. Pursuant to a Credit Agreement dated March 11, 2022 (as amended by amending agreements dated as of May 2, 2022, October 18, 2022 and March 17, 2023, the "**Marshall Credit Agreement**") among Canntrust Equity Inc., CannTrust Inc., Elmcliffe,

and CTI, as borrowers (the “**Marshall Borrowers**”), CannTrust Holdings Inc.³, and Elmcliffe No. 2, as guarantors (the “**Marshall Guarantors**”, and together with the Marshall Borrowers, the “**Marshall Credit Parties**”), and Marshall, as agent on behalf of certain lenders, Marshall established a multi-draw non-revolving team loan (the “**Marshall Facility**”) in favour of the Marshall Borrowers in the maximum aggregate principal amount of \$12,989,378. Attached hereto as **Exhibit “K”** is a copy of the Marshall Credit Agreement.

72. The purpose of the Marshall Facility was to finance general corporate and working capital requirements of the Marshall Borrowers and to facilitate the exit of the CannTrust CCAA Proceedings.
73. Interest on the Marshall Facility accrues at 10% and accrues on a monthly basis. The Marshall Facility matures on May 23, 2023, subject to a 12-month extension that is available to the Marshall Borrowers with the agreement of Marshall.
74. As general and continuing security for the Marshall Borrowers’ obligations under the Marshall Facility, the Marshall Credit Parties agreed to provide Marshall, on behalf of itself and the lenders, among other things:
 - (a) A debenture granted by Elmcliffe Investments Inc. in favour of Marshall in the principal amount of \$5,750,000, creating a second-priority lien (subject to certain permitted liens) in the Fenwick Property, which is attached hereto as **Exhibit “L”**; and

³ CannTrust Holdings Inc. was released from its obligations under the Credit Documents pursuant to the amendment agreement dated October 18, 2022.

(b) A security agreement executed by each Marshall Credit Party granting a second-priority security interest (subject to certain permitted liens) in the present and after acquired personal property of each Marshall Credit Party, which is attached hereto as **Exhibit “M”**;

75. In addition to the security noted above, Marshall received a subordination, postponement and standstill agreement with respect to the indebtedness of CannTrust Inc. (now Phoena) to Cantrust Equity (now Phoena Holdings).

(iii) Balfour Energy Corp.

76. CannTrust Inc., Elmcliffe Investments Inc. and 2606017 Ontario Limited (now Balfour Energy Corp. and referred to herein as “**Balfour**”) entered into a Tolling Agreement on January 31, 2018 (the “**Tolling Agreement**”). Pursuant to the terms of the Tolling Agreement, Balfour agreed to provide co-generation derived heat and power for the Fenwick Facility in exchange for monthly payments, which are currently \$325,596.35 inclusive of HST. The Tolling Agreement has a 20-year term and expires on February 1, 2038. Attached as **Exhibit “N”** is a copy of the Tolling Agreement.

77. As security for the amounts payable under the Tolling Agreement, Cantrust Inc. and Cantrust Equity granted, among other things, a first-ranking collateral assignment of deposits and credit balances in favour of Balfour (the “**Balfour Security**”). Attached as **Exhibit “O”** is a copy of the Balfour Security.

78. The co-generation derived heat and power is critical to the operations for the Fenwick Facility and the Phoena Group has been making its payments under the Tolling Agreement on a monthly basis.

(iv) Intercompany Debt

79. On May 6, 2015, CannTrust Inc. borrowed money from CannTrust Holdings pursuant to a demand promissory note (the “**CannTrust Security**”).
80. As part of the Transaction, explained above, and pursuant to an Amended and Restated General Security Agreement between the CannTrust Inc. and CannTrust dated March 11, 2022, as well as an Assignment and Assumption Agreement between CannTrust as Assignor, CannTrust Equity (now Phoena Holdings), as Assignee, and CannTrust Inc. (now Phoena) dated March 11, 2022, CannTrust assigned the CannTrust Security to CannTrust Equity (now Phoena Holdings).
81. As a result, the CannTrust Security is an intercompany debt owed from Phoena to Phoena Holdings in an amount in excess of \$400 million.

(v) Ontario & British Columbia PPSA Registrations

82. Attached hereto as **Exhibits “P”, “Q”, “R” and “S”**, respectively, are certified copies of Ontario Personal Property Security Registration System Enquiry Response Certificates in respect of Phoena Holdings, Phoena, Elmcliffe, and CTI, current to March 20, 2023 respectively, which disclose the following registrations:

Entity	Registration Number	Registering Agent	Date	Duration	Collateral
Phoena Holdings	20210916 1244 1590 5339	Cortland Credit Lending Corporation	September 16, 2021	2 years	Inventory Equipment Accounts Other Motor Vehicles

	202202224 0934 9234 1528	Marshall Fields International B.V.	February 24, 2022	2 years	Inventory Equipment Accounts Other Motor Vehicles
Phoena	20200401 1559 1590 0777	Balfour Energy Corp.	April 1, 2020	20 years	Cash or tolling fee reserve funds held in Debtor's Bank of Montreal Canadian Dollars Account # 0002- 1750-935 in accordance with a tolling agreement and blocked account agreement
	2015 0807 1423 4924	CannTrust Holdings Inc. (assigned to Phoena Holdings)	August 7, 2015	10 years	Inventory Equipment Accounts Other
	20220310 1727 1590 2201	Cortland Credit Lending Corporation	March 10, 2022	5 years	Inventory Equipment Accounts Other Motor Vehicles
	20220311 1058 9234 1762	Marshall Fields International B.V.	March 11, 2022	5 years	Inventory Equipment Accounts Other Motor Vehicles
Elmcliffe	20220310 1727 1590 2200	Cortland Credit Lending Corporation	March 10, 2022	5 years	Inventory Equipment Accounts Other Motor Vehicles
	20220311 1057 9234 1761	Marshall Fields International	March 11, 2022	5 years	Inventory Equipment

		B.V.			Accounts Other Motor Vehicles
CTI	20220310 1727 1590 2199	Cortland Credit Lending Corporation	March 10, 2022	5 years	Inventory Equipment Accounts Other Motor Vehicles
	20220311 1055 9234 1759	Marshall Fields International B.V.	March 11, 2022	5 years	Inventory Equipment Accounts Other Motor Vehicles

83. Attached hereto as **Exhibit "T"** is a copy of a BC Personal Property Registry Search Result current to March 20, 2023 in respect of CTI, disclosing the following registrations:

Entity	Registration Number	Registering Agent	Date	Duration	Collateral
CTI	589423N	Cortland Credit Lending Corporation	March 10, 2022	5 years	All of the Debtor's present and after acquired personal property including, without limitation, all fixtures, crops, and licences, and an uncrystallized floating charge on Land.
	590882N	Marshall Fields International B.V.	March 11, 2022	5 years	All of the Debtor's present and after acquired personal property including, without limitation,

					all fixtures, crops, and licences, and an uncrystallized floating charge on Land.
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B. Unsecured Creditors

84. As at January 31, 2023, the Phoena Group has outstanding HST in amount of \$nil, and outstanding excise tax in the amount \$988,000, net of a deposits in the amount of \$180,000 held by the Canada Revenue Agency (“**CRA**”). The Phoena Group is generally in a refund position with respect to HST and the CRA has been applying HST refunds against the amount outstanding for excise tax.
85. As at January 31, 2023, the Phoena Group had accounts payable and accrued liabilities in the amount of \$9.7 million.
86. In addition to the above, the Phoena Group has contingent liabilities related to litigation and potential litigation claims in connection with five departed employees.

V. CHALLENGES FACED BY THE APPLICANTS

A. Overview of Challenges

87. The Canadian cannabis industry is an extremely challenging operating environment for all market participants. The industry is highly regulated and highly taxed.
88. In addition to the challenges the industry faces, the Phoena Group faced additional, unique challenges arising from its history as the CannTrust CCAA Group and the CannTrust CCAA Proceedings, which I have explained above.

B. Timing & Changes to Market Conditions

89. The *Cannabis Act* (Canada) came into effect on October 17, 2018 and made Canada the second country in the world, after Uruguay, to formally legalize the cultivation, possession, acquisition and consumption of cannabis and its by-products.
90. The Canadian cannabis industry has undergone significant changes since legalization. As a newly-legal industry, there was considerable initial over-exuberance in assumptions related to market conditions including projected demand levels, sales revenue and profit margins.
91. As a consequence, the industry was over-saturated with new entrants. On legalization in October of 2018, Health Canada had licensed relatively few cannabis companies (approximately 100). That number now stands at approximately 950 according to the website of Health Canada. The result is an approximately ten-fold increase in competition.
92. Over-supply of cannabis products has led to significant price compression and over-saturation of products. All told, Canada's federally licensed marijuana producers destroyed a record 425 million grams – or 468 tons – of unsold, unpackaged dried cannabis in 2021, according to Health Canada data provided to *MJBizDaily*.
93. Regulation has been an issue for the Canadian cannabis industry from the beginning and I am aware of a number of otherwise well-run cannabis businesses that have failed, or continue to struggle, due to factors such as excessive taxes, complex regulatory requirements, government delays in licensing, and limitations on dosage size, packaging

and marketing. In addition, certain government purchasers/retailers have experienced internal purchasing, distribution and delivery issues, among other problems.

C. History as CannTrust

94. Until the partial suspension of its licenses in September 2019, CannTrust was one of Canada' leading cannabis producers. CannTrust operated a business that was experiencing operational growth and expanding into new markets and product segments. It had state of the art facilities, and the scale to compete with the industry's largest players.
95. The Investor believed that CannTrust's business infrastructure was strong and that the business could be rejuvenated if CannTrust's customers could be recovered.
96. The Phoena Group has made significant efforts over the past year to attempt to recover CannTrust's legacy customers, described above. Phoena Group diversified its product offerings, including offering oil drops and vegan-based capsules, making them more desirable for a variety of customers and patients.
97. Unfortunately, this did not happen and the business is operating at a loss and the Investor is no longer prepared to continue to support the mounting losses.
98. As described below, the Applicants have entered into a DIP Term Sheet with Cortland, which will provide interim financing to fund an orderly wind-down of the Applicants business. Such financing is not sufficient to continue to operate the business without an immediate reduction of its workforce.

D. Pinnrz Transaction

99. In attempt to reduce their operating costs, the Applicants have been looking at exiting the Vaughan Facility and ceasing operating activities within this facility. Over the last few months, the Applicants have been working to secure a third party interested in assuming the lease on an “as is, where is” basis.
100. The Applicants are in final negotiations with Pinnrz of certain agreements for the Pinnrz Transaction, which is expected to include the assumption of the Vaughan Facility (which is a leased) and purchase of certain equipment by Pinnrz. The Pinnrz Transaction also contemplates that certain employees that would otherwise be terminated by the Applicants would be offered employment from Pinnrz. Pinnrz wishes to begin the transition immediately. However, as at the time of swearing this Affidavit, the agreements have not been finalized although discussions between Pinnrz and the Applicants are in the final stages.
101. In anticipation of finalizing the agreements necessary to implement the Pinnrz Transaction, the Applicants have been consulting with Cortland and, with the assistance of the Proposed Monitor, have been analyzing the overall benefit of the Pinnrz Transaction to the estate and costs needed to assist the close of the Pinnrz Transaction. The alternative to this Transaction would be disclaiming the lease and making such changes to the property as necessary to return the premises to the landlord, and liquidation of assets.
102. The Applicants anticipate being in a position to bring forward the Pinnrz Transaction for Court approval at the Comeback Hearing.

E. Go Forward Plan for the Phoena Group

103. Despite its efforts, the Phoena Group has been unable to revive the business of the CannTrust CCAA Group and it no longer has the financial wherewithal to continue to try and do so.
104. The Phoena Group is insolvent and cannot continue to operate as a going concern. In consultation with its advisors and the Proposed Monitor, the Applicants plan to liquidate their assets and effect an orderly wind up of the affairs of their business.
105. As set out above, the Phoena Group intends to immediately halt the cultivation of new plants, destroy certain inventory that has not been released for sale and focus on its wind-down plans set out above.

VI. CCAA PROCEEDINGS AND RELIEF SOUGHT

A. Need for CCAA Proceedings and Eligibility

106. As indicated in the Cash Flow Forecast, without interim financing, the Applicants will be unable to operate in the ordinary course and payroll obligations will not be met.
107. In consultation with their advisors, the Applicants have determined that the CCAA process is the most beneficial plan of action to maximize value for the Phoena Group's stakeholders and creditors.
108. The Phoena Group has debt in excess of \$5 million, is insolvent and is facing a liquidity crisis.

109. As at the date hereof, the aggregate amount of the Applicants' liabilities is estimated to be approximately \$77 million.
110. The Applicants are seeking an Initial Order substantially in the form attached as **Tab 4** to the Application Record.

B. Appointment of Monitor

111. The Applicants propose that EY be appointed Monitor in these CCAA proceedings. EY has consented to act as Monitor, subject to Court approval, and its written consent is included at **Tab 3** of the Application Record.
112. EY is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (Canada), and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.
113. EY was the Monitor of the Cantrust CCAA Group and the Proposal Trustee of CannTrust Holdings Inc. prior to these CCAA proceedings. I understand this will be further described in the pre-filing report of the Proposed Monitor.
114. In preparing for this filing, EY has reviewed, and assisted in the preparation of, the Cash Flow Forecast, and has provided guidance and assistance in the commencement of these CCAA proceedings.
115. As a result, EY has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.

C. Appointment of Chief Restructuring Advisor

116. The Phoena Group is of the view that the engagement of the Chief Restructuring Advisor will assist in the wind-down process to maximize proceeds available for distribution to creditors. As set out above, the CEO of Phoena resigned in late February, 2023 and I was appointed as Interim CEO. I live in the Netherlands and I am of the view that the Phoena Group needs a person that is at the facilities and directly able to oversee the liquidation and wind-down activities.
117. On March 31, 2023, the Applicants and Karasiuk (the “**Chief Restructuring Advisor**”) executed the CRA Engagement Letter and the Applicants seek to have the Court appoint Karasiuk as Chief Restructuring Advisor in the Initial Order. A copy of the CRA Engagement Letter is attached hereto as **Exhibit “U”**.
118. Karasiuk is a Canadian cannabis industry veteran. Prior to advising Phoena, Mr. Karasiuk was CEO of Flowr Corp. (TSXV: FLWR) where he led its restructuring and successful sale through a CCAA proceeding. Prior to that Karasiuk was founding CEO of Nova Cannabis (TSX: NOVC) (“**Nova**”), one of Canada’s largest cannabis retailers. Before Nova, Karasiuk served as Chief Commercial Officer of Aurora Cannabis (TSX: ACB) (“**Aurora**”). During his tenure at Aurora, he helped the Company achieve leadership in the Canadian recreational and medical cannabis markets as well as Europe. Karasiuk joined Aurora through the acquisition of MedReleaf Corp. (TSX: LEAF) (“**MedReleaf**”), where he served first as Vice-President, Strategy and later as Senior Vice-President and General Manager of the Recreational business. Prior to joining MedReleaf, Karasiuk was Vice-President, Insights and Advisory at Deloitte. Karasiuk holds an MA from Western University as well as an MBA from Kellogg-Schulich.

119. I understand that the Proposed Monitor is satisfied with the proposed Chief Restructuring Advisor's qualifications, expertise and experience, and is supportive of its appointment. Moreover, the Proposed Monitor believes that the Chief Restructuring Advisor appointment is necessary and is in the best interests of the Applicants and its stakeholders.
120. Karasiuk consents to his appointment as Chief Restructuring Advisor of the Applicants.

D. Administration Charge

121. The Applicants seek a super-priority charge over the Applicants' Property in favour of the Monitor, counsel to the Monitor, the Chief Restructuring Advisor and counsel to the Applicants (collectively, the "**Professionals Group**"), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**").
122. The proposed Administration Charge being sought at the initial CCAA Application is for a maximum amount of \$200,000 in order to secure the payment of fees and expenses incurred in connection with moving for the within relief sought and for the initial ten (10) day protection period leading up to the first Comeback Hearing. The Administration Charge is proposed to rank as a first-priority charge on the Property.
123. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings. The Professionals Group have contributed and will continue to contribute to the Applicants' liquidation and orderly wind-up of the affairs of the business, and will ensure that there is no unnecessary duplication of roles among them.

124. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees of the Professionals Group.

E. Approval of DIP Loan and DIP Lender's Charge

125. When the Phoena Group realized that it had a looming liquidity crisis, it initiated discussions with its senior secured creditor, Cortland, to provide a debtor-in-possession credit facility (the "**DIP Loan**"). The Applicants and their counsel negotiated with the DIP Lender and its counsel to settle committed terms for the DIP Loan.

126. The DIP Lender and the Applicants entered into the DIP Commitment Letter dated April 3, 2023 (the "**DIP Term Sheet**"). Based on my discussions with the Applicants' counsel and the Proposed Monitor, I believe the terms agreed to with the DIP Lender are reasonable and competitive. A copy of the DIP Term Sheet is attached hereto as **Exhibit "V"**.

127. The material terms of the DIP Term Sheet are as follows:

(a) The DIP Loan is in the amount of \$1,200,000 for the Initial Stay Period and update to \$3,100,000 thereafter;

(b) The purpose of the DIP Loan is to fund:

(1) the Phoena Group's working capital needs in accordance with the cash flow projections attached to the DIP Term Sheet;

- (2) professional fees and expenses incurred by the Phoena Group and the Monitor in respect of the CCAA proceeding in accordance with the cash flow projections attached to the DIP Term Sheet;
 - (3) the DIP Lender's fees and expenses; and
 - (4) such other costs and expenses of the Phoena Group as may be agreed to by the DIP Lender;
- (c) The DIP Loan shall be available in advances, as follows:
- (1) upon the issuance of the Initial Order, \$1,200,000, or such lesser amount as may be approved by the Initial Order, shall be advanced to the Phoena Group to finance working capital requirements for the 10-day period immediately following the date of the Initial Order; and
 - (2) upon the issuance of an Amended and Restated Initial Order at the Comeback Hearing, the balance of the DIP Loan, being up to \$3,100,000, shall be advanced to the Phoena Group in weekly draws upon request;
- (d) The interest rate is prime rate plus 20% per annum, calculated daily on the outstanding balance owing under the DIP Loan, not in advance, and accruing and paid on the Maturity Date (as defined in the DIP Term Sheet);

- (e) The Phoena Group shall pay all of the DIP Lender's fees and expenses incurred in connection with the DIP Loan;
- (f) The Phoena Group shall pay a commitment fee of \$62,000, representing 2% of the total DIP Loan;
- (g) The DIP Loan is to be secured by a court-ordered priority charge over all of the Phoena Group's present and after acquired property, subject only to the Administration Charge; and
- (h) The initial advance under the DIP Loan will only be funded upon this Court approving the DIP Term Sheet, the DIP Loan, and granting the Initial Order including the DIP Lender's Charge.

128. Based on, among other things, the Cash Flow Forecast, the Applicants believe that the DIP Loan is both reasonable and necessary for the Phoena Group.

F. Directors' Charge

129. The Applicants seek a charge on the Applicants' Property in favour of the Applicants' current officers and directors in priority to all other charges other than the Administration Charge, the DIP Lender Charge up to a maximum amount of \$450,000.

130. To ensure the ongoing stability of the Phoena Group's business during the CCAA proceeding, it requires the continued participation of its officers and directors. The officers and directors have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful restructuring. As a practical but critical matter, I have the individual security clearance that Health

Canada requires at least one director of a licensed cannabis company to have in order to maintain its licence. Phoena must at all times have a director with the required security clearance.

131. Currently, there is a D&O insurance policy in place. It was scheduled to expire on March 15, 2023, but Phoena has negotiated two one week extensions and most recently a one month extension such that it currently expires on April 29, 2023. The limit of the D&O insurance policy is \$5 million.
132. The Phoena Group's ordinary course operations during the liquidation will give rise to potential director or officer liability, including for employee source deductions and sales tax. To address legitimate concerns expressed with respect to their potential exposure if they continue to act (rather than resign), the directors and officers have requested reasonable protection against personal liability that might arise during the post-filing period. The Directors' Charge is intended to address potential claims that may be brought against directors and officers.
133. The quantum of the Directors' Charge was developed with the assistance and support of the Proposed Monitor. The Phoena Group is of the view that the quantum of the Directors' Charge is reasonably necessary at this time to address circumstances that could lead to potential directors' liability prior to the Comeback Hearing.

G. Stay of Proceedings in Favour of the Applicants

134. Given the challenges faced by the Applicants described herein, the Phoena Group requires a stay of proceedings to maintain the *status quo* and to give the Applicants the

breathing space they require to stabilize its operations for the benefits of all of the stakeholders of the Phoena Group, in consultation with their advisors and the Monitor.

135. The Initial Order contemplates a Stay Period for an initial period of ten (10) days, which I understand is the maximum that can be authorized by a Court at the initial Application under the CCAA.

H. Relief to be Sought at the Comeback Hearing

136. If the Initial Order is granted, the Applicants propose to return to this Court for a Comeback Hearing on or before April 14, 2023.

137. At the Comeback Hearing, the Applicants intend to seek the Court's approval of an ARIO. For the benefit of this Court and the Applicants' stakeholders, this section highlights relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable.

(i) Extension of Stay of Proceedings

138. The Applicants intend to seek an extension of the Stay Period to June 2, 2023 to allow the Applicant to undertake the orderly wind-down of their business and operations.

(ii) Increase Amount of Charges

139. The Applicants intend to seek to increase the quantum of the Administration Charge to \$400,000, the maximum amount authorized under the DIP Term Sheet to \$3,100,000 and the Director's Charge to \$550,000 reflect the additional work to be undertaken done during the CCAA proceedings, the financing needed for the duration of the CCAA proceedings and the exposure of the officers and directors on a monthly basis.

(iii) Approval of the Pinnrz Transaction

140. As set out above, it is anticipated that the Applicants and Pinnrz will finalize documents to implement the Pinnrz Transaction in the immediate future and assuming this occurs, the Applicants intend to seek approval of the Pinnrz Transaction at the Comeback hearing.

(iv) Approval of a Liquidator

141. The Applicants intend to seek approval of an agreement with a third party liquidator to undertake the marketing and sale of the Applicants' equipment, furniture and fixtures. The Applicants believe that engaging an experienced professional liquidator will produce a better sales result than an attempt by the Applicants to sell these assets without such professional assistance. The Applicants believe it is critical to seek approval of its liquidator as soon as possible to ensure maximum recovery for their stakeholders.

(v) Approval of Real Estate Listing Agreement

142. The Applicants intend to seek approval of an agreement with a real estate broker for the listing, marketing and sale of the Fenwick Property.

VII. CONCLUSION

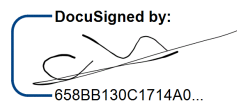
143. I believe that the Applicants ought to be granted protection under the CCAA. I am confident that granting the draft Initial Order is in the best interests of the Applicants and their stakeholders.

144. I swear this affidavit in support of an Application under the CCAA for an Initial Order in the form contained at **Tab 4** of the Application Record, and for no other purpose.

SWORN before me at the City of
Amsterdam, in the Province of North
Holland, Netherlands this 3rd day of April,
2023 in accordance with O. Reg. 431/20
Administering Oath or Declaration
Remotely



Commissioner for Taking Affidavits
Alina Stoica

DocuSigned by:

658BB130C1714A0...

CORNELIS PIETER MELISSEN

**This is Exhibit "A" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to be 'Alina Stoica', written in a cursive style.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

Licence No. - N° de licence
LIC-PLEA64PLVY-2020-1

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
CannTrust Inc.

Licensed Site / Lieu autorisé :
1-3280 LANGSTAFF ROAD
VAUGHAN, ON, CANADA, L4K 5B6

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses:

- Standard Cultivation
- Standard Processing
- Sale for Medical Purposes

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes:

- Culture standard
- Transformation standard
- Vente à des fins médicales

Indoor Area(s) / Zone(s) intérieure(s)

Building 1

Activities	Activités
<ul style="list-style-type: none"> • to possess cannabis • to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis • to sell cannabis in accordance with subsection 11(5) of the <i>Cannabis Regulations</i> • for the purpose of testing, to obtain cannabis by altering its chemical or physical properties by any means • to produce cannabis, other than obtain it by cultivating, propagating or harvesting it • to sell cannabis in accordance with subsection 17(5) of the <i>Cannabis Regulations</i> • to sell cannabis products in accordance with section 27 and Part 14, Division 1 of the <i>Cannabis Regulations</i> 	<ul style="list-style-type: none"> • avoir du cannabis en sa possession • obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis • vendre du cannabis en vertu du paragraphe 11(5) du <i>Règlement sur le cannabis</i> • afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques • produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte • vendre du cannabis en vertu du paragraphe 17(5) du <i>Règlement sur le cannabis</i> • vendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du <i>Règlement sur le cannabis</i>

Outdoor Area(s) / Zone(s) extérieure(s)

Conditions

Conditions

<p>The licence holder must meet the requirements set out in the Health Canada document entitled "<i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i>".</p>	<p>Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».</p>
<p>The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis.</p>	<p>Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; huile de cannabis; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.</p>
<p>The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as</p>	<p>Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1)</p>



follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis.	de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; huile de cannabis; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.
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Effective date of the licence:

This licence is effective as of **September 14, 2020**

Date d'entrée en vigueur de la licence:


Cette licence entre en vigueur à compter du **14 septembre 2020**

Expiry date of the licence:

This licence expires on **September 11, 2023**

Date d'expiration de la licence:

La présente licence expire le **11 septembre 2023**


Authorized Official, Controlled Substances and Cannabis Branch

Officiel autorisé, Direction générale des substances contrôlées et du cannabis

Licence No. - N° de licence
LIC-24I6PVMTDG-2020

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
CannTrust Inc.

Licensed Site / Lieu autorisé :
1401 CREDITSTONE ROAD
CONCORD, ON, CANADA, L4K 4N7

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Processing

Transformation standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To produce cannabis, other than obtain it by cultivating, propagating or harvesting it To sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte Vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis
Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and, (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; and cannabis plant seeds.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; et graines provenant d'une plante de cannabis.
The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; and cannabis plant seeds.	Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; et graines provenant d'une plante de cannabis.

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autres activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Cannabis Area

Effective date of the licence:

This licence is effective as of **December 18, 2020**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **18 décembre 2020**

Expiry date of the licence:

This licence expires on **December 18, 2023**

Date d'expiration de la licence:

La présente licence expire le **18 décembre 2023**



Acting Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis

Licence No. - N° de licence
LIC-Z1XZP77KF0-2020

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
CannTrust Inc.

Licensed Site / Lieu autorisé :
1396 BALFOUR STREET
FENWICK, ON, CANADA, L0S 1C0

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis For the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means To sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis Afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques Vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».

Standard Processing

Transformation standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To produce cannabis, other than obtain it by cultivating, propagating or harvesting it To sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte Vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and, (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; and cannabis plant seeds.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; et graines provenant d'une plante de cannabis.
The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; and cannabis plant seeds.	Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; et graines provenant d'une plante de cannabis.



Acting Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autres activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Building 1

Effective date of the licence:

This licence is effective as of **December 15, 2020**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **15 décembre 2020**

Expiry date of the licence:

This licence expires on **December 15, 2023**

Date d'expiration de la licence:

La présente licence expire le **15 décembre 2023**

Acting Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis

Licence No. - N° de licence
LIC-U4MNYF25L-2021

LICENCE

This licence is issued in accordance with the *Cannabis Act* and the *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
CannTrust Inc.

Licensed Site / Lieu autorisé :
1 - 3280 LANGSTAFF ROAD
VAUGHAN, ON, CANADA, L4K 5B6

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses:

- Cannabis Drug Licence

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivante :

- Une licence relative aux drogues contenant du cannabis

Buildings and authorized activities / Bâtiments et activités autorisées

Buildings / Bâtiments	Activities	Activités
BUILDING 1	<ul style="list-style-type: none"> • Possess cannabis • Produce a drug containing cannabis • Sell a drug containing cannabis 	<ul style="list-style-type: none"> • Posséder du cannabis • Produire une drogue contenant du cannabis • Vendre une drogue contenant du cannabis

Conditions

This licence is restricted, in addition to all other applicable conditions, in that the security measures outlined in Division 1 of Part 4 of the *Cannabis Regulations* apply to the licensed site named in this licence.

Conditions

Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que les mesures de sécurité décrites dans la Section 1 de la Partie 4 du *Règlement sur le Cannabis* s'appliquent au lieu autorisé nommé dans cette licence.

Effective date of the licence:

This licence is effective as of **October 26, 2021**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **26 octobre 2021**

Expiry date of the licence:

This licence expires on **December 16, 2023**

Date d'expiration de la licence:

La présente licence expire le **16 décembre 2023**



Acting Director, Licencing and Security, Controlled Substances and Cannabis Branch

Directrice par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis

**This is Exhibit "B" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to be 'Alina Stoica', written in a cursive style.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

Licence No. - N° de licence
LIC-AH5CK3VVSL-2021

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
CannTrust Inc.

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses:

- Research

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes :

- Recherche

Site and authorized activities

Site et activités autorisées

Site	Activities	Activités
1-3280 LANGSTAFF ROAD VAUGHAN, ON, CANADA, L4K5B6	<ul style="list-style-type: none"> • to possess cannabis for the purpose of research 	<ul style="list-style-type: none"> • aux fins de recherche, avoir du cannabis en sa possession

Conditions

Conditions

This licence is restricted, in addition to all other applicable conditions, in that all research conducted under this licence is based on the Research Protocol "Organoleptic Testing" provided to Health Canada on July 28, 2021.	Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que toute la recherche effectuée sous cette licence est basée sur le protocole de recherche « Organoleptic Testing », fourni à Santé Canada le 28 juillet 2021.
The maximum quantity of cannabis to be stored for the purpose of research at the address indicated on this licence is: 1 kg of dried cannabis (or equivalent) at any given time.	La quantité maximale de cannabis pour des fins de recherche qui peut être entreposée à l'adresse indiquée sur cette licence est : 1 kg de cannabis séché (ou équivalent) en tout temps.
The researcher may only be in possession of cannabis if such possession is to use in accordance with the research protocol submitted.	Le chercheur peut posséder du cannabis seulement si la possession est pour une utilisation en conformité avec le protocole de recherche soumis.
With respect to research involving the administration or distribution of cannabis to human research subjects for assessments of taste, sight, smell or touch of cannabis, in addition to any other conditions listed in this licence, the researcher must meet the requirements set out in the document entitled <i>Appendix: Additional conditions for licensed researchers administering or distributing cannabis to human research subjects using cannabis obtained from a holder of a licence for processing in the final form of cannabis</i> .	En ce qui a trait aux recherches qui nécessitent l'administration ou la distribution de cannabis à des sujets de recherche humains à fins d'évaluation de goût, d'apparence, d'odeur ou de propriétés tactiles du cannabis, en plus de tout autres conditions indiquées sur la licence, le chercheur doit rencontrer les exigences énoncées dans le document intitulé <i>Annexe: Conditions additionnelles pour des titulaires de licence de recherche qui administrent ou distribuent du cannabis à des sujets de recherche humains en utilisant du cannabis qui a été obtenu d'un titulaire d'une licence de transformation sous sa forme finale de cannabis</i> .
At the end of the research, all cannabis must be destroyed in accordance with s.43 of the <i>Cannabis Regulations</i> unless distributed in a manner authorized by the <i>Cannabis Regulations</i> .	À la fin de la recherche, tout cannabis doit être détruit en conformité avec l'article 43 du <i>Règlement sur le cannabis</i> à moins d'être distribué d'une manière autorisée par le <i>Règlement sur le cannabis</i> .

Effective date of the licence:

This licence is effective as of **October 21, 2021**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **21 octobre 2021**

Expiry date of the licence:

This licence expires on **October 21, 2026**

Date d'expiration de la licence:

La présente licence expire le **21 octobre 2026**



Acting Director, Licencing and Security, Controlled Substances and Cannabis Branch

Directrice par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis

**This is Exhibit "C" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to read 'Alina', is centered on the page.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

PREMISES: UNIT 1, 3280 LANGSTAFF ROAD, VAUGHAN, ONTARIO, L4K 5B6
 LANDLORD: N.H.D. DEVELOPMENTS LIMITED
 TENANT: CANNAMED PHARMA INC.
 * See Schedule "D" for SPECIAL PROVISIONS.

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KEY ITEM INDEX

LANDLORD: N.H.D. DEVELOPMENTS LIMITED

TENANT: CANNAMED PHARMA INC.

* See Schedule "D" for SPECIAL PROVISIONS.

1. PREMISES AND BUILDING

Unit 1, 3280 Langstaff Road, Vaughan, Ontario, L4K 5B6

2. TERM

Ten (10) years commencing on December 1, 2013, and ending on November 30, 2023.

3. SQUARE FOOTAGE OF THE PREMISES

40,500 square feet

4. USE

Warehouse/manufacturing of pharmaceutical grade cannabinoids, laboratories and offices.

5.(a) NET RENT

December 1, 2013 to November 30, 2018	\$5.50
December 1, 2018 to November 30, 2020	\$6.00
December 1, 2020 to November 30, 2023	\$6.25

per square foot per annum.

Annual Net Rent based upon square footage in Item 3:

		<u>MONTHLY INSTALLMENTS</u>
December 1, 2013 to November 30, 2018	\$222,750.00	\$18,562.50
December 1, 2018 to November 30, 2020	\$243,000.00	\$20,250.00
December 1, 2020 to November 30, 2023	\$253,125.00	\$21,093.75

(b) MAINTENANCE FEE

\$1.00 per square foot per annum.

(c) MAINTENANCE FEE ADJUSTMENT DATE

September 30, 2014

6. ADDRESS AND PARTY TO WHICH RENT IS TO BE PAID

PARTY: N.H.D. DEVELOPMENTS LIMITED

ADDRESS: 3700 Steeles Avenue West
Suite 800, Vaughan, Ontario, L4L 8M9

7. RENT DEPOSIT

(a) \$33,443.59
(b) \$36,306.90
(c) \$36,306.90

9. TENANT'S ADDRESS FOR SERVICE PRIOR TO COMMENCEMENT DATE

1165 Creditstone Road, Unit 1, Vaughan, Ontario

10. MONTHLY CHARGES FOR REGULAR ITEMS OF ADDITIONAL RENT FOR 2013
CALENDAR YEAR

TAXES: \$7,661.25 (based upon one-twelfth of the estimated Taxes)

MAINTENANCE FEE: \$3,375.00 (until adjustment on January 1, 2015)

HST EXIGIBLE ON NET RENT, MAINTENANCE FEE AND TAXES: \$3,847.84

SCHEDULES:

"A" - Premises
"B" - Definitions
"C" - Rules
"D" - Special Provisions
"E" - Office - Ground Floor
"E-1" - Office - Mezzanine Floor
"F" - INTENTIONALLY DELETED

P.G.

THIS LEASE, made on the 27th day of September, 2013

B E T W E E N:

N.H.D. DEVELOPMENTS LIMITED
(hereinafter called the "Landlord")

OF THE FIRST PART;

- and -

CANNAMED PHARMA INC.
(hereinafter called the "Tenant")

OF THE SECOND PART:

PART 1 - DEMISE AND INTERPRETATION

- 1.1 In consideration of the rents, covenants and agreements which the Tenant has agreed to pay, observe and perform, the Landlord hereby leases and demises the Premises to the Tenant for the Term at the rent and upon the other terms and conditions of this Lease.
- 1.2 The Key Item Index and all Schedules to this Lease form part of this Lease. In the event of any conflict between the terms of this Lease and the terms of Schedule "D", the terms of Schedule "D" shall apply to the extent of the conflict.
- 1.3 This Lease is a business agreement in respect of the leasing of real property. Each party agrees to act in good faith and in a commercially reasonable manner in accordance with this Lease in enjoying and performing its rights and obligations in this Lease and where the consent or approval by a party is required regarding any matter, such approval shall not, unless otherwise specified herein, be unreasonably withheld or delayed. It is agreed that this Lease shall be an absolutely net lease for the Landlord and that Rent shall be received by the Landlord free of any cost or obligation concerning the Building or the Common Areas unless specified in this Lease. Each provision of this Lease applicable to each party although not expressed as a covenant, shall be construed to be a covenant of such party for all purposes and each party covenants to perform its covenants hereunder.
- 1.4 This Lease shall be construed in accordance with the Laws of the Province of Ontario and of Canada to the extent that the laws of Canada are applicable. The parties attorn to the exclusive jurisdiction of the courts of Ontario to deal with all actions in respect of this Lease. The section headings of this Lease and the Table of Contents, if any, have been inserted for convenience of reference only and they shall not be referred to in the interpretation of this Lease. This Lease shall be read with all changes of gender and number required by the context. Time shall be of the essence of this Lease and each of the provisions hereof.

PART 2 - PREMISES

- 2.1 The Tenant has satisfied itself that the use permitted by this Lease conforms to all existing Laws and agrees that its covenants and obligations herein contained shall not be affected in the event it is or hereafter becomes disentitled, in whole or in part, from carrying on the aforesaid use in or upon the Premises.

PART 3 - NET RENT

- 3.1 From and after the Commencement Date, the Tenant shall pay to the Landlord an annual net rent (hereinafter referred to as "Net Rent") calculated at the rate(s) set forth in paragraph 5(a) of the Key Item Index.

Net Rent so calculated shall be payable in equal monthly instalments in advance on the first day of each month. If the Commencement Date is not the first day of a month, or the Term expires on a day which is not the last day of a month, the first or last instalment of Net Rent as the case may be shall be payable on the Commencement Date for the broken portion of the month at the beginning of the Term, or the first day of the month for the broken period at the end of the Term, calculated at a per diem rate of 1/365th of the then annual Net Rent.

At the Landlord's request, the Tenant agrees to make payments of all Rent due under the Lease by way of automatic debit from the Tenant's bank account and to execute and deliver either concurrently with the Lease or within three (3) business days following the request therefor, such documentation as may be required by the Landlord and its bank in order to effect payment of Rent by automatic debit.

- 3.2 The Tenant covenants to pay Rent without any deduction, abatement or set off except as specified in this Lease, without any prior demand therefor. All Rent in arrears shall bear interest at the Prescribed Interest Rate from the date on which the same became due until the date of payment. All Rent shall be paid by the Tenant to the party and at the address in Key Item 6 or to such other person or at such other place in Canada as the Landlord or the Manager may designate in writing from time to time. In the event that any cheque drawn in favour of the

Landlord by the Tenant is not honoured by the Tenant's bank, the Tenant shall, in addition to providing the Landlord a certified cheque to replace the cheque not honoured, pay to the Landlord its N.S.F. cheque fee in the amount of Fifty Dollars (\$50.00).

- 3.3 The Landlord shall in determining, apportioning, attributing or allocating any amount, cost or expense, do so on a reasonable basis. The Landlord may retain appropriate professional advice, including, without limitation, the advice of engineers, accountants and lawyers to assist and advise it in determining, apportioning, attributing or allocating an amount, cost or expense, and the Tenant's Proportionate Share of the cost of such advice shall be payable as Additional Rent;

3.4 DEPOSITS

Upon execution of this Lease the Tenant shall deposit with the Landlord a deposit in the amount set forth in Key Item 7(a) on account of the Rent to be paid during the first month of the Term, a security deposit in the amount set forth in Key Item 7(b) (hereinafter referred to as the "Security Deposit") to be held by the Landlord, as security for the faithful performance of the Tenant of all of its obligations contained in this Lease and a deposit in the amount set forth in Key Item 7(c) on account of the Rent payable by the Tenant during the last month of the Term. The Landlord may, at its option, in addition to any other rights and remedies which it may have, use, apply or retain the whole or any part of the Security Deposit to the extent required to rectify any default of the Tenant under this Lease and, in the event it does so, the Tenant shall replenish same upon demand from the Landlord. Upon expiry of the Term, the Landlord shall return to the Tenant the balance of the Security Deposit remaining after application of the Security Deposit towards rectification of any default by the Tenant of its obligations contained in this Lease.

PART 4 - TENANT'S COVENANT TO PAY MAINTENANCE COSTS,
TAXES AND UTILITIES

- 4.1 The Tenant shall pay:

- .1 Intentionally Deleted;
- .2 to the Landlord the Realty Taxes imposed or assessed against the Premises or any part thereof, or against the Landlord on account of the Premises, its use or occupation. If no separate assessment notice is issued for the Premises, the Landlord may allocate the amount of the assessment attributable to the Premises in a manner it considers equitable and its assessment shall form the basis of the Tenant's liability for Realty Taxes;

Prior to the commencement of each calendar year during the Term, the Landlord will estimate the proportion of Realty Taxes for the next calendar year attributable to the Premises and the Tenant will pay one-ninth of the estimated amount in nine consecutive, monthly instalments, payable on the first day of each of the first nine months of the ensuing calendar year. Notwithstanding the foregoing, it is hereby agreed that:

- (a) if this Lease is not a renewal lease and the Term commences on a day other than January 1, the Tenant shall pay, for the period of the Term commencing on the Commencement Date and ending upon the last day of December of the year in which the Term has commenced, one-twelfth of the estimated amount of the Realty Taxes (prorated to reflect the portion of the calendar year that the Tenant is to be in occupation of the Premises) in equal monthly instalments on the first day of each month during such period; and
- (b) if on any payment date the Landlord has not received from the Tenant sufficient tax instalments to pay the actual amount of the Realty Taxes attributable to the Premises then owing, the Tenant shall forthwith, upon demand, pay to the Landlord the amount of the deficiency.

Where Realty Taxes are estimated by the Landlord all necessary adjustments will be made when the final tax bills for the year in question have been received;

- .3 any Sales Taxes upon demand. The Landlord shall, upon the request and at the cost of the Tenant, prepare and execute such forms as may be necessary to establish the amount that the Tenant has paid to the Landlord under this section;
- .4 directly to the appropriate authorities when due all charges for Utilities used upon or in respect of the Premises and for fittings, machines, apparatus, meters or other things leased in respect thereof and for all work or services performed by any person in connection with such Utilities or equipment. Notwithstanding the foregoing, if the Landlord elects to purchase any Utility for the Building itself and then sell same to the tenants of the Building, or if the Landlord appoints a particular supplier or suppliers as the exclusive supplier

or suppliers of a Utility to the Building, the Tenant shall satisfy all of its needs for such Utility through the Landlord or its appointed supplier or suppliers, as the case may be, provided that, in no event shall the Tenant be required to pay more for any such Utility than it would otherwise be required to pay if it obtained same as a single consumer, and in no event shall the Landlord be accountable to the Tenant for any profit, rebate or other form of compensation realized by the Landlord from any such arrangement;

- .5 the Maintenance Fee specified in paragraph 5(b) of the Key Item Index in equal monthly instalments in advance on the first day of each month. Notwithstanding the foregoing, the parties agree that during the Term the Maintenance Fee shall be increased effective on the first day of the month of January next following the day set forth in paragraph 5(c) of the Key Item Index and each anniversary thereof to reflect any percentage increases in the C.P.I. during the one-year period immediately preceding the date set forth in paragraph 5(c) of the Key Item Index or the then most recent anniversary thereof, as the case may be; and
6. all development charges and other costs payable to any governmental authority as a result of the installation in the Premises of any racking, mezzanine or other improvement which is not part of the Base Standard (as such term is defined for the purposes of Section 8 of this Lease) whether same was, or is to be, installed by the Tenant or by the Landlord on behalf of the Tenant.

PART 5 - TENANT'S OTHER COVENANTS

5.1 The Tenant covenants with the Landlord that it shall:

- .1 observe, and ensure that all of its Invitees observe, the Rules;
- .2 use the Premises only for the purpose set out in paragraph 4 of the Key Item Index and for no other purpose. The Tenant shall not use or permit or suffer the use of the Premises or any part thereof to generate, manufacture, refine, treat, transport, store, handle, dispose of, transfer, produce or process any Hazardous Substances except in strict compliance with all applicable Laws, including, without limitation, environmental, land use, occupational, health and safety laws, regulations, requirements or permits, and only if the use of such Hazardous Substances are incidental and necessary for the conduct of the Tenant's business in compliance with the use permitted in this section and do not form a main activity of the Tenant's business. Without limiting the generality of the foregoing, the Tenant shall not use the Premises as a waste disposal site or accept waste from outside of the Premises for transfer, temporary storage or any other reason whatsoever. The Tenant shall indemnify and save harmless the Landlord from any liability or cost arising from any Hazardous Substances brought in, or upon, the Common Areas or the Building after the Commencement Date by the Tenant or its Invitees (including, without limitation, the cost of any investigations required to determine the extent and nature of any possible damage to the Premises or the Building arising from the apparent existence of Hazardous Substances at any time during the Term and the removal or clean up of same);
- .3 not do or allow any act of waste, damage or injury to the Building or the Common Areas or any fixtures, improvements, alterations, additions or equipment in or upon the Building or the Common Areas and that the Tenant shall not bring into the Building or the Common Areas any item that by reason of its weight, size or operation might damage same;
- .4 shall not do, or allow any of its Invitees to do, anything in the Premises, the Building or on the Common Areas that may be dangerous, offensive or may be a nuisance to the Landlord or any other tenants or their subtenants, assigns, licensees or Invitees. The use permitted by this Lease shall not constitute a nuisance provided the Tenant complies with all Laws and the rules and regulations of all utility authorities in force from time to time in respect of the environment, the Tenant's business and operations, the condition, equipment, maintenance, use, environment or occupation of the Premises and the Tenant hereby covenants to comply with all such Laws;
- .5 permit the Landlord or its agents or servants to enter the Premises from time to time during the last six (6) months of the Term at reasonable hours to exhibit the Premises to prospective tenants;
- .6 if it continues to occupy the Premises beyond the date on which the Term expires with the written consent of the Landlord the tenancy resulting shall be a monthly tenancy only and shall be subject to the same terms and conditions of this Lease, except as to the length of the Term, any inducements and the Net Rent. The Tenant agrees to pay during such monthly tenancy Net Rent in an amount which is 150% of the Net Rent payable under this Lease for the last month of the Term, and the acceptance of Rent in any other amount by the Landlord shall not in any way renew this Lease as a yearly tenancy. Where the Landlord does not consent in writing to occupation of the Premises by the Tenant beyond the date on which the Term expires the Tenant's occupation can be terminated at any time after six (6) month's prior notice to the Tenant and until such termination takes place the Tenant shall occupy

the Premises on the same terms and conditions of this Lease, except as to the length of the Term, any inducements and the Net Rent and the Tenant shall be liable for Net Rent for any period following expiry of the Term at a rate equal to the rate which is 150% of the rate of the Net Rent payable under this Lease during the last month of the Term as well as any consequential damages suffered by the Landlord as a result of the Tenant's failure to vacate the Premises upon the expiry of the Term. Notwithstanding the foregoing, if during an overholding period the parties agree to an extension of the Term at a Net Rent that is less than the rate paid by the Tenant during the overholding, the Net Rent payable by the Tenant during the overholding shall be retroactively adjusted and the excess Net Rent paid shall be credited to the Tenant;

- .7 heat the Premises in a reasonable manner and at its own expense to a sufficient temperature at all times so that the Premises and its installations shall not be damaged by frost or cold;
- .8 deliver promptly to the Landlord if the Landlord makes a written request therefor, copies of all invoices respecting any item which it is the Tenant's obligation to pay pursuant to this Lease and evidence of payment of same;
- .9 at its sole cost and expense, comply with all Laws which relate to the Premises or to the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Premises. The Tenant agrees that all such repairs, replacements, alterations, additions, changes, substitutions or improvements shall forthwith become the property of the Landlord and the Tenant will comply with all police, fire and sanitary regulations imposed by any governmental, provincial and municipal authorities or made by any insurance underwriters and shall observe and obey all governmental and municipal regulations and any other requirements governing the conduct of any business in or upon the Premises; and
- .10 operate its business in compliance with all Laws and, except to the extent that the Landlord has expressly agreed to do so pursuant to this Lease, maintain the Premises in accordance with all Laws.

PART 6 - TRANSFERS

6.1.1 The Tenant acknowledges that the Landlord agreed to enter into this Lease as a result of the business and personal characteristics of the original Tenant and its acceptability to the Landlord. It is agreed by the Tenant that if a Transfer is proposed, the Landlord is entitled to determine if the proposed transferee and its use is reasonably acceptable to the Landlord and the Tenant covenants that no Transfer affecting the Tenant, this Lease, the Premises or the business of the Tenant at the Premises shall be permitted or effective until the Landlord's written consent to the Transfer is delivered to the Tenant. The Tenant shall deliver to the Landlord its written request for consent to a Transfer together with copies of the proposed Transfer documents and shall provide the Landlord with full particulars of the proposed Transfer and the business and financial responsibility and standing of the proposed transferee;

- .2 It shall be deemed reasonable for the Landlord to require as a condition of its consent to a Transfer that the proposed transferee agree with the Landlord to assume and perform each of the covenants, obligations and agreements of the Tenant in this Lease by executing a written agreement to do so in the form required by the Landlord.

The Landlord shall have a reasonable time to consider any request for its approval of a Transfer, which in no event shall be less than fifteen (15) days from the date upon which the Landlord has received the last of the Tenant's request, all of the information it requires to make its decision, and the processing fee referred to in section 6.1.4;

- .3 No Transfer or other disposition by the Tenant of this Lease or of any interest under this Lease, shall release the Tenant from the performance of any of its covenants under this Lease and the Tenant shall continue to be bound by this Lease. If this Lease is disclaimed or terminated by any trustee in bankruptcy of any transferee of this Lease or repudiated by any transferee or its trustee pursuant to the Bankruptcy and Insolvency Act (Canada) or any successor legislation thereto, the original Tenant named in this Lease, upon notice from the Landlord shall enter into a lease with the Landlord upon the same terms and conditions as contained herein except for the duration of the term which shall commence on the date of such disclaimer or termination and which shall expire on the date this Lease would have expired if such disclaimer or termination had not occurred. The liability of the Tenant in this Section 6.1.3 shall continue during the Term and during any period during which it is extended pursuant to any right to extend granted to the Tenant pursuant to this Lease; and

- .4 Prior to the Landlord delivering any requested consent, the Tenant shall pay to the Landlord by certified cheque a processing fee of Five Hundred (\$500.00) Dollars for each request by the Tenant for consent to Transfer. In the event that the Landlord's cost of processing the request (including, without limitation, its legal fees and

disbursements) exceeds the processing fee, the excess shall be paid by the Tenant to the Landlord upon demand.

PART 7 - LANDLORD'S COVENANTS

7.1 The Landlord covenants with the Tenant as follows:

- .1 the Landlord covenants with the Tenant for quiet enjoyment, and that the Landlord shall perform and observe all covenants in this Lease required to be performed and observed by it;
- .2 that the Landlord will pay promptly when due all taxes, rates, duties, levies and assessments properly charged against the Building and the Common Areas or against the Landlord in respect of the Building or the Common Areas subject to the Landlord's right to postpone, contest or appeal payment of any such taxes, rates, duties, levies or assessments. This provision shall in no way be interpreted so as to relieve the Tenant from its obligations to pay Realty Taxes or any other taxes chargeable to the Tenant under this Lease;
- .3 to maintain, manage and operate the Building and the Common Areas, including, without limitation, the following: exterior painting, snow removal, landscaping, fencing, lighting, roofing repairs, paving repairs and any work required to be carried out by any duly constituted government authority which is not a result of the Tenant's use or occupation of the Premises;
- .4 that the Tenant shall have rights of ingress and egress over the Common Areas in common with other tenants of the Building subject to any restrictions in the Rules; and
- .5 The Landlord covenants that the premises and building are free from any environmental contaminants, including but not limited to items containing asbestos and/or PCB's. The Landlord further covenants that should contaminants be contained on the premises or within the building upon the occupancy date that the Landlord shall arrange for removal of said contaminants. The occupancy date shall be adjusted according to the delay, if any, caused by the removal of any and all contaminants with no charge to the Tenant.

PART 8 - INSURANCE

8.1 The Landlord shall take out and maintain with respect to the Building:

- .1 commercial general liability insurance;
- .2 building insurance for those risks covered by the standard commercial building broad form which insurance shall only cover items in the Premises to the extent same constitute part of the Base Standard or were installed by the Landlord at its own expense, pursuant to its obligations in this Lease;
- .3 boiler and machinery insurance on the standard comprehensive form on its equipment, including roof-top equipment and electrical installations; and
- .4 loss of rental income insurance, including loss of all rentals receivable from tenants in the Building, including amounts payable by tenants to the Landlord as Additional Rent.

The Landlord, acting reasonably, shall determine all policy terms including deductibles and shall be entitled to maintain such other insurance as it considers advisable. Nothing contained herein shall require the Landlord to maintain any insurance with respect to any loss, injury or damage required to be insured against by the Tenant or with respect to Tenant Property. The proceeds of the Landlord's insurance shall belong to the Landlord.

8.2 The Tenant shall, at all times, maintain:

- .1 commercial general liability insurance against personal and bodily injury, including death, and property damage, with respect to the Tenant's business and the Premises and the use and occupancy thereof, on an occurrence basis to such limits as the Landlord, acting reasonably, requires from time to time, but in any event not less than Five Million (\$5,000,000.00) Dollars for any one occurrence;
- .2 insurance with coverage for those risks covered by the standard commercial property broad form and/or commercial building broad form fully covering the Premises and Leasehold Improvements (to the extent not covered by the Landlord's Insurance) and the Tenant Property. The insurance required by this section 8.2 shall be for 100% of the current replacement cost and shall be subject only to deductibles and exclusions as the Landlord, acting reasonably, may approve;
- .3 business interruption insurance including loss of profits in an amount sufficient to prevent co-insurance penalties for under-insurance; and
- .4 such other forms of insurance, including boiler and machinery insurance (in respect of such equipment installed or brought upon the Premises or the Lands appurtenant thereto by the Tenant) and pollution liability

insurance, as the Tenant or the Landlord or any mortgagee of the Building, acting reasonably, requires from time to time in form, in amounts and for insurable risks against which a prudent tenant would insure.

All insurance to be effected by the Tenant shall be in amounts and upon terms which the Landlord shall from time to time, acting reasonably, determine to be sufficient and shall be with an insurer reasonably acceptable to the Landlord. Such insurance shall provide that the Landlord is to be given at least thirty (30) days' written notice of any cancellation or change in the terms of coverage and shall include the Landlord as an additional named insured and contain cross-liability and severability of interest provisions, as applicable. The Tenant shall, from time to time upon demand by the Landlord, provide to the Landlord certificates or other proof reasonably required by it to establish that the Tenant has insurance in effect which complies with the terms of this section 8.2. If the Tenant fails to insure, to file proof thereof, or if the Landlord receives notice of any cancellation of the Tenant's insurance, the Landlord may, but in no event shall it be obligated to, effect such insurance. In the event that the Landlord does effect such insurance, the Tenant shall pay to the Landlord on demand the amount of any premiums paid therefor. If this Lease expires or is terminated at a time when the Premises or Leasehold Improvements are damaged or destroyed as a result of a peril required to be insured against by the Tenant, the Tenant shall pay to the Landlord free of any encumbrance, an amount equal to the proceeds of insurance which it would have received if it had maintained the insurance required hereunder with respect to such damage or destruction.

8.3 Subject to the Tenant's use provided for in Section 4 of the Key Item Index, the Tenant shall not, by act or omission, permit anything to be done, in or upon the Building or the Common Areas, which could impair or invalidate any policy of insurance on the Premises or the Building or any part thereof or which could result in the premium for any such policy being increased. In the event of a breach of this section 8.3 by the Tenant, it shall promptly after the receipt of notice from the Landlord specifying the nature of its default, at the option of the Landlord, take such steps as are necessary to remedy the breach, pay the full amount of any such increase, or both. In the event of the non-renewal, cancellation or a threatened cancellation of any such policy, the Landlord shall have the right to immediately enter upon the Premises and take reasonable steps to remedy the breach and recover the cost of doing so from the Tenant.

8.4 If the cause of any threatened cancellation of insurance referred to in section 8.3 cannot be remedied in time to prevent the non-renewal or cancellation of insurance the Landlord shall be entitled to terminate this Lease effective upon written notice to the Tenant.

8.5.1 The Landlord and the Tenant hereby remise, release, and forever discharge the other from all actions, manner of actions, causes of actions, claims, suits and obligations which it has, or may hereafter have against the other for or concerning, or by reason of, or in any way connected with or arising out of, or in consequence of, an occurrence in respect of which the releasing party has insurance. For greater certainty, it is hereby stipulated that the within release shall apply whether or not the claim being released was a result of the negligence of the released party or of any person for whom it is responsible in law.

.2 Notwithstanding anything else herein contained, the benefit of the release contained in section 8.5.1 cannot be claimed by any party which has not maintained the insurance that it is required to maintain in force pursuant to this Lease, and the release shall not, in any circumstance, apply to the excess of any claim above and beyond the limits of insurance that the releasing party is required to maintain in force pursuant to this Lease.

For greater certainty, it is hereby stipulated that the release referred to in Section 8.5.1 shall apply to the Invitees of the party being released, and to the deductible paid by the releasing party pursuant to any policy of insurance held by it pursuant to the terms of this Lease, to the intent and effect that the releasing party cannot claim reimbursement for the deductible from any other party hereto.

.3 Nothing contained in this section 8.5 shall affect the liability of the Landlord and the Tenant to a third party and each of the Landlord and the Tenant shall be entitled to full indemnity and contribution from the other to the extent of the other's fault or negligence respecting a claim brought by a third party against it.

.4 For the purposes of this section 8.5 only, the Landlord shall include the Manager (if any) to the intent and effect that the Manager shall benefit from the release being provided to the Landlord pursuant to this Section 8.5.

8.6 To the extent not released under section 8.5, each party shall indemnify and save harmless the other from all claims, demands, causes of action, liabilities, damages, losses or expenses (hereinafter in this section 8.6 to be collectively referred to as the "Liabilities") arising out of or occasioned by:

- .1 any breach by an indemnifying party of any covenant or condition, or term of this Lease;
- .2 any lien on the Building or the Common Areas for which it is responsible; and
- .3 an act, default or the negligence of an indemnifying party, its officers, agents, servants, employees, contractors, customers, invitees or licensees.

For greater certainty, it is agreed by each of the parties that, notwithstanding anything else contained in this Lease, the obligations contained in this section 9.6 shall survive the expiration or earlier termination of this Lease.

PART 9 - REPAIRS AND MAINTENANCE

- 9.1 The Landlord shall at its sole cost and expense, subject to section 9.2 and Part 10, maintain and repair, or cause to be maintained and repaired, as would a prudent owner of a reasonably similar industrial building, the structure of the Building, including, without limitation, the foundations, exterior wall assemblies including weather walls, sub-floor, roof structure, bearing walls, and structural columns and beams of the Building.
- 9.2 The Tenant shall:
- (a) at all times at its expense maintain the whole of the Premises, including without limitation, all interior partitions, permitted exterior signs, doors, fixtures, shelves, equipment and appurtenances thereof and improvements thereto (including without limitation, all electrical, mechanical (including, without limitation, dock levellers), lighting, wiring, plumbing fixtures, heating, air-conditioning and ventilation equipment and other equipment) in good order, first-class condition and repair (which shall include, without limitation, periodic painting and decoration), as determined by the Landlord, and the Tenant shall make all needed repairs and replacements with due diligence and dispatch;
 - (b) replace any glass broken on the Premises including outside windows and doors on the perimeter of the Premises;
 - (c) keep in force at times during the Term servicing contracts with licensed contractors for the service and maintenance of heating units, air-conditioning units, furnaces (hereinafter referred to collectively as "HVAC Units"), electrical mains and any pressure vessels in use by the Tenant in the Premises, such contracts to be on industry standard terms, and to provide the Landlord with copies thereof upon demand. In the event that, during the Term any of the HVAC Units require replacement, the Tenant shall install a new unit at its own expense. Upon the expiration or other termination of this Lease and prior to the return of the Security Deposit, the Tenant shall deliver to the Landlord a certificate issued by a licensed service contractor indicating that all HVAC Units are in a good state of maintenance and repair and are suitable for operation in accordance with all Laws and the rules and regulations of all applicable utility authorities;
 - (d) notify the Landlord, in writing, of any defect or deficiency in, malfunction of, or damage to, the Premises or any equipment or Utilities therein immediately after same comes to the attention of the Tenant;
- 9.3 Notwithstanding anything else contained herein, if the Building or the Common Areas or any part thereof, or any equipment, machinery, facilities or improvements contained therein or made thereto, or the roof structure or outside walls of the Building or any other structural portions thereof require repair or replacement or become damaged or destroyed through the particular use of the Premises by the Tenant, or the negligence, carelessness or misuse of the Tenant or its invitees, or by such persons in any way stopping up or damaging the HVAC Units, water pipes, drainage pipes or other equipment or facilities or parts of the Building or the Common Areas, the cost of repair shall be paid by the Tenant to the Landlord as Additional Rent within five (5) days after presentation of an account of such costs incurred by the Landlord.
- 9.4 The Tenant will not install any equipment which will exceed or overload the capacity of any utility, electrical or mechanical facilities in the Premises and the Tenant will not bring into the Premises or install any utility, electrical or mechanical facility or service which the Landlord does not approve. The Tenant agrees that if any equipment installed by the Tenant requires additional utility, electrical or mechanical facilities, the Landlord may, in its sole discretion, if they are available, elect to install them at the Tenant's expense and in accordance with plans and specifications to be approved in advance in writing by the Landlord.
- 9.5 The Landlord, its employees, contractors and agents shall be entitled to enter the Premises for any purpose permitted or contemplated by this Lease including, without limitation, to effect any repair required or

permitted to be made by the Landlord, to effect any repair which is the responsibility of the Tenant and which it fails to make when required, to view the state of repair and maintenance of the Premises, to confirm that the Tenant is complying with its obligations hereunder (including, without limitation, the Tenant's obligations respecting Hazardous Substances and compliance with Laws, in respect to which the Landlord shall be entitled to conduct an environmental audit or any further testing required to ensure such compliance) or to obtain information for plans, provided that such entry is made upon reasonable notice to the Tenant. In exercising its rights under this section 9.5, the Landlord shall take reasonable efforts to minimize the interference with the conduct of the Tenant's business.

- 9.6 The Landlord shall have the right to use, install, maintain, repair or replace conduits, columns and pipes, wires, ducts and other installations in, under or through the Premises and the walls, ceilings and floors of the Premises for or in connection with the supply of any services, support or Utilities to the Premises or to any part of the Building and the right to do such work in the Premises as may be necessary in connection with the foregoing rights or to preserve or protect the Premises or the Building.

PART 10 - DAMAGE AND DESTRUCTION

- 10.1 (a) If the Premises are destroyed or damaged (including, without limitation, smoke and water damage) as a result of fire, the elements, accident or other casualty required to be insured against by the Landlord pursuant to this Lease pursuant to section 8.1 herein or otherwise insured against by the Landlord and not caused by the Tenant, and if as a result of such occurrence:

(i) the Premises are rendered wholly or partially untenable, this Lease will continue in full force and effect and the Landlord shall, subject to subsections 10.1(b) and 10.2(a), commence diligently to restore the Premises to the Base Standard (hereinafter in this Part 10 to be referred to as the "Landlord's Restoration Work") and Rent will abate entirely or proportionately, as the case may be, in proportion to the area of the Premises rendered untenable from the date of the destruction or damage until the Landlord has completed the Landlord's Restoration Work. Notwithstanding the foregoing, Rent will not abate to the extent that the Landlord's proceeds of loss of rental income insurance are reduced by any failure by the Tenant to comply with its obligations in this Lease;

(ii) the Premises are not rendered untenable in whole or in part, the Lease will continue in full force and effect, the Rent will not abate and the Landlord shall, subject to subsections 10.1(b) and 10.2(a), commence diligently to carry out the Landlord's Restoration Work.

- (b) Notwithstanding subsection 10.1(a), if the Premises are damaged or destroyed by any cause whatsoever, and if, in the opinion of the Landlord, acting reasonably, the Premises cannot be rebuilt or made fit for the use provided for in this Lease within one hundred and fifty (150) days of the damage or destruction, either party may, at its option, elect to terminate this Lease by giving to the other, within thirty (30) days after such damage or destruction, notice of termination, and thereupon Rent will be apportioned and paid to the date of such damage or destruction.

- (c) Upon the Tenant being notified in writing by the Landlord that the Landlord's Restoration Work has been substantially completed, the Rent shall re-commence and the Tenant will forthwith complete the work necessary to restore the Premises to the condition existing prior to the damage or destruction (the "Tenant's Restoration Work") and all other work required to fully restore the Premises for business.

- (d) Notwithstanding the foregoing, the Landlord shall be entitled to change the specifications of the Base Standard as same existed prior to such damage or destruction, provided that the Premises, as re-built, will have reasonably similar facilities and services to those in the Premises prior to the damage or destruction having regard, however, to the age of the Building at such time.

- 10.2 (a) Notwithstanding the provisions of section 10.1, if twenty-five percent (25%) or more of the area of the Building is damaged or destroyed by any cause whatsoever (irrespective of whether the Premises are damaged or destroyed) then, the Landlord may, at its option (to be exercised by written notice to the Tenant within thirty (30) days following such damage or destruction), elect to terminate this Lease. In the case of such election, the Term and the tenancy hereby created will expire upon the thirtieth (30th) day after such notice is given, without indemnity or penalty payable by, or any other recourse against, the Landlord, and the Tenant shall, within such thirty (30) day period, vacate and surrender the Premises to the Landlord. Rent will be due and payable without reduction or abatement subsequent to the destruction or damage and until the date of termination, unless the Premises have been destroyed or damaged as well, in which event section 10.1 shall apply.

- (b) If any part of the Building is destroyed or damaged and the Landlord does not elect to terminate this Lease in accordance with subsection 10.2(a), the Landlord shall commence diligently to restore that part of the Building damaged or destroyed, but only to the extent of the Landlord's responsibilities pursuant to the terms of the various leases for the premises in the Building, and exclusive of any tenant's responsibilities set out therein. If the Landlord elects to restore the Building, or any part thereof, the Landlord may restore according to plans, specifications and working drawings other than those used in the original construction of the Building.

PART 11 - TENANT'S ALTERATIONS

11.1 The Tenant may, at any time, and from time to time, at its expense, paint or decorate the Premises and appurtenances, and make such changes, alterations, additions and improvements as will in the judgment of the Tenant better adapt the Premises for the purpose of its business provided that:

- (a) no water connections and no structural changes, alterations, additions or improvements shall be made without the written consent of the Landlord;
- (b) all changes, alterations, additions and improvements shall comply with all Laws;
- (c) the Tenant shall pay to the Landlord, upon demand, the amount of any increase in Realty Taxes or the cost of the insurance maintained by the Landlord over the Building, to the extent that such increases are attributable to an action by the Tenant under this paragraph;
- (d) nothing herein shall entitle the Tenant to make any changes to, or installations upon, the roof of the Building;

The Landlord shall be entitled, at any time and without notice to the Tenant, to remove or to rectify, at the expense of the Tenant, any item which was not erected in compliance with this section.

11.2 Leasehold Improvements and fixtures (including, without limitation, trade fixtures which are "Tenant Property" within the meaning of this Lease) shall become the property of the Landlord upon installation without any compensation being payable by the Landlord to the Tenant therefor. Notwithstanding the foregoing:

- (a) Provided that it is not in default upon the expiration or sooner termination of the Term, the Tenant shall be entitled to remove its trade fixtures which are Tenant Property, provided that it repairs any damage to the Premises or the Building which may be caused by installation or removal of same and restores the Premises and the Building to the condition existing prior to their annexation and leaves the Premises in a neat and tidy condition, all of which the Tenant hereby covenants to do. Where Tenant Property which is a fixture is being removed at the request of the Tenant, the Landlord may require that the Tenant post security for the performance of its restoration obligations in this Section; and
- (b) Prior to the expiration or sooner termination of the Term the Tenant shall remove all Leasehold Improvements as are designated by the Landlord (provided that, in no event shall the Tenant be required to remove any Leasehold Improvements which form part of the Base Standard) and, if so requested by the Landlord, restore the Premises to the Base Standard not later than the expiration or sooner termination of the Term. For greater certainty the Tenant hereby irrevocably acknowledges and agrees that its obligations contained herein shall continue past the end of the current Term contemplated by this Lease and the Base Standard for this Lease shall remain the Base Standard during any extension of the Term or during any subsequent occupation of all or part of the Premises by the Tenant; whether effected pursuant to: (a) a right to extend contained in this Lease, (b) by subsequent agreement, or (c) a new Lease entered into subsequent to this lease by the Landlord and the Tenant (or a successor of the Tenant) respecting all or part of the Premises; in any of the foregoing scenarios it shall remain the Tenant's obligations to restore the Premises to the Base Standard specified in this Lease unless there is explicit language in the subsequent agreement or Lease to the contrary which language makes explicit reference to this Section 11.2.

11.3 The Tenant shall surrender to the Landlord at the end of the Term (whether the Term ends by expiry or other termination) the Premises and all Leasehold Improvements not permitted and not required to be removed, all in good and substantial repair and condition (subject to reasonable wear and tear) in accordance with this Lease, it being agreed by the parties hereto that under no circumstances may the Tenant's obligations hereunder be diminished by reason of the fact that any inability of the Tenant to return the Premises as required by this Lease is a result of wear and tear incidental to the Tenant's particular use of the Premises whether or not same is an approved use pursuant to this Lease. The Tenant shall, prior to the end of the Term, at its cost, remove from the Premises any Hazardous Substances which are or have been located, stored or incorporated in or on any part of the Premises by the Tenant and leave the Premises in a broomswept

condition. This provision shall survive the expiration or earlier termination of this Lease. In the event that the Tenant fails to surrender the Premises as required by this Section, then all costs and expenses of the Landlord in rectifying such default, including, without limitation, lost Rent during any period of rectification, administrative fees and interest on amounts in default provided for in this Lease shall be payable without deduction, abatement, set-off or discount for betterment.

- 11.4 The Tenant shall not paint, fix, display, or cause to be painted, fixed or displayed, any sign, picture, advertisement, notice, lettering or decoration on any part of the exterior of the Building or the Common Areas, without in each case, obtaining the prior written approval of the Landlord. All signs erected by the Tenant with the Landlord's approval shall comply with the uniform standards of the Landlord for the Building in respect of size, lettering and location. Any signs or advertising material erected by the Tenant shall be removed by it upon the termination of this Lease and the Tenant shall pay to the Landlord the costs required to repair any damage caused by the erection or removal of such materials. Notwithstanding the foregoing, the Landlord shall be entitled to establish a uniform sign policy for tenants in the building which requires that the Landlord, at its option, shall be entitled to erect all signs and other advertising material in or on the Building, and in the event that such a policy is put into effect by the Landlord, the Tenant agrees to pay the cost of purchasing and installing all signs erected by the Landlord on behalf of the Tenant, which sums shall be payable upon invoice by the Landlord. All signs erected by the Tenant from time to time shall be erected in strict conformance with all Laws.

PART 12 - DEFAULTS

- 12.1 If the Landlord provides to the Tenant written notice of a default in its obligations contained in this Lease (other than a default respecting the payment of Rent) and the Tenant does not rectify such default within ten (10) days thereafter or if more time is reasonably required to cure the default, the Tenant fails to commence curing the default forthwith upon receipt of the notice of default from the Landlord or thereafter fails to pursue its completion with all reasonable dispatch, the Landlord shall be entitled to remedy such default and the cost to the Landlord of doing so (including an administrative fee of 15% of such costs which shall be deemed to constitute part of the Landlord's costs) together with interest thereon at the Prescribed Interest Rate from the date of default, shall be paid by the Tenant to the Landlord forthwith upon demand therefor by the Landlord. Nothing in this section 12.1 shall replace or abrogate the Landlord's right to exercise any of its other rights hereunder which rights are in addition to those contained in this section. In the event of an emergency, the Landlord shall be entitled to proceed to remedy a default without first providing notice to the Tenant.
- 12.2 A default of this Lease shall have occurred if:
- .1 the tenant defaults in the payment of any Rent (including, without limitation, any regularly scheduled payment on account of Additional Rent);
 - .2 the Tenant defaults in the payment of any Additional Rent which is not a regularly scheduled payment of Additional Rent, and the default continues for a period of five (5) days following notice from the Landlord;
 - .3 the Tenant fails to cure a default under this Lease (other than a default respecting the payment of Rent) within ten (10) days or if more time is reasonably required to cure the default, the Tenant fails to commence curing the default forthwith upon receipt of the notice of default from the Landlord or thereafter fails to pursue its completion with all reasonable dispatch;
 - .4 any property of the Tenant becomes subject to an execution which remains outstanding for more than ten (10) days; a receiver of any property of the Tenant is appointed; the Tenant or any guarantor or indemnifier of this Lease makes an assignment for the benefit of creditors or makes any assignment or has a receiving order made against it under the Bankruptcy Act and Insolvency Act, or becoming bankrupt or insolvent makes application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatever, legislative or otherwise, is taken with a view to the winding up, dissolution or liquidation of the Tenant or any guarantor or indemnifier of this Lease;
 - .5 any insurance policy of the Tenant or the Landlord is cancelled or not renewed by an insurer by reason of the use or occupation of the Premises;
 - .6 the Tenant makes any bulk sale or removes any substantial part of the Tenant Property from the Premises other than pursuant to a permitted Transfer or by reason of same no longer being required for the conduct of the Tenant's business provided that other Tenant Property of equal or greater value and utility is contemporaneously substituted therefor;

- .7 the Tenant defaults in its obligations in any other lease between the Landlord and the Tenant;
- .8 re-entry is permitted under any other provision of this Lease or in law.
- 12.3 In the event of the occurrence of a default as defined in section 12.2.4, at the option of the Landlord the Term shall become forfeited and void, and the Landlord may without notice or any form of legal process whatsoever forthwith re-enter the Premises, anything contained in any statute or law to the contrary notwithstanding, and may expel all persons and remove all property from the Premises. In addition to the foregoing, in the event of a default described in Section 12.2.4, the Landlord shall be entitled to receive the then current month's Rent together with Rent for the three (3) months next ensuing which shall immediately become due and payable.
- 12.4 a) If upon the expiration of the Term, or within fourteen (14) days after termination of the Term by reason of default or other reason, the Tenant has not removed from the Premises all Tenant Property which it is permitted to remove, such Tenant Property shall notwithstanding:
- i) any Laws (including, without limitation, Common Law);
 - ii) any protestations of the Tenant to the contrary, written or otherwise;
 - iii) any discussions or negotiations between the Landlord and the Tenant or any other party to the contrary that have not been reduced to a written agreement; and
 - iv) the value of the Tenant Property in question,
- at the option of the Landlord, be irrevocably deemed to have been abandoned and immediately become the property of the Landlord without the Landlord having to pay any compensation therefor to the Tenant or any other Person and without the need for any notice to the Tenant, and the Landlord may, enter the Premises and remove such Tenant Property, without incurring any liability to the Tenant or any other Person sell, destroy, dispose of, transfer or use the Tenant Property.
- b) Notwithstanding the foregoing, in cases in which the Landlord does not wish to immediately exercise its option to become the owner of the Tenant Property pursuant to clause a), it may at any time after the expiry of the aforesaid fourteen (14) day period release to the Tenant the Tenant Property upon the condition that the Tenant take all of the Tenant Property remaining on the Premises in the order dictated by the Landlord (to ensure that the Tenant does not "pick and choose between those items it wishes to remove and those that it does not wish to remove) or elect, without incurring any liability to the Tenant or any other Person in any manner whatsoever, including, without limitation, liability as a bailee, to store same in a public warehouse, the Premises or other premises owned by the Landlord (in which cases the Landlord shall be deemed to be incurring the fair market rental value of such premises) or elsewhere and in each and every such case the Tenant shall be responsible for all of the Landlord's costs of removing and storing same (as well as any related costs) as well as an additional cost of twenty percent (20%) of same, all of which shall constitute a lien upon the Tenant Property, provided that the Landlord may at any time, without notice to the Tenant, thereafter elect to exercise its option set out in clause a) to become the owner of the Tenant Property. For greater certainty it is hereby stipulated that the terms of this Section shall survive termination of the Term.
- 12.5 The rights of the Landlord in this Lease are cumulative and not alternatives and reference to any particular right, remedy or remedies of the Landlord in respect of any default by the Tenant shall not preclude the Landlord from exercising any and all of its other rights and remedies in respect thereof, whether available at law, in equity, by statute, or expressly provided for herein. No right or remedy shall be exclusive or dependent upon any other right or remedy, and the Landlord may from time to time exercise any one or more of such rights and remedies generally or in combination. The Landlord shall have the same rights and remedies for collection of Additional Rent in arrears as it has for the collection of Net Rent whether such rights exist by virtue of this Lease, statute, common law or equity.
- 12.6 The Tenant waives the benefit of any law or statute limiting the Landlord's right to distress and agrees that none of the Tenant's goods, fixtures, chattels or other property shall be exempt from distress for arrears of Rent.
- 12.7 The Tenant shall not have or exercise any right or remedy with respect to a default by the Landlord unless it provides to the Landlord written notice of the default and the Landlord fails to cure the default within ten (10) days or such longer period as may be reasonably required in the circumstances to cure such default.
- 12.8 The right of the Landlord to recover arrears of Rent and the right of each party to recover damages for an antecedent default by the other shall not be affected by the expiry or termination of this Lease whether by elapse of time or by the exercise of any right of either the Landlord or the Tenant pursuant to this Lease.
- 12.9 No payment by the Tenant or receipt by the Landlord of a lesser amount than the Rent herein stipulated shall be deemed to be other than on

account of the earlier stipulated Rent, nor shall any endorsement or statement on any cheque or any letter accompanying any cheque or payment of Rent be deemed an accord and satisfaction, and the Landlord may accept such cheque or payment without prejudice to the Landlord's rights to recover the balance of such Rent or pursue any other remedy provided in this Lease.

12.10 The Tenant shall not be deemed to be in default under the terms of this Lease by reason of any lien, mortgage, debenture, charge or encumbrance which may attach to the goods, trade fixtures, furnishings or equipment (hereinafter collectively called the "Equipment") of the Tenant located in Building (excluding leasehold improvements) so long as:

- (i) any such lien, mortgage, debenture, charge or encumbrance arises through any bona financing done by the Tenant in accordance with the Tenant's normal business practice or by reason of any sale or leaseback agreement entered into by the Tenant for financing purposes with respect to the Equipment (excluding leasehold improvements);
- (ii) the Tenant is not in default under any such lien, mortgage, debenture, charge or encumbrance, or any such sale or leaseback agreement;
- (iii) the foregoing shall in no way prejudice or affect the priority of the Landlord's rights or the obligations of the Tenant with respect to:
 - (A) such Equipment or stock-in-trade or leasehold improvements under all other terms of this Lease, and
 - (B) all laws relating to bankruptcy or distress.

The form of all documentation under this Section 12.10 shall be subject to the prior written approval of the Landlord, which approval will not be unreasonably withheld. The Tenant covenants and agrees that it will not cause, suffer, or permit such documentation or any notice thereof to be registered against title.

PART 13 - LANDLORD'S TITLE

13.1 If the Building or any part of the Building is condemned or declared unfit for public use by any competent body, the Landlord shall be entitled to terminate this Lease by notice in writing to the Tenant.

13.2 The Landlord and the Tenant agree to co-operate with the other in respect of any expropriation of all or any part of the Premises or the Building, so that each may receive the maximum award in the case of any expropriation to which they are respectively entitled at law. In the event that any portion of the Common Areas is expropriated, then the full proceeds accruing or awarded as a result thereof will belong solely to the Landlord and the Tenant will abandon or assign to the Landlord any rights which the Tenant may have or acquire by operation of law to such proceeds or award and will execute all such documents as in the opinion of the Landlord are necessary to give effect to this intention.

13.3 The Landlord, at any time and from time to time, may sell, transfer, lease, assign or otherwise dispose of the whole or any part of its interest in the Building and the Common Areas or enter into a mortgage of the whole or any part of its interest in same, and upon any party acquiring the interest of the Landlord to the Building and the Common Areas, the Landlord shall thereupon be released from all of its covenants under this Lease.

13.4 This Lease and all rights of the Tenant under this Lease shall be subject and subordinate to all Mortgages now or hereafter made by the Landlord, and the holder of any such Mortgage shall have the further right to subordinate and postpone such Mortgage to this Lease at any time by an instrument in writing to such effect registered against the title to the Building and the Common Areas without any further consent or agreement of the Tenant. Notwithstanding the foregoing, the Tenant shall execute any documentation requested by the Landlord or the holder of a Mortgage to give effect to the foregoing. The Tenant, if so requested, shall attorn in writing to such Mortgagee when such Mortgagee takes possession of the Building and to any purchaser of the Building and shall recognize such Mortgagee or purchaser as the Landlord under this Lease.

13.5 The Tenant shall, at its own expense, immediately discharge or vacate all construction, mechanics' or other liens or executions that may be filed during the Term against this Lease, the Building or the Common Areas with respect to any work or services performed or goods or material furnished at the request of, for, or on behalf of, the Tenant. Nothing in this Section 13.5 shall be deemed to prevent the Tenant from contesting in good faith and in accordance with the appropriate law the amount or the validity of any claim by any workers or material suppliers of the Tenant so long as it discharges or vacates any liens or provides the Landlord with reasonably adequate security with respect to such liens.

- 13.6 The Tenant shall not register this Lease or any part thereof but may register, with the prior approval of the Landlord, a notice or caveat in respect thereof, which notice or caveat shall disclose only the existence and Term of this Lease and such other non-financial terms as the Landlord may approve.
- 13.7 The Landlord reserves the right, at any time, to alter, expand, improve, diminish, maintain, operate, renovate and supervise the Common Areas including the Building. The Landlord shall be entitled to change the area, location and arrangement of and do and perform such other acts and things with respect to the Common Areas as the Landlord determines to be advisable including, without limitation, altering or expanding the Building, altering or constructing other buildings or improvements in or about the Common Areas or making additions or subtractions to the Building.
- 13.8 It is a condition of this Lease that the provisions of the Planning Act (Ontario) or any successor thereto (the "Act") relating to the subdivision of land shall be complied with to the extent that same are applicable. Should any consent be required, it shall be obtained by and at the expense of the Tenant (provided that the Landlord may elect to obtain same) and, until such time as any necessary consent is so obtained, the Term (including any extension or renewal) and the Tenant's rights and entitlement granted by this Lease shall be deemed not to extend beyond a period of twenty-one (21) years less one (1) day from the Commencement Date.

PART 14 - GENERAL

- 14.1 A waiver by either party of any breach or non-compliance by the other party under any provision of this Lease and a waiver by either party of any term or condition of this Lease shall not be a waiver of any continuing or subsequent breach or failure of any other provision, term or condition, and any forbearance or failure to seek a remedy for any breach or failure shall not be a waiver of any rights and remedies with respect to such or any subsequent breach or failure.
- 14.2 In the event that either party shall, by reason of Force Majeure, be unable to fulfil, or shall be delayed or restricted in the fulfilment of, any obligation (other than the payment of any money) under any provision of this Lease, such party shall, so long and to the extent that any such impediment exists, be relieved from the fulfilment of such obligation and shall be granted a reasonable period of time to fulfil the obligation once the Force Majeure ceases to exist and the other party shall not be entitled to compensation for any resulting loss, damage, inconvenience, nuisance or discomfort.
- 14.3 This Lease contains the whole agreement between the parties with respect to the subject matter of this Lease. There is no promise, inducement, representation, warranty, collateral agreement or condition affecting the Building, the Premises, the Common Areas, the business to be conducted by the Tenant, or this Lease other than as expressed in this Lease. All representations and inducements made by either party or their representatives which are relied upon by the other party are contained herein and each party disclaims reliance on any other representation or inducements. The parties agree that nothing contained in this Lease shall release the Tenant from any of its obligations contained in any earlier lease of the Premises, and to the extent that such obligations remain outstanding as of the commencement of the Term, such obligations shall become obligations of the Tenant under this Lease which it hereby covenants to perform.
- 14.4 The terms and conditions of this Lease including those related to the provisions of Utilities shall be automatically amended from time to time to the extent necessary for the Landlord to comply with any directive, policy or request of a governmental or quasi-governmental authority acting in the fields of energy, conservation, waste management and disposal, security or other area of public interest.
- 14.5 Any notice provided for in this Lease shall be addressed to the Landlord at the address at which Rent is to be paid pursuant to section 3.2 or in default of such address having been determined at 3700 Steeles Avenue West, Suite 800, Woodbridge, Ontario, L4L 8M9 and to the Tenant or the Indemnifier at the Premises after the Commencement Date and at the address set forth in paragraph 9 of the Key Item Index prior to such date. Notices shall be in writing and signed by the party giving the notice and shall be effectively given upon receipt of the notice at the address to which it is addressed. Any party may, from time to time by notice to the other(s), change its address for the purpose of any subsequent notice. The Manager shall be entitled to sign a notice on behalf of the Landlord.
- 14.6 To the extent that any provision of this Lease or the application thereof to any person or circumstance is held to be invalid or unenforceable by a court of competent jurisdiction, the remainder of this Lease or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected thereby and each provision of this Lease shall be separately valid and enforceable to the fullest extent permitted by law.

- 14.7 The Tenant hereby expressly waives the benefits of Section 35 of the Commercial Tenancies Act (Ontario) and any amendments thereto and of any present or future act of the Legislature of the Province of Ontario permitting the Tenant to claim a Set-Off against the Rent to be paid hereunder for any cause whatsoever.
- 14.8 Each party at any time and from time to time within thirty (30) days after notice from the other shall execute and deliver to the other a written statement addressed to such persons as the party requesting the certificate may require, certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the modifications and that the same is in full force and effect as modified), the amount of the Rent then being paid under this Lease, the dates to which the same, and the other sums provided in this Lease to be paid by the Tenant, have been paid, the Commencement Date and duration of the Term and stating whether or not there is any existing default of which it has notice, and the particulars and amount of insurance policies on the Premises. Any statement delivered pursuant to the provisions of this section shall be conclusive of the matters covered therein.
- The Tenant acknowledges that from time to time the Landlord may, finance, re-finance renew financing against or sell the Premises. In order to facilitate such transactions the Tenant hereby agrees that it shall:
- a) Allow such inspections of the Premises and the Tenant's operations therein as may be required by the Landlord's Mortgagees or purchaser; and
 - b) Upon receipt from the Landlord and its Mortgagees and/or purchaser of such reasonable assurances as to confidentiality as it may require, provide to them such information as they may reasonably require respecting the Tenant and its operations as may be required to satisfy the Landlord's Mortgagees and/purchaser of the Tenant's ability to meet its obligations in this Lease, including, without limitation, copies of the Tenant's most recent financial statements.
- 14.9 Each party agrees that the following certificates shall, in the absence of proof by the Tenant of a material error therein, be conclusive and binding in respect of any question of fact or opinion with respect to the following matters:
- .1 a certificate procured by the Landlord from an architect, professional engineer, land surveyor or other qualified individual as to: any question of fact concerning the completion of any construction or other work, either by the Landlord or the Tenant; the extent to which the completion of any work or obligation has been delayed by Force Majeure; the cause of any destruction or damage and the extent and duration for which rentable premises in the Building are or will be incapable of being used for their intended purposes by reason of any destruction or damage.
 - .2 a certificate procured by the Landlord from a licensed public accountant including, without limitation, the Landlord's auditor, respecting any question of fact or opinion concerning the computation, determination or allocation of Additional Rent or the proper amount of any payment to the Landlord or the Tenant under this Lease.
- Any certificate procured by the Landlord shall be prepared using generally accepted practices and procedures appropriate to such certificate.
- 14.10 This Lease may not be amended or altered except by an instrument in writing signed by the Landlord and the Tenant and such alteration shall be binding upon the Indemnifier whether or not it is executed by the Indemnifier.
- 14.11 The submission by the Landlord to the Tenant of this Lease shall have no binding force or effect, shall not constitute an option for leasing the Premises, or confer any rights or impose any obligations upon either party until the execution and delivery of this Lease by the Tenant and the Landlord.
- 14.12 If two or more persons comprise the Tenant, the liability of each is joint and several. If the Tenant is a partnership or other business association, the members of which are subject to personal liability, the liability of each member is joint and several.
- 14.13 This Lease shall enure to the benefit of and be binding upon the parties hereto, and their permitted heirs, executors, administrators, successors and assigns. No successor or assign of the Tenant shall be entitled to claim any benefit or to enforce this Lease unless the transfer to it was made in full compliance with the requirements of this Lease, or was subsequently ratified by the Landlord in writing.
- 14.14 The Tenant covenants that it has all requisite power and possesses all licenses, franchises, permits, consents, approvals and other rights necessary to enable it to enter into this Lease and carry out its obligations herein.

14.15 The parties hereby agree that in the event that Landlord hereto is a party hereto for, or on behalf of another party whether as trustee or as an agent of such other party (the "Beneficiary") and whether the existence or identity of the Beneficiary is known or not to the other party(ies) hereto, the other party(ies) hereto shall not have any recourse against any assets of the Beneficiary which are not the subject of the within Lease in any situation whatsoever, including, without limitation, a default by the Landlord of its obligations in, under or pursuant to this Lease.

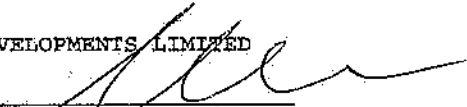

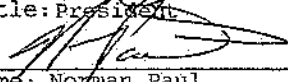
14.16 Notwithstanding any rule or maxim of construction to the contrary, any ambiguity or uncertainty shall not be construed against any party hereto by reason of the authorship of any of the provisions hereof.

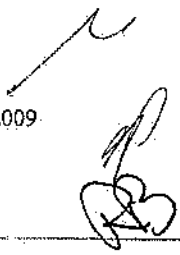
PART 15 - INDEMNITY

15.1 INTENTIONALLY DELETED.

IN WITNESS WHEREOF the parties hereto have executed this Lease.

SIGNED, SEALED AND DELIVERED
in the presence of

) Landlord:
) N.H.D. DEVELOPMENTS LIMITED
)
) PER: 
) Name: Edward K. Sorbara
) Title: A.S.O.
)
) I have authority to bind the Corporation.
)
) Tenant:
) CANNAMED PHARMA INC.
)
) PER: 
) Name: Ron Pearson
) Title: President
)
) PER: 
) Name: Norman Paul
) Title: Executive Vice-President
)
) I/We have authority to bind the Corporation.



PREMISES



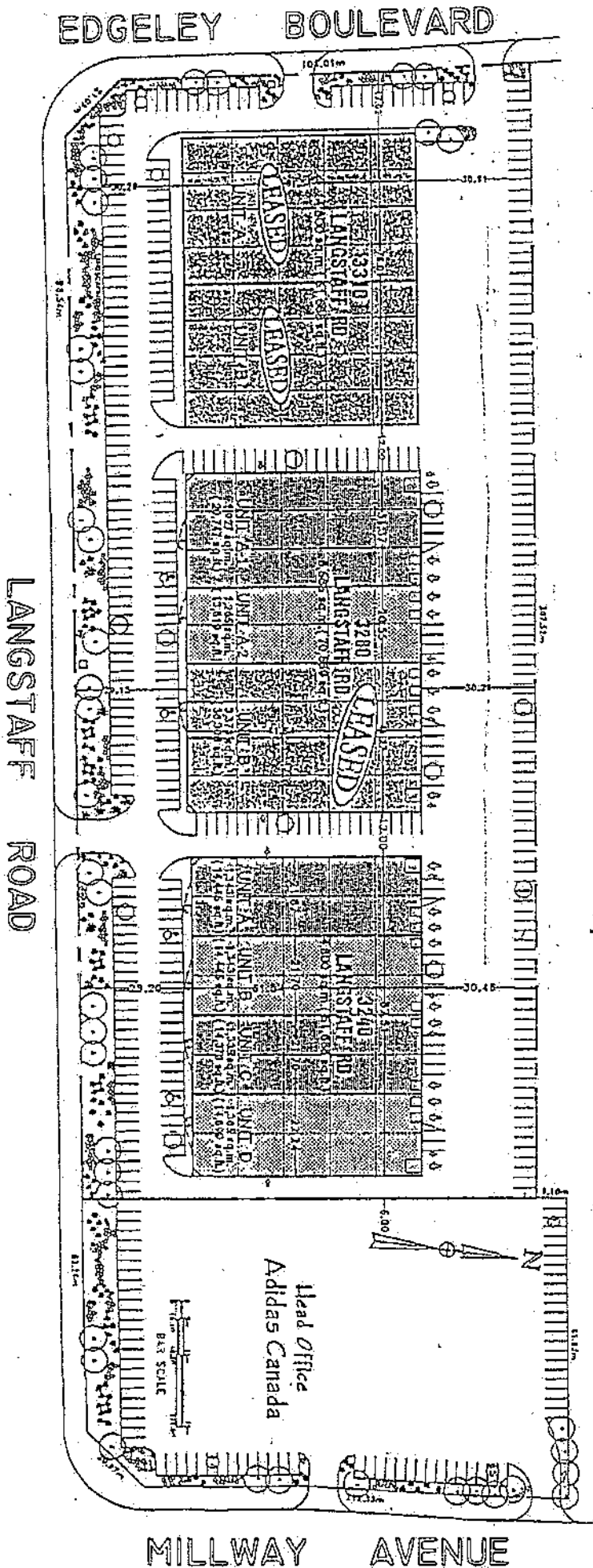
THE SORBARA GROUP



3240, 3280 & 3310 Langstaff Road
Langstaff Road / Hwy. 400
Vaughan

For further information contact Edward Cattana (905)8506154

- | | | | |
|----------------------|--------------------------------------|----------------|---------------------------------|
| * 3280 Langstaff Rd. | 34,366 sq.ft. | * Bay Size | ± 33' x 40' |
| | Dividable into 20,747 sq.ft. | * Clear Height | 24' |
| | & 13,619 sq.ft. Units | * Power | To Suit |
| * 3240 Langstaff Rd. | 57,965 sq.ft. | * Taxes | \$ 1.20 / sq.ft. (97 estimate) |
| | Dividable into ± 14,000 sq.ft. Units | * Options | 1st or 2nd Floor Office to suit |



SCHEDULE "B"

In this Lease the following expressions shall have the following meanings:

"Additional Rent" shall mean all amounts payable by the Tenant to the Landlord or to any other person pursuant to this Lease (other than Net Rent);

"Base Standard" means the state of the Premises when first obtained by the Tenant before the addition of any modifications by the Tenant or by the Landlord in accordance with this Lease on behalf of the Tenant. Notwithstanding the foregoing, for the purposes of Parts 8 and 10 of this Lease "Base Standard" shall mean premises which are finished with the standard building base systems in respect of electricity and plumbing and which have installed therein all perimeter windows, and bare concrete floors and walls, in compliance with the then applicable building standards.

"Building" means the building described municipally in paragraph 1 of the Key Item Index.

"Business Day" means any day which is not a Saturday, Sunday or statutory holiday in Ontario.

"Change in Control" means, in the case of any corporation or partnership, the transfer, by sale, assignment, operation of law (except transmission or death), mortgage, trust, issuance from treasury, cancellation or redemption, or otherwise, of any shares, voting rights or interest, which will result in a change of the identity of the person exercising, or who might exercise, effective control of such corporation or partnership whether directly or indirectly, unless such change occurs as the result of trading in shares listed upon a recognized stock exchange.

"Commencement Date" means the first day of the Term.

"Common Areas" means the areas of the Building and the lands appurtenant thereto which do not form part of the rentable premises of the Building.

"C.P.I." means (a) the Consumer Price Index (All items for Regional Cities, base year 2002=100) for the city Toronto published by Statistics Canada (or by a successor or other governmental agency, including a provincial agency), or (b) if the Consumer Price Index is no longer published, an index published in substitution for the Consumer Price Index or any replacement index designated by the Landlord. If a substitution is required, the Landlord will make the necessary conversions. If the base year for the Consumer Price Index (or the substituted or replacement index) is changed by Statistics Canada (or by its successors or the governmental agency) the Landlord will make the necessary conversion.

"Design Specifications" has the meaning provided in the Fixturing Schedule, if such a schedule is attached to this Lease.

"Fixturing Schedule" means the provisions set forth in Schedule "E" to this Lease, if such a schedule is attached to this Lease.

"Force Majeure" means a fire, inclement weather, strike, lock-out or other casualty or contingency beyond the reasonable control and not the fault of the party thereby affected (including, without limitation, any delays caused by any failure of a utility or other authority to approve any application of the Landlord or take any action required by the Landlord to carry out its obligations hereunder), where the effects of such casualty or contingency are not avoidable by the exercise of reasonable effort or foresight by such party (but does not include insolvency, lack of funds, or other financial casualty or contingency).

"Hazardous Substances" means any contaminant, pollutant, dangerous substance, potentially dangerous substance, noxious substance, toxic substance, hazardous waste, flammable, explosive, radioactive material, urea formaldehyde foam insulation, asbestos, PCBs and substances or any other materials now or hereafter declared or defined to be hazardous, toxic, contaminants or pollutants in or pursuant to any Laws.

"Invitees" when used in respect of a party shall include its officers, directors, employees, customers, suppliers, clients, contractors, agents, invitees and other persons on the Premises for the benefit of the party or for whom it is otherwise responsible at law.

"Key Item Index" shall mean the index identified as such and attached to the front of this Lease.

"Laws" shall mean the laws, by-laws, codes, ordinances, orders, rules and regulations of all county, municipal, regional, provincial or federal government or governmental authority having jurisdiction over the Tenant or the Premises in force during the Term.

"Leasehold Improvements" means all fixtures, improvements, installations, alterations and additions from time to time made, constructed, erected or installed in or to the Premises with the exception of the Tenant Property.

"Maintenance Fee" shall mean the fee provided for in Section 4.1.5 to compensate the Landlord for its costs of insuring, maintaining, managing, operating the Building and providing the Tenant with water for personal and washroom use.

"Manager" means the Landlord's authorized agent and manager for the Premises from time to time.

"Mortgage" includes a mortgage, pledge, charge, hypothec, privilege, encumbrance or any other financing arrangement and "Mortgagee" means the holder of any of the foregoing.

"person" means any individual, corporation, partnership, trust, other legal entity or other business association and includes a government or departmental subdivision thereof.

"Premises" shall mean the premises in the Building comprising approximately the number of square feet set out in paragraph 3 of the Key Item Index and which are identified in paragraph 1 of the Key Item Index.

"Prescribed Interest Rate" means, with respect to any period, a rate of interest which is five (5) percentage points per annum above the rate of interest per annum established by the Landlord's bank, as a reference rate of interest to determine the interest rates such bank will charge for Canadian dollar commercial loans to its customers in Canada and which such bank quotes or publishes as its "prime rate".

"Realty Taxes" means all real property, municipal, school or local improvement taxes, assessments or charges or any other taxes, assessments or charges imposed upon or in respect of any real property from time to time by any governmental authority, including any costs incurred by the Landlord in determining or verifying the propriety or reasonableness of or contesting the same in good faith, excluding any income or profits taxes upon the income of the Landlord, to the extent any such tax is not imposed in lieu of any tax, assessment or charge upon or in respect of the Building or the Common Areas or upon the Landlord in respect thereof. If any other taxes, assessments or charges are imposed by any governmental or regulatory authority upon or in respect of all or any portion of the Building or the Common Areas, the revenues therefrom or the Landlord, in substitution for or in addition to any Realty Taxes from time to time imposed (including, without limitation, taxes, assessments, rates and levies in respect of the existence of, or any use, enjoyment, possession or occupancy of, or business carried on in the whole or any portion of the Building), then any such other tax, assessment or charge shall be deemed to be a Realty Tax.

"Rent" means Net Rent and Additional Rent.

"Rules" means the rules, procedures and requirements as amended and supplemented from time to time (initially as set forth in Schedule "C" to this Lease), governing the manner in which the Tenant and others doing business in the Building shall operate and conduct their businesses.

"Sales Taxes" shall mean any goods and services, sales, business transfer, multi-stage sales, use, consumption, value-added or other similar taxes imposed by the government of Canada, or by any provincial or local government, upon the Landlord or the Tenant on or in respect of this Lease, the payments made by the Tenant hereunder or the goods and services provided by the Landlord, including but not limited to, the rental of the Premises and provision of administrative services to the Tenant or to others.

"Tenant Property" means the trade fixtures, chattels, merchandise and personal effects of the Tenant within the Premises or signs attached to the Building.

"Tenant's Proportionate Share" means the fraction, computed by the Landlord from time to time as the Landlord considers advisable having as its numerator the area of the Premises of the Tenant and as its denominator the total area of rentable premises in the Building.

"Term" shall mean the period set forth in paragraph 2 of the Key Item Index and any further period during which the Tenant is in possession of the Premises pursuant to a validly exercised right to extend the Term granted pursuant to this Lease;

"Transfer" means any assignment, sublease, Change in Control, or parting with possession, or any other transaction or occurrence (including an expropriation, amalgamation, receivership, seizure by execution or other legal process or the granting by the Tenant of a pledge, Mortgage or other security interest) which has or might have the effect of changing the identity of the Tenant or the person controlling the Tenant, or, changing the identity of the person having use, occupancy or possession of the whole or any part of the Premises, whether such change is or might be immediate, deferred, conditional, exclusive, non-exclusive, permanent or temporary.

"Utilities" means water, sewer, gas, fuel, electricity, telephone, waste disposal and other utilities or services or any combination thereof.

SCHEDULE "C"

RULES

1. The skylights and windows that reflect or admit light into passageways or into any place in the Building shall not be covered or obstructed by the Tenants, and no awnings shall be put up without the prior written consent of the Landlord.
2. If any sign, advertisement or notice shall be inscribed, painted or affixed by the Tenant on or to any part of the said Building or the Common Areas whatsoever, except with the written consent of the Landlord, then the Landlord shall be at liberty to enter on the Premises and pull down and take away and remove any such sign, advertisement or notice, and the expense thereof shall be payable by the Tenant.
3. The Tenant shall not bring in or take out, position, construct, install or move any safe, business machine or other heavy office equipment without first obtaining the consent in writing of the Landlord. In giving such consent, the Landlord shall have the right to seek appropriate professional advice at the Tenant's expense and to prescribe, in its sole discretion the weight permitted and the position thereof, and the use and design of planks, skids or platforms to distribute the weight thereof. All damage done to the Building by moving or using any such heavy equipment or other office equipment or furniture shall be repaired at the expense of the Tenant.
4. No public or private auction or other similar type of sale of any goods, wares or merchandise shall be conducted in or from the Premises without the written permission of the Landlord.
5. The Common Areas shall not be obstructed by the Tenant or used by it for any other purpose than for ingress to and egress from the Premises, nor shall they sweep any dust, rubbish or other substance from the Premises into the Common Areas. Nothing shall be thrown by the Tenant out of the windows or doors of the Building. The Landlord may, but in no event shall be obligated to, remove at the expense of the Tenant any such obstruction without notice or obligation to the Tenant at the sole cost and expense of the Tenant.
6. The Landlord shall have the right to control and operate the Building and the Common Areas in such manner as it deems best for the benefit of the tenants generally. The Landlord reserves the right to restrict or prohibit canvassing, soliciting or peddling in the Building.
7. The toilets, urinals, sinks and other water apparatus shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags, ashes or other substances shall be thrown therein. Any damage resulting by misuse shall be borne by the Tenant. The Tenant shall not permit water to run unless it is in actual use.
8. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, nor placed in any Common Areas without the prior written consent of the Landlord.
9. No birds or animals shall be kept in or about the Building or the Common Areas, nor shall radios, recordings or the like or other musical instruments be played in the Building so as to annoy other tenants, occupants or the Landlord.
10. No space in the Building shall be used for any illegal purposes, lodging, sleeping, or the storage of personal effects or articles other than those required for business purposes.
11. If the Tenant desires telephone or other connections, the Landlord will direct the installers/electricians as to where and how the wires are to be introduced, and without such directions no boring or cutting for wires will be permitted. No pipes or wires or conduits will be permitted which have not been ordered or authorized in writing by the Landlord, and no outside radio or television aerials shall be allowed on the Building or the Common Areas without authorization in writing by the Landlord. The Tenant shall not mark, drill into, bore or cut or in any way damage the walls, ceilings or floors of the Premises without the Landlord's prior written approval. No broadloom or carpeting shall be affixed to the Premises by means of a non-soluble adhesive or similar product.
12. Intentionally Deleted.
13. Nothing shall be placed on the outside of window sills or projections of the Building.
14. The Tenant shall not permit any commercial cooking in the Premises without the written consent of the Landlord.
15. All garbage and refuse shall be kept in the kind of containers specified by the Landlord and shall not be burned in or about the Premises.
16. The Landlord shall have the right to make such other and further reasonable rules as in its judgment may from time to time be helpful for the safety, care, cleanliness and appearance of the Building and the Common Areas, and for

the preservation of good order therein, and the same shall be kept and observed by the Tenant and its Invitees.

17. The Tenant shall not install, store, or otherwise place anything on the roof of the Building without the written permission of the Landlord, which permission may be arbitrarily withheld.
18. The Tenant shall ensure that both the Tenant and its Invitees do not use the parking areas or other Common Areas of the Building in a manner which could interfere with the normal and efficient use of same by other tenants of the Building and their Invitees.
19. The Tenant shall not use in the Premises or upon the Common Areas (if any), any trolley, cart or other mode of transportation which does not have rubber wheels or which could in any way cause damage to the surface upon which it is used.
20. The Tenant shall not allow into the Premises any form of firearm whatsoever.
21. The foregoing Rules, as from time to time amended, are not necessarily of uniform application, but may be waived in whole or in part in respect of other tenants without affecting their enforceability with respect to the Tenant and the Premises, and the imposition of such Rules shall not create or imply any obligation of the Landlord to enforce them or create any liability of the Landlord for their non-enforcement.

SCHEDULE "D"

SPECIAL PROVISIONS

1. INCONSISTENCIES

In the event of any inconsistency between the terms of this Schedule "D" and the terms of the Lease, the terms of this Schedule "D" shall apply to the extent of the inconsistency.

2. FORKLIFTS

The Tenant shall not use on the Common Areas any forklift or machine for the transportation of persons and/or goods that does not have pneumatic tires.

3. LANDLORD'S RIGHT TO INSTALL ITEMS ON ROOF OF THE BUILDING

Notwithstanding anything else contained in this Lease, the Landlord, or any person acting with the authority of the Landlord, shall have the right (without having any obligation to provide compensation to the Tenant) to erect, maintain, and change from time to time, anything on the roof of the Building including without limitation, antennas, signage and solar panels, provided that the Landlord shall be responsible for the cost of all hydro consumed by such items and shall be responsible for any damage caused to the Building (including, without limitation, the roof) as a result of the erection, maintenance or existence of the aforesaid items on the roof of the Building.

4. RENT FREE PERIOD

Notwithstanding anything else contained in this Lease, during the period commencing on December 1, 2013, and ending upon February 28, 2014, the Tenant shall be relieved from its obligation to pay Net Rent provided that:

(a) the Tenant complies with all of its obligations contained in this Lease during such period;

(b) the Lease is not repudiated by the Tenant pursuant to the Bankruptcy and Insolvency Act (Canada) prior to the expiry of the Term; and

(c) the Lease is not terminated by reason of the default of the Tenant at any time prior to the expiry of the Term.

In the event of non-fulfilment of any of the requirements set forth in subparagraphs (a) to (c), both inclusive, the amounts that would have otherwise been payable shall become immediately due and payable to the Landlord.

5. RIGHT TO FIRST NOTICE OF AVAILABILITY OF ADJACENT SPACE

Provided that the Tenant:

(a) has duly and regularly paid the Rent and has observed and performed each and every one of the covenants and agreements herein to be performed by the Tenant, on a timely basis, until the time that the option is exercised and thereafter until the Extension takes effect;

(b) is the original tenant under this Lease and is itself in possession of the whole of the Premises;

in the event that Unit #2 of the Building (the "Additional Premises") becomes available for lease, the Landlord agrees to provide the Tenant with written notice of the availability of the Additional Premises and, if the Tenant thereafter indicates an interest to lease the Additional Premises by notice in writing delivered to the Landlord within five (5) days thereafter, to conduct good faith negotiations with the Tenant for the lease of the Additional Premises by the Tenant for a period of five (5) days (the "Negotiation Period") following receipt by the Landlord of the written notice by the Tenant of its interest to lease same. If the parties have not signed a lease in respect of the Additional Premises by the expiry of the Negotiation Period, the Tenant's rights contained in this Section shall be terminated and of no further force or effect.

6. SECURITY

As security for the Tenant's obligations contained in this Lease the Tenant agrees to provide to the Landlord upon execution of this Lease with an irrevocable letter of Credit issued by one of the Canadian Chartered Banks in form and content satisfactory to the Landlord that provides for payment to the Landlord of the sum of:

(i) \$500,000.00 if an Event occurs prior to the end of the first year of the Term;

(ii) \$450,000.00 if an Event occurs after the expiry of the first year of the Term but prior to the expiry of the second year of the Term;

- (iii) \$400,000.00 if an Event occurs after the expiry of the second year of the Term but prior to the expiry of the third year of the Term;
- (iv) \$350,000.00 if an Event occurs after the expiry of the third year of the Term but prior to the expiry of the fourth year of the Term;
- (v) \$300,000.00 if an Event occurs after the expiry of the fourth year of the Term but prior to the expiry of the fifth year of the Term;
- (vi) \$250,000.00 if an Event occurs after the expiry of the fifth year of the Term but prior to the expiry of the sixth year of the Term;
- (vii) \$200,000.00 if an Event occurs after the expiry of the sixth year of the Term but prior to the expiry of the seventh year of the Term;
- (viii) \$150,000.00 if an Event occurs after the expiry of the seventh year of the Term but prior to the expiry of the eighth year of the Term; and
- (ix) \$100,000.00 if an Event occurs after the expiry of the eighth year of the Term but prior to the expiry of the Term.

7. LANDLORD'S WORK

The Landlord shall, at its sole cost and expense, perform the following work:

Warehouse:

- i) Power wash warehouse walls and floors, and re-caulk all joints and cracks;
- ii) Paint warehouse walls and columns white;
- iii) Supply and install T5 lighting throughout;
- iv) Seal (epoxy) warehouse floor to specifications mutually agreed upon by both the Landlord and Tenant; and
- v) Clean/replace/repair all fixtures, sinks and shower in warehouse washroom.

Exterior Windows:

- i) Supply and install 'lexan' skin to both floors.

Office: Ground Floor (see Schedule E)

- i) Supply and install white VCT tile in a single pattern and colour throughout to be chosen by the Tenant from the Landlord's standard samples, waxed and polished to high gloss throughout the 1st floor;
- ii) Supply and install new cabinetry in locations where they currently exist;
- iii) Remove partition walls as per drawing;
- iv) Install new drywall partition wall c/w doubleman door as per drawing;
- v) Repair and paint throughout in two colours, such colours to be chosen by the Tenant from the Landlord's standard samples;
- vi) Repair and/or replace bathroom fixtures, vanities, etc.;
- vii) Replace the ceiling tiles, light fixtures and lenses where required; and
- viii) Power wash front canopy (underside, exterior).

Office: Mezzanine Floor (Schedule E-1)

- i) Carpet (west side): Remove and replace the existing carpet with new carpet (same colour and pattern throughout) to be chosen by the Tenant from the Landlord's standard samples;
- ii) Paint the office walls in two colours throughout, such colour to be chosen by the Tenant from the Landlord's standard samples;
- iii) Replace the ceiling tiles, light fixtures and lenses where required;
- iv) Supply and install a kitchen sink, vanity, etc., as required;
- v) Construct boardroom c/w double doors as per Schedule "E-1";
- vi) Construct door/drywall as per Schedule "E-1";
- vii) Remove drywall partitions as per Schedule "E-1"; and
- viii) President's Office: Remove existing "entrance" wall and reconstruct the same "in-line" with the existing offices and "new" boardroom.

General:

- i) Repair/replace all shipping doors, levellers, etc.; and
- ii) Clean all ductwork.

8. LANDLORD'S WARRANTY RE: HVAC AND ELECTRICAL SYSTEMS, PLUMBING, MECHANICAL AND DOORS

The Landlord hereby warrants that the HVAC and electrical systems, plumbing, mechanical and doors serving the Premises shall be in good working order on the Commencement Date.

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9. Water

The Tenant hereby agrees that it shall be responsible for payment of all of the water consumed in, upon or in respect of, the Premises. The parties hereby acknowledge that the Landlord estimates that the Tenant's annual obligations under this Section shall be \$600.00 (the "Landlord's Estimate") which shall be payable in equal monthly instalments of \$50.00 payable on the first day of each and every month commencing upon the Commencement Date.

The Landlord shall install a check meter to record the actual consumption of water by the Tenant. The Landlord shall record actual consumption by the Tenant from time to time and the Tenant shall pay upon invoice therefor the cost of any water recorded which is in excess of the amount actually paid by the Tenant to the date that the reading is taken. If the check meter indicates that the Tenant has overpaid for water to the time that the reading is taken, the Tenant shall be so advised by the Landlord and an appropriate credit shall be granted to the Tenant. The Landlord shall be entitled to revise the Landlord's Estimate from time to time upon notice to the Tenant, and after receipt of any such notice from the Landlord the Tenant shall revise the monthly payments that it makes on account of water in accordance with the revised Landlord's Estimate.

10. Tenant's Obligation to Pay Excess Insurance Costs

The parties acknowledge and agree that the Maintenance Fee has been calculated on the assumption that the cost of the Insurance to be provided by the Landlord shall not exceed ten cents per square foot per annum. If, as a result of anything done by the Tenant on the Premises, including, without limitation, its use contemplated herein, the Landlord's cost of insurance exceeds ten cents per square foot per annum in any year, the Tenant shall within ten (10) days after receiving an invoice for the excess amount pay the amount of the excess to the Landlord.

11. OPTION TO EXTEND

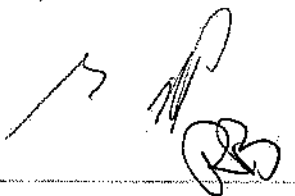
11.1 The Tenant may extend this Lease for two (2) periods of five (5) years (each of which periods is called an "Extension"), commencing on the day following the date of expiration of the initial term or the expiry of the immediately preceding Extension, as the case may be, provided that the Tenant shall only be entitled to extend this Lease in the event that it:

- (a) the Tenant is not then in default of its obligations in this Lease;
- (b) Intentionally Deleted;
- (c) advises the Landlord in writing (the "Notice") that it wishes to extend this Lease not more than 12 months and not less than 6 months prior to the expiration of the initial term of this lease or the expiration of the immediately preceding extension, as the case may be, failing which this right of Extension shall be rendered null and void.

11.2 If the Tenant exercises its right to extend in accordance with the foregoing, this Lease shall be extended upon the same terms and conditions herein contained, save and except as follows:

- (a) the Tenant shall only be entitled to two (2) Extensions so that there will be no further right to extend following the expiry of the second Extension granted herein. For greater certainty, it is hereby stipulated that if the Tenant exercises both its rights of Extension in accordance with this Lease, the Tenant shall be entitled to lease the Premises for a total of ten (10) years following the expiration of the initial term of this Lease, unless this Lease is sooner terminated;
- (b) the Landlord will not be required to perform any Landlord's Work, and the Tenant will not be required to perform any Tenant's Work, and the Tenant will not be entitled to any leasehold improvement allowance, tenant inducement or Rent free period;
- (c) the Net Rent payable during an Extension shall be the current fair market rental value of the Premises as established by the mutual agreement of the Landlord and the Tenant, provided that, in no event shall the Net Rent during any one-year period of an Extension be less than the Net Rent which was payable by the Tenant during the last year of the initial term or the previous Extension as the case may be. In the event that the rent which shall be applicable during an Extension has not been mutually agreed upon by the Landlord and the Tenant at least 3 months prior to the expiry of the initial term or the expiration of the immediately preceding Extension, by reason of the parties' inability to agree upon the current fair market rental of the Premises, the said fair market rental shall be determined by arbitration by a single arbitrator chosen by the Landlord and the Tenant, and if they cannot agree upon the arbitrator within 5 days after a written request for arbitration by either party to the other,

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either party may apply to a judge for the appointment of an arbitrator in accordance with the provisions of the Arbitrations Act (Ontario). The provisions of the Arbitrations Act shall govern the arbitration and the decision of the arbitrator shall be final and binding upon the parties and there shall be no appeal therefrom. The arbitrator shall be instructed to render its decision no later than 15 days prior to the commencement of an Extension. All documents and proceedings with respect to the arbitration are to be kept confidential by each of the parties;

- (d) the Maintenance Fee which shall apply at the time that an Extension takes effect shall be the then current Maintenance Fee charged by the Landlord for premises in the Building which shall be adjusted from time to time in accordance with the applicable provisions of this lease;
- (e) the Landlord may require the Tenant to execute and deliver to the Landlord prior to the commencement of an Extension, the Landlord's then standard form of extension agreement, together with a further Security Deposit sufficient to increase the Security Deposit, if any, held by the Landlord to an amount equal to the Rent (plus applicable Sales Taxes) payable during the last month of the Extension.

11.3 The exercise of the within right of Extension is solely within the control of the Tenant and nothing contained in this Lease, including, without limitation, this Schedule, obligates or requires the Landlord to remind the Tenant to exercise the within right of Extension or any part thereof.

12. TENANT'S PARKING SPACES

The Tenant shall be entitled to designate (by the erection of signs by the the Tenant) twelve (12) parking spaces on the Common Areas (in a place to be mutually agreed upon in writing by the parties hereto) as being reserved for it's the exclusive use of the Tenant and its Invitees, it being understood that under no circumstances will the Landlord have any obligation to enforce the Tenant's rights to such spaces.

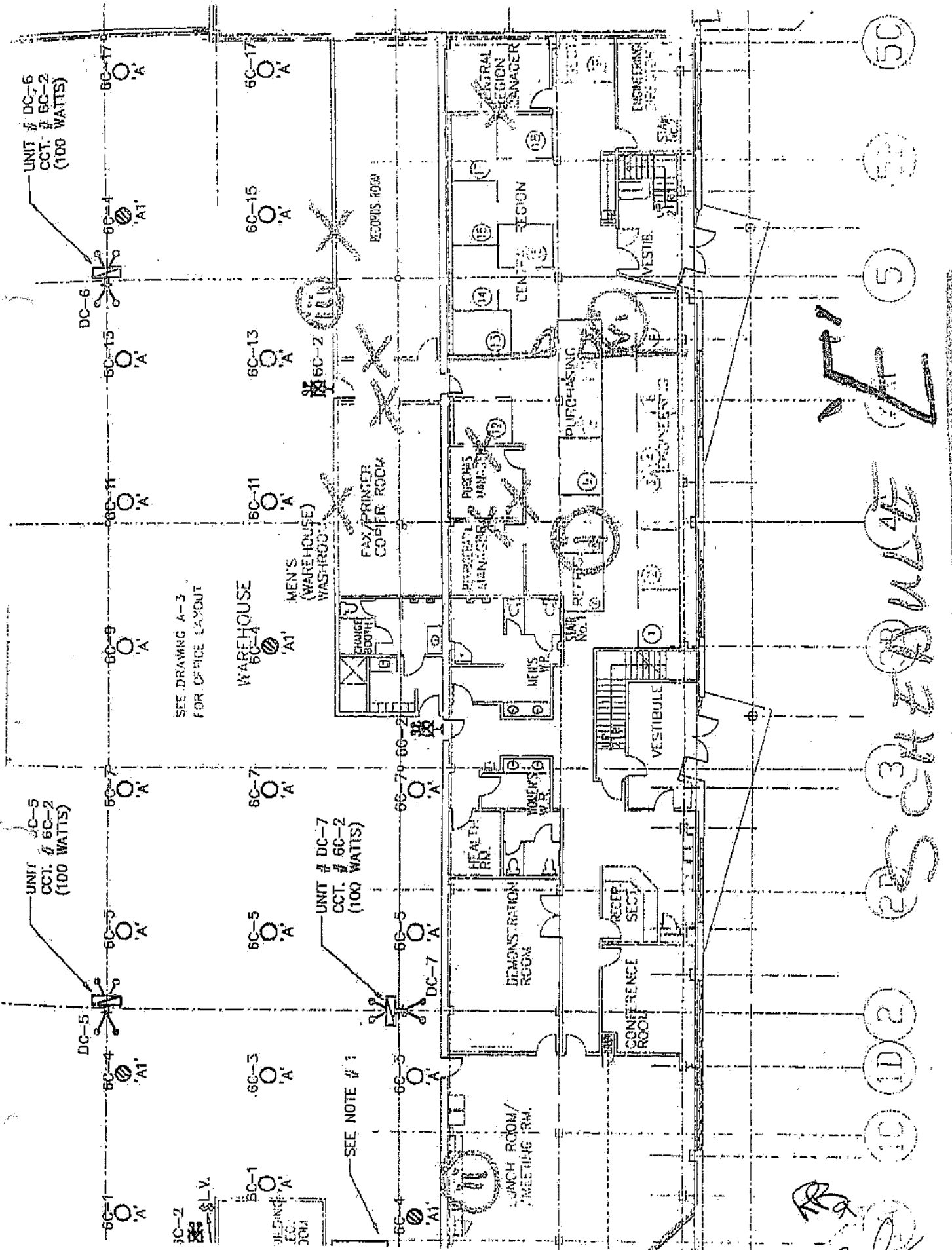
13. COURTESY OF OCCUPANCY

The Tenant shall be entitled to occupy the Premises during the period from completion of the Landlord's Work provided for in Section 7 of this Schedule "D" until the Commencement Date. During such period, the Tenant shall not be required to pay the amounts which would otherwise have been payable by the Tenant in respect of Net Rent, Maintenance Fees and Realty Taxes. However, during such period, the Tenant shall comply with all of the other terms of this Lease which shall apply, mutatis mutandis, to the Tenant's occupation of the Premises.

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SCHEDULE "E"

Office - Ground Floor



SEE DRAWING A-3 FOR OFFICE LAYOUT

SEE NOTE # 1

SCHEDULE E

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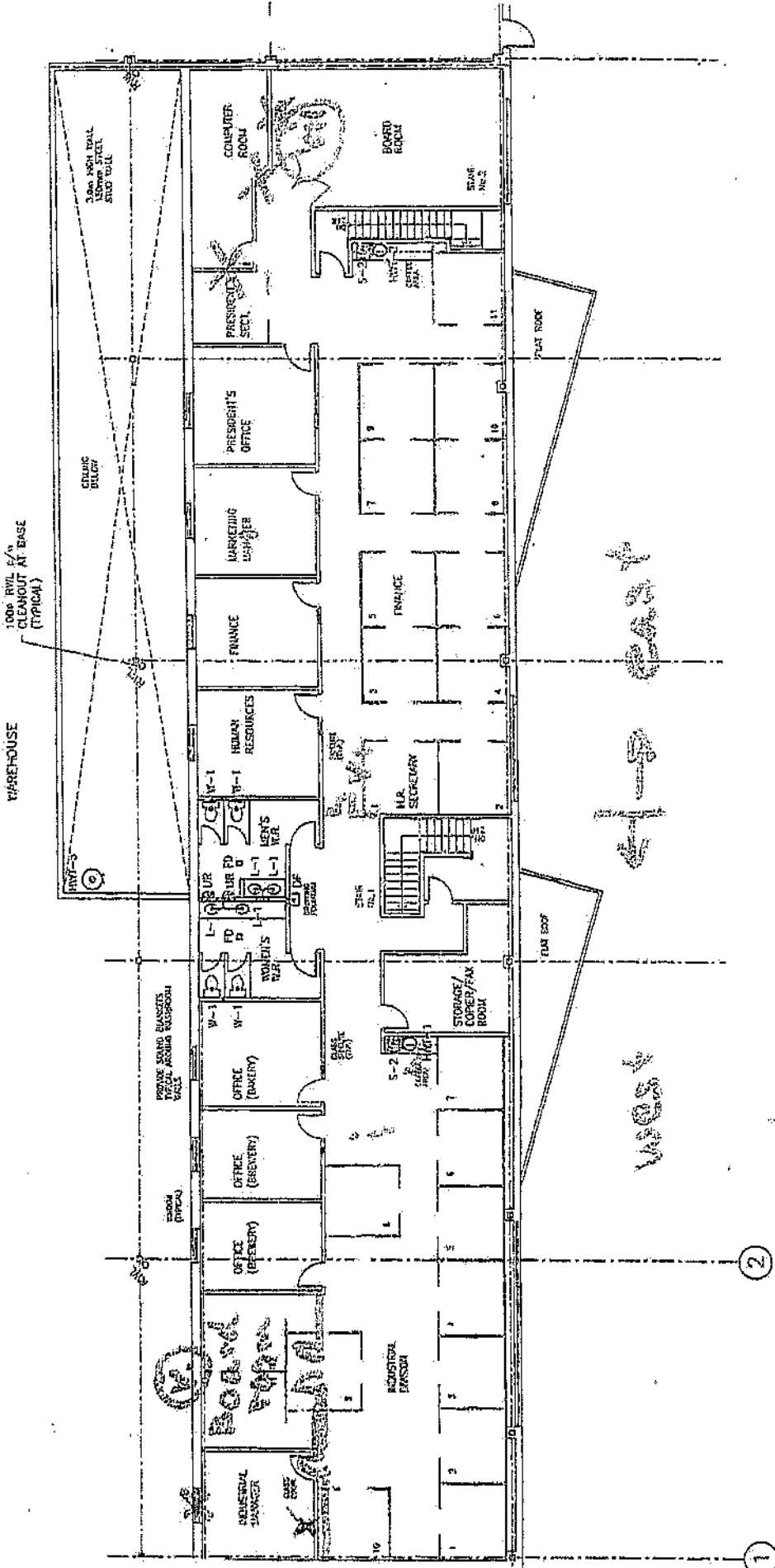
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SCHEDULE "E-1"

Office - Mezzanine Floor



SCHEDULE 'E1'

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(Handwritten signatures and initials)

THIS AGREEMENT made this 23rd day of October, 2017

BETWEEN:

N.H.D. DEVELOPMENTS LIMITED
(hereinafter referred to as the "Landlord")

- and -

CANNTRUST INC.
(hereinafter referred to as the "Tenant")

WHEREAS by a lease dated the 27th day of September, 2013 (the "Lease"), the Landlord leased to Cannamed Pharma Inc. certain premises containing approximately 40,500 square feet consisting of the premises known municipally as Unit 1, 3280 Langstaff Road, Vaughan, Ontario, L4K 5B6 (the "Original Premises"), for a period of ten (10) years commencing upon the first day of December, 2013, and ending upon the last day of November, 2023;

AND WHEREAS Cannamed Pharma Inc. has since amalgamated with others to form the Tenant;

AND WHEREAS the Tenant has agreed to lease, commencing December 1, 2017, the Second Floor of Unit 2, 3280 Langstaff Road, Vaughan, Ontario, L4K 5B6 (the "Additional Premises") consisting of 8,965 square feet of Rentable Area, and thereafter the Premises shall consist of the Original Premises and the Additional Premises, and the total Rentable Area of the Premises shall comprise 49,465 square feet of Rentable Area.

AND WHEREAS the Landlord and the Tenant now wish to amend the Lease;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of Ten (\$10.00) Dollars now paid by each of the parties hereto to the other, the mutual covenants and premises herein contained, and other good and valuable consideration (the receipt and sufficiency of which is hereby irrevocably acknowledged by the parties), the parties covenant and agree that the Lease shall be amended to provide as follows:

1. The recitals and any schedules attached hereto are accurate and true and comprise part of this Agreement.
2. The Lease is hereby amended so that from and after December 1, 2017 Section 5. (a) of the Key Item Index shall be amended to read as follows:

5. (a) NET RENT

December 1, 2013 to November 30, 2018	\$5.50
December 1, 2018 to November 30, 2020	\$6.00
December 1, 2020 to November 30, 2023	\$6.25

per square foot per annum.

Annual Net Rent based upon square footage in Item 3:

		<u>MONTHLY INSTALLMENTS</u>
December 1, 2013 to November 30, 2018	\$272,057.50	\$22,671.76
December 1, 2018 to November 30, 2020	\$296,790.00	\$24,732.50
December 1, 2020 to November 30, 2023	\$309,156.25	\$25,763.02

3. The Tenant shall, on or before November 30, 2017 do the following:
 - (i) Arrange for the gas and hydro to the Additional Premises to be supplied through connections emanating from the Original Premises to the intent and effect that the Tenant shall pay for the gas and hydro consumed in the Additional Premises on the same account that it has for the Original Premises;
 - (ii) Install a sub-meter to record the water consumed in the Additional Premises. The Tenant hereby agrees that it shall be responsible for payment of all of the water consumed in, upon or in respect of, the Additional Premises. The

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parties hereby acknowledge that the Landlord estimates that the Tenant's annual obligations under this Section shall be \$600.00 (the "Landlord's Estimate") which shall be payable in equal monthly instalments of \$50.00 payable on the first day of each and every month commencing upon the Commencement Date.

The Landlord shall record actual consumption by the Tenant from time to time and the Tenant shall pay upon invoice therefor the cost of any water recorded which is in excess of the amount actually paid by the Tenant to the date that the reading is taken. If the check meter indicates that the Tenant has overpaid for water to the time that the reading is taken, the Tenant shall be so advised by the Landlord and an appropriate credit shall be granted to the Tenant. The Landlord shall be entitled to revise the Landlord's Estimate from time to time upon notice to the Tenant, and after receipt of any such notice from the Landlord the Tenant shall revise the monthly payments that it makes on account of water in accordance with the revised Landlord's Estimate.

4. This Agreement is conditional upon the Landlord executing an agreement with the existing tenant of the Additional Premises on or before November 15, 2017 pursuant to which it agrees to surrender the Additional Premises, failing which this Agreement shall be null and void.
5. Except as otherwise provided, the terms of the Lease shall continue in force, unamended.
6. In this Agreement, all capitalized terms not defined herein shall have the meaning ascribed thereto in the Lease.
7. The recitals are accurate and true and together with any Schedules attached hereto form part of this Agreement.
8. This Agreement shall enure to the benefit of, and be binding upon, the parties and their respective heirs, executors, successors and permitted assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

SIGNED, SEALED & DELIVERED
in the presence of

) N.H.D. DEVELOPMENTS LIMITED

)

) Per: 

) Name: Edward K. Sorbara

) Title: A.S.O.

)

) I have authority to bind the Corporation.

)

) CANNTRUST INC

)

)

) Per: 

) Name: Eric Paul

) Title: CEO

)

) Per: 

) Name: Ian Abramowitz

) Title: CFO

)

) I/We have authority to bind the Corporation.

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**This is Exhibit “D” referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to read 'Alina', is positioned above a horizontal line.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

MASTER EQUIPMENT RENTAL AGREEMENT

This Master Equipment Rental Agreement (“**Agreement**”) is made on January 12, 2022 (the “**Effective Date**”) between Keirton Inc. (the “**Lessor**”) and CannTrust Inc. (the “**Lessee**”). In this Agreement, the Lessor and the Lessee are each a “**Party**” and are, collectively, the “**Parties**”.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lessor wishes to rent to the Lessee, and the Lessee wishes to rent from the Lessor, the Rental Equipment as that term is defined in the Agreement subject to the terms and conditions contained in this Agreement.

In consideration of the mutual covenants contained in this Agreement, the Parties agree as follows:

1. Rental Equipment. The Lessor hereby rents to the Lessee and the Lessee hereby rents from the Lessor, the equipment together with any parts, accessories, replacements, additions or attachments relating thereto or affixed thereon as described in Schedule “A” attached hereto (collectively, the “**Rental Equipment**”) and forming part of this Agreement, as may be amended from time to time, by mutual written agreement of the Parties on the terms and subject to the conditions that are set forth in this Agreement. By accepting the Equipment, the Lessee acknowledges that the Rental Equipment suits its intended purpose as prescribed by the Lessor. The Lessee will advise the Lessor in writing within **[seven (7) days]** of receipt of the Rental Equipment of any defects of which it becomes aware. [NTD: Section 4 of the Terms already has Lessor r&w that it’s in good working order.]
2. Additional Equipment. The Parties may, by written agreement, change the Rental Equipment rented under this Agreement by amending Schedule “A”. To initiate such amendment, the Lessee may request pricing information and the Lessor may respond with further details relating to equipment.
3. Term. The term of this Agreement shall commence on the Effective Date and shall end on January 31, 2024 (the “**Term**”), unless this Agreement is earlier terminated (a) by the Lessee in accordance with the terms of this Agreement, or (b) by either Party in accordance with the Schedule “B” attached hereto. This Agreement and the Term may be renewed by written agreement of the Parties.
4. Rental Fee. The fees that will apply to the rental of the Rental Equipment by the Lessee is as follows:
 - (a) base fee of \$10,000.00 plus harmonized sales tax (“**HST**”) per month during the Term (“**Base Fee**”);
 - (b) hourly usage fees of \$190.00 per hour plus HST, as reported by the T-Cloud software that will track the Lessee’s usage of the Rental Equipment. The Lessee agrees that if the T-Cloud software disconnects or fails and does not provide accurate information to the Lessor with respect to the hourly usage of the Rental Equipment for any reason, the Lessor and Lessee will agree that the Lessee used 160 hours of Rental Equipment usage that month of the Term;
 - (c) Service Contract (defined herein) fees will be \$11,458.05 plus HST per month during the Term; and
 - (d) any statutory taxes, related charges and/or fees.(collectively the “**Rental Fees**”)
5. Use. The Lessee shall use the Rental Equipment in a careful and prudent manner and not for any unlawful purpose and shall at the Lessee’s expense comply with and conform to all applicable laws,

ordinances, and regulations (including laws, ordinances and regulations concerning environmental matters) relating to the possession, use or regular maintenance of the Rental Equipment. The Lessee shall only use the Rental Equipment in connection with its business or in the carrying on of an enterprise and only for commercial and industrial purposes.

6. Security Deposit. The Lessee will pay to the Lessor \$104,963.57 as a security deposit for the Rental Equipment (“**Security Deposit**”), which the Lessor hereby acknowledges having received. If at the end of the Term or if the Agreement is terminated prior to the end of the Term in accordance with the terms of this Agreement, the Lessor will retain and use the Security Deposit if the Lessee:
- (a) is unable to pay for reasonable costs relating to the demobilisation of the Rental Equipment and transportation of the Rental Equipment to the Lessor;
 - (b) for any damages (reasonable wear and tear excepted) and repairs to the Rental Equipment; and
 - (c) initial depreciation with respect to the Lessee’s early termination of the Agreement.

Any amount of the Security Deposit which is not used as set out above shall be promptly refunded to the Lessee upon expiration or termination of this Agreement.

7. Service Contract. The Parties agree that the Lessor will provide to the Lessee the following services as part of the Agreement:
- (a) monthly preventative maintenance trips limited to greasing, inspecting and adjustments to the Rental Equipment as necessary, but excluding any regular cleaning of the Rental Equipment which the Lessee agrees to perform on its own on a regular basis;
 - (b) one year maintenance tasks as listed in Schedule “A”;
 - (c) two year maintenance tasks as listed in Schedule “A”; and
 - (d) unplanned maintenance for years one and two during the term, excluding operator error or abuse.

(the “**Service Contract**”)

8. Option to Purchase. The Lessor grants to the Lessee the irrevocable, sole, and exclusive right and option, exercisable either at the end of the 12th month of the term (January 31, 2023) or upon the expiry of the Term, to purchase the Rental Equipment from the Lessor, free and clear of all liens, charges and encumbrances. The purchase price of the Rental Equipment will be \$525,817.89 (the “**Purchase Price**”) and the Lessor agrees to credit the total Base Fee and any remaining Security Deposit paid by the Lessee to the Lessor during the Term off the Purchase Price. If the Lessee exercises the option to purchase the Rental Equipment, any Service Contract then in force shall automatically terminate, with any amounts being held by the Lessor in connection with prepayment for such Service Contract to be applied toward the Purchase Price.

If the Lessee declines to exercise the option to purchase the Rental Equipment, the Lessee shall return the Rental Equipment to the custody and control of the Lessor upon the expiry of the Term at the Lessor’s facilities located at #109, 10425 – 173 Street, Surrey, BC, V4N 5H3 in substantially the same condition that the Rental Equipment was in at the Effective Date, reasonable wear and tear excepted.

9. Governing Law. This Agreement is governed by and is to be construed and interpreted in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable in the Province

of British Columbia. The Parties irrevocably and unconditionally (a) agree that any suit, action or other legal proceeding (collectively, “Suit”) instituted by either Party and arising out of this Agreement shall be brought and adjudicated only in the City of Vancouver, in the Province of British Columbia, (b) waive and agree not to assert by way of motion, as a defense or otherwise in any such Suit, any claim that it is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper.

10. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no representations, warranties, or other agreements between the Parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement. No Party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement.
11. Currency. Unless otherwise specified, the word “dollar” and the “\$” sign refer to Canadian currency.
12. Assignment. The Lessee may not assign this Agreement or any rights or obligations hereunder without the express prior written consent of the Lessor, which consent shall not be unreasonably withheld, delayed or conditioned.
13. Terms and Conditions of Rental. The terms and conditions of rental that are attached to this Agreement as Schedule “B” (the “**Terms and Conditions of Rental**”) shall apply to and govern the rental of the Rental Equipment by the Lessor to the Lessee.
14. Schedules. The following schedules are attached to and incorporated into this Agreement by reference and form part hereof:
 - Schedule “A” - Rental Equipment;
 - Schedule “B” - Terms and Conditions of Rental; and
 - Schedule “C” - Pre-Authorized Debit Agreement.
15. Notices. All notices given under this Agreement shall be directed to the following:

THE LESSOR:

Address: Keirton Inc., #109, 10425 – 173 Street, Surrey, BC, V4N 5H3
Attention: Chris Lowe
E-mail: chris.lowe@keirton.com

with a copy to:

Address: Fasken Martineau DuMoulin LLP, #1800, 13401 108 Ave, Surrey, BC
Attention: Gagan Khosa
E-mail: gkhosa@fasken.com

THE LESSEE:

Address: CannTrust Inc.
Attention: David Blair
E-mail: DBlair@canntrust.ca

with a copy to:


CannTrust Inc.
Attention: Legal Department
Legal@canntrust.ca

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16. Counterparts. This Agreement may be executed in any number of counterparts (including counterparts by facsimile or PDF email attachment) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

The Lessee represents, warrants, acknowledges and agrees that the Lessee has carefully reviewed, fully understands, and agrees to all of the terms and conditions set forth in this Agreement and the appended Schedules. The Parties have executed this Agreement as of the Effective Date.

KEIRTON INC.

Per: 
Name: Chris Lowe
Title: Chief Operating Officer

CANNTRUST INC.

Per: 
Name: David Blair
Title: Interim Chief Financial Officer

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SCHEDULE "A"

RENTAL EQUIPMENT

For greater certainty, the Rental Equipment includes all accessories and parts that are supplied with the Rental Equipment. The Rental Equipment to be leased by the Lessor to the Lessee under the Agreement shall consist of the following:

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Image	Product Code	Description	Qty
	02-10090A	TWISTER TRIMMER, LIFT LEFT, 600V, TZERO	1.00
	02-10024A	CONVEYOR, FEED, PACKAGED, TZERO	1.00
	02-10025A	CONVEYOR, QC, PACKAGED, TZERO	1.00
	16-10151A	TZERO ELECTRICAL PANEL 600V 25HP VFD STAINLESS STEEL	1.00
	23-10012A	HEPA FILTER STACK, 5000CFM, 25HP, 22.5"WC, LOW	1.00
	24-10144A	CYCLONE ASSY, STANDARD, CCW, TALL, TZERO	1.00
	23-10071A	TRIM BIN ASSY, TZERO	1.00
	24-10148A	DUCTING, TRIMMER/CYCLONE ASM KIT, TZERO	1.00
	24-10149A	DUCTING, CYCLONE/FILTER STACK ASSY KIT, TZERO	1.00

Image	Product Code	Description	Qty
	24-10150B	KIT, STANDARD COMPONENTS, HFS, TZERO	1.00
	16-10113A	CABLE ASSY, MAIN CONTROL PANEL TO QC CONVEYOR, 20M KIT, TZERO, TAG: MCP-OJB	1.00
	16-10104A	CABLE ASSY, MAIN CONTROL PANEL TO INFEED CONVEYOR, 10M KIT, TZERO, TAG: MCP-IJB	1.00
	16-10137A	CABLE ASSY, MAIN CONTROL PANEL TO HFS CONTROLLER, 20M KIT, TAG: MCP-AIRFLT	1.00
	16-10108A	CABLE ASSY, MAIN CONTROL PANEL TO HFS VAC MOTOR, 25HP, 20M KIT, TZERO, TAG: MCP-M1	1.00
	16-10158A	CABLE ASSY, 20M, MAIN CONTROL PANEL TO AIRFILTER CONTROL BOX, TZERO, TAG: P50-51	1.00
	16-10083A	CABLE KIT, 20M, TZERO	1.00
	27-10026C	KIT, SPARE PARTS, TIER 1, P3, TZERO	1.00
	01-2000	TZERO SYSTEM INSTALLATION - PER SYSTEM - SINGLE SYSTEM ORDER	1.00
	01-2002	TZERO SYSTEM TRAINING - TWO DAY	1.00
	Freight	Freight	1.00
	HST	HST: 13%	1.00

SERVICE PARTS REPLACEMENT AND SERVICE SCHEDULE

Component	Maintenance Item	Part Number	Inspection	Maintenance Required									
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Trimmer	BRUSH, TUMBLER, NYLON T-ZERO	20-0001	Weekly	R	R	R	R	R	R	R	R	R	R
Trimmer	FLANGE, BEARING, & PLUNGERS	19-0022/13-0212	Weekly		R		R		R		R		R
Trimmer	BEDKNIVES	11-10005A	Weekly		R		R		R		R		R
Trimmer	HELIX BLADES	24-0652/24-0671	Weekly		R		R		R		R		R
Trimmer	AXIAL TUMBLER ROLLERS	24-10014A	Weekly		R		R		R		R		R
Trimmer	RADIAL TUMBLER ROLLERS	24-10019A	Weekly		R		R		R		R		R
Trimmer	TUMBLER BELT	19-0034	Weekly					R					
Trimmer	HELIX BLADE BELT, UPPER	19-0035	Weekly					R					
Trimmer	HELIX BLADE BELT, LOWER	19-0036	Weekly					R					
Trimmer	TUMBLER	02-10000A	Weekly	REPLACE AS REQUIRED									

Component	Maintenance Item	Part Number	Inspection	Maintenance Required									
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Trimmer	HELIX BLADE BEARINGS	-	Weekly		S		S		S		S		S
Trimmer	VACUUM PLENUMS	24-0616/24-0617	Weekly	REPLACE AS REQUIRED									
Trimmer	VACUUM BAR	11-0195	Weekly	REPLACE AS REQUIRED									
Trimmer	ELECTRICAL BOX CONNECTIONS	-	Weekly	-	-	-	-	-	-	-	-	-	-
Trimmer	BLADE COUPLINGS	13-0222	Weekly					R					R
Trimmer	TUMBLER BELT SHEAVES	11-0111A	Weekly	-	-	-	-	-	-	-	-	-	-
Trimmer	BLADE BELT SHEAVES	11-0128	Weekly	-	-	-	-	-	-	-	-	-	-
Trimmer	WATER LINES AND INCOMING PRESSURE	-	Weekly	-	-	-	-	-	-	-	-	-	-
Trimmer	WATER SPRAY PATTERN	-	Weekly	-	-	-	-	-	-	-	-	-	-
HFS	PRIMARY CARTRIDGE FILTERS	23-10005A	Weekly		R		R		R		R		R
HFS	SECONDARY HEPA FILTERS	23-10006A	Weekly					R					R



Component	Maintenance Item	Part Number	Inspection	Maintenance Required									
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
HFS	COMPRESSED AIR PRESSURE	-	Weekly	-	-	-	-	-	-	-	-	-	-
HFS	HOPPER	-	Weekly	-	-	-	-	-	-	-	-	-	-
HFS	PARTICLE FILTER	14-10154	Weekly	-	-	-	-	-	-	-	-	-	-
HFS	PAMIC FILTER	14-10155	Weekly	-	-	-	-	-	-	-	-	-	-
Cyclone	TRIM BIN & GASKET	14-0037	Weekly	-	-	-	-	-	-	-	-	-	-
Cyclone	INLET, OUTLET, & HATCH	-	Weekly	-	-	-	-	-	-	-	-	-	-
Cyclone	CYCLONE DOOR GASKET	-	Weekly	-	-	-	-	-	-	-	-	-	-
Conveyors	FEED BELT	26-10004A	Weekly					R					R
Conveyors	QC BELT	26-10005A	Weekly					R					R
Conveyors	FEED BELT TENSION	-	Weekly	S	S	S	S	S	S	S	S	S	S
Conveyors	QC BELT TENSION	-	Weekly	S	S	S	S	S	S	S	S	S	S
Conveyors	SIDEWALLS, GUARDS, & CHUTES	-	Weekly	-	-	-	-	-	-	-	-	-	-
Conveyors	LEG KNOBS & CASTERS	-	Weekly	-	-	-	-	-	-	-	-	-	-
Ducting	FLEX HOSE	14-0035/14-0040	Weekly	R	R	R	R	R	R	R	R	R	R



Component	Maintenance Item	Part Number	Inspection	Maintenance Required									
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Ducting	GASKETS	11-0184/11-0186	Weekly	R	R	R	R	R	R	R	R	R	R
Ducting	DUCT CLAMPS AND HOSE CLAMP	14-0036/14-0070/23010124A/23-10125A/23-10129A	Weekly	R	R	R	R	R	R	R	R	R	R



SCHEDULE "B"

TERMS AND CONDITIONS OF RENTAL

The following terms and conditions (the "**Terms and Conditions of Rental**") will govern the rental of the Rental Equipment by the Lessor to the Lessee as described in the body of this Agreement:

1. Definitions. Capitalized terms that are used but not defined in these Terms and Conditions of Rental shall have the meaning given to those terms in this Agreement.
2. Title and Risk. The Lessee shall have no right, title or interest in or to the Equipment except as expressly set forth herein. The Lessor is the owner of the Rental Equipment and, during the Term, title to the Rental Equipment shall remain at all times with the Lessor. Custody and control of, and risk in and to, the Rental Equipment (a) passes to the Lessee upon Lessee's receipt of the Rental Equipment, and (b) remains with the Lessee until the expiration or termination of this Agreement.

The Lessee shall not allow the Equipment to become subject to any claim, privilege, lien, charge, encumbrance, levy, security interest, mortgage, pledge, hypothecation, seizure, trust, attachment, judicial process, ownership interest, licence, sublease or other right in favour of any person (in any such case an "Encumbrance") unless such Encumbrance is caused or approved by the Lessor or the Lessee is disputing such Encumbrance in good faith, on terms satisfactory to the Lessor. The Lessee may not rent, lease, encumber or otherwise part with any of the Rental Equipment during the Term without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, delayed or conditioned. The Lessee shall defend the Rental Equipment, at its own expense, from and against any and all liens, encumbrances, legal proceedings and claims of creditors of the Lessee. The Lessee acknowledges receipt of a copy of this Agreement and that the Lessor may register its interest in this Agreement pursuant to the *Personal Property Security Act*, R.S.B.C. 1996, c. 359.

3. Use. Unless otherwise agreed, the Lessee shall (a) only use the Rental Equipment for the purposes for which it was manufactured and in accordance with applicable law, (b) at its own cost, install, commission and test the Rental Equipment (c) at its own cost, use, operate, transport and store the Rental Equipment in accordance with any reasonable operating or other instructions supplied with the Rental Equipment or by the Lessor from time to time and in a safe manner, exercising due care and skill by trained and qualified operating personnel only, and (d) not, without the prior written consent of the Lessor, install any additions, attachments, accessories, replacement items, parts or substitutions to or on the Rental Equipment.
4. Rental Equipment Warranties. The Lessor represents and warrants that the Rental Equipment is (a) of good quality, (b) in good working condition, (c) free from defects in design, materials and workmanship, (d) compliant with applicable laws, (e) will perform in accordance with all specifications, and (f) is fit for the Lessee's intended purposes, namely to trim post-harvest cannabis products. In the event of a breach of the representations and warranties contained herein, and only if Lessor is provided written notice of same and is not able to remedy the breach(es) to the reasonable satisfaction of Lessee, the Lessee may terminate this Agreement on notice to the Lessor and shall be entitled to a full refund of all amounts including base fee and Service Contract fees that have been paid to or deposited with the Lessor (including, for greater certainty, the Security Deposit) relating to the time period following the effective date of such termination. Apart from the foregoing, no warranties whatsoever, whether written, oral or implied warranties of merchantability and fitness for a particular purpose, are given by the Lessor to the Lessee with respect to the Rental Equipment.

5. Transportation. The Lessee shall be solely responsible for any and all transportation costs (including the costs of any permits, license, customs, duties or similar costs) associated in any way with the transportation of the Rental Equipment during the Term.
6. Protection of Rental Equipment. The Lessee shall protect and properly care the Equipment, keep it safely and securely stored and locked when not in use, and return it to the Lessor on time, clean and otherwise in good order, condition and repair (“ordinary wear and tear,” as defined below, excepted), properly serviced and maintained, and if applicable, full of the appropriate fuel, fluid and lubricants. If the Lessee fails to do so, the Lessee shall: (a) immediately pay to the Lessor: (i) Rent for each succeeding full rental period until all Rental Equipment has been returned or replaced as required under the terms of this Agreement, provided that any repairs to be performed by the Lessor shall be completed within 30 days from the Equipment’s return; and (ii) an amount equal to all reasonable costs and expenses the Lessor incurs in connection with such failure; and otherwise (b) indemnify and hold harmless the Lessor with respect to any and all liabilities, claims, damages, losses, costs and expenses (including without limitation, actual legal fees) arising from or in connection with such failure, and as otherwise provided in this Agreement. For purposes of this Agreement, “ordinary wear and tear” shall mean only the normal deterioration of the Rental Equipment caused by ordinary and reasonable use thereof in full compliance with the terms of this Agreement and the operating manual of the Rental Equipment as applicable. The foregoing notwithstanding, “ordinary wear and tear” shall not include any: (A) damage resulting from any lack of or deficiency(ies) in or with respect to any lubrication or maintenance of necessary oil, water, fluid and/or air pressure levels; (B) damage resulting from lack of servicing or improper use, operation, fueling, maintenance, storage and/or repair of any Rental Equipment, including overloading or exceeding the rated capacity(ies) of such Rental Equipment; (C) damage in the nature of dents, breakage, bending, tearing, straining, or misalignment, and/or (D) excessive wear due to failure (or the failure of any person permitted to use or otherwise deal with any Rental Equipment) to otherwise fully and timely comply with the terms of this Agreement.
7. Intentionally deleted.
8. Access for Maintenance and Inspections. The Lessor may, upon 7 days notice, enter upon the Lessee’s premises during regular business hours to give regular maintenance or conduct equipment inspections as the Lessor deems appropriate, at its sole discretion.
9. Risk of Loss. Risk of loss, including repair and replacement costs, to the Rental Equipment associated with design or manufacturing defects resulting in operational break down or damage shall be borne by the Lessor. Risk of loss, including repair and replacement costs, to the Rental Equipment associated with operational break down or damage due to improper use, theft, vandalism, wrongful conversion, or other damage to the Rental Equipment from any and every cause whatsoever shall be borne by the Lessee.
10. Insurance. The Lessee shall insure, at its sole expense, the Rental Equipment against all risks with reputable insurers to the Rental Equipment’s full replacement value. The Lessee shall also carry liability insurance on a commercial general liability basis with minimum limits of liability of not less than \$2 million per occurrence. All such policies shall name the Lessor as an additional insured and shall provide that such policies shall not be materially amended or cancelled with less than 30 days prior written notice to the Lessor. The insurance requirements in this Section are minimum requirements and shall in no way limit the indemnity covenants or other obligations contained in this Agreement. Any deductibles associated with any such insurance shall be the responsibility of the Lessee. The Lessee shall deliver to the Lessor a certificate evidencing such insurance on the request of the Lessor. For greater certainty, the Lessor will continue to insure the Rental Equipment during the Term in the same manner and to the same extent that it insures the Rental Equipment as of the day immediately preceding the Effective Date.

11. Invoicing. The Lessor will invoice the Lessee monthly for all Rental Fees that are owing under this Agreement. The Rental Fees are exclusive of HST which shall be shown as a separate amount on each the Lessor invoice. The Lessor will be responsible for (a) charging and collecting HST from the Lessee, and (ii) remitting HST paid to the Lessor by the Lessee in accordance with applicable laws, and the Lessor will indemnify the Lessee against all liability or expense incurred due to the failure by the Lessor to do so.
12. Payment. The Lessee hereby authorizes and directs the Lessor to accept payment of the Rental Fees from the account of the Lessee after 7 days of the corresponding invoice being issued as per the information provided in the executed Pre-Authorized Debit Agreement attached to this Agreement as Schedule "C" in payment of any obligations under Section 11 of this Schedule "B". Interest will be charged on all late payments at the then current prime rate announced by the Lessor's lender plus 2%. The Lessee acknowledges that the Rental Fees may be adjusted by the Lessor to account for interest or any agreement or arrangement between the Lessor and the Lessee for a revised payment amount. The Lessee agrees to waive the Canadian Payments Association Pre-Notification requirements in respect of all debits drawn under this Section. The Lessee further agrees that in the event that a payment is dishonoured by the Lessee's financial institution, the Lessor shall be entitled to issue another debit in substitution for the payment and the Lessor shall be under no liability whatsoever with regard to the dishonoured debit. Any payment made under this Section shall be treated as if the Lessee had issued a cheque to the Lessor for the amount specified, which shall mean that the financial institution is not required to verify that a pre-authorized debit has been issued in accordance with Lessee's instructions or that any pre-condition to payment has been satisfied.
13. Return of Equipment. At the end of the Term or any renewal thereof, the Lessee shall cooperate with the Lessor and shall return, at its sole expense, the Equipment to the Lessor ("**Return**"). Upon Return, the Equipment shall be in material compliance with Section 6 of these Terms and Conditions of Rental.
14. Default and Remedies.
 - (a) Either Party shall be in default of its obligations under this Agreement if any of the following events or conditions (each "**Event of Default**") shall occur: (i) if the Lessee fails to pay any undisputed Rental Fees when due and owing to the Lessor and fails to correct such failure within 10 days of receiving notice thereof from the Lessor, (ii) either Party fails to perform any of its other obligations under this Agreement and fails to correct such failure within 30 days of receiving notice thereof from the other Party, (iii) the dissolution, termination or discontinuance of a Party's business or operations or the commencement of similar proceedings against a Party under applicable laws, and/or (iv) a Party becomes insolvent or takes advantage of any right or proposal under applicable bankruptcy and/or insolvency legislation. Notwithstanding the foregoing or anything to the contrary herein, the Lessor acknowledges that on March 31, 2020, CannTrust Inc. and certain affiliates commenced proceedings pursuant to the *Companies' Creditors Arrangement Act* before the Ontario Superior Court of Justice (the "**Current CCAA Proceedings**") and that nothing arising from the Current CCAA Proceedings shall constitute a default hereunder unless there is a material adverse change in the Current CCAA Proceedings resulting in Lessee's inability to fulfil its obligations under this Agreement.
 - (b) Upon the occurrence of an Event of Default, the Party that is not in default may, without demand or notice, exercise any one or more of the following remedies: (i) terminate this Agreement with immediate effect, and/or (ii) exercise any and all rights and remedies available to it pursuant to applicable laws.

- (c) Without limiting the generality of the foregoing, in the Event of Default by the Lessee, the Lessor may at its sole option:
- (i) recover all undisputed amounts due under this Agreement and unpaid as of the date of such Event of Default;
 - (ii) give the Lessee notice of such Event of Default and, without prejudice to any other available remedy at any time thereafter, have the option of immediately terminating this Agreement and the Lessee shall return the Rental Equipment to the Lessor at its facilities in Surrey, British Columbia at its' own expense;
 - (iii) take possession of the Rental Equipment wherever it is located, without demand or notice and without a court order or other process of law in which case the Lessee agrees that it will not make nor cause to be made any claim for nor will the Lessor be liable for any damages that are caused as a result of its' taking possession of the Rental Equipment and that the taking of such possession shall not prejudice the Lessor's other rights under this Agreement or otherwise. On taking possession of the Rental Equipment, the Lessor shall be entitled to sell, lease, re-let or otherwise dispose of the Rental Equipment on such terms it considers reasonable;
 - (iv) consider this Agreement repudiated and, after giving the Lessee written notice of acceptance of such repudiation, proceed to recover:
 - (A) all undisputed Rental Fees then in arrears; plus
 - (B) as a genuine pre-estimate of liquidated damages for loss of bargain and not as a penalty, the then present worth of the aggregate of all unpaid amounts yet to become due as Rental Fees or otherwise to the expiration of the Term (including all extensions), calculated by discounting such amounts at 4% per annum, compounded monthly; plus
 - (C) the amount of any residual interest which the Lessor may have in the Rental Equipment; plus
 - (D) any reasonable expenses incurred by the Lessor in retaking, holding, repairing, reconditioning, re-letting and/or disposing of the Rental Equipment including the Lessor's reasonable legal costs incurred in the recovery of possession on a solicitor and own client basis and HST or other tax and (if applicable) incurred on sale or leasing; plus
 - (E) all interest payable on arrears.

All rights and remedies provided herein are cumulative and are not intended to be exclusive and are in addition to any other right or remedy previously referred to or otherwise available to the Lessor at law or in equity, and any one or more of the Lessor's rights and remedies may from time to time be exercised independently or in combination and without prejudice to any other right or remedy the Lessor may have or may have exercised. The amount(s) received by the Lessor on any sale, lease or other disposition of the Rental Equipment will be applied (i) first against the Lessor's costs and expenses (as applicable) of retaking, holding, repairing, reconditioning and disposing of the Rental Equipment including all legal expenses and sales, costs, (ii) second against interest accrued on undisputed sums past due, (iii) third against arrears of undisputed Rental Fees and/or other payments which arose prior to the date of termination of this Agreement, applied in the order in which such arrears arose, and (iv) fourth against the genuine pre-estimate of the Lessor's damages for lost of bargain.

(d) A termination of this Agreement shall not affect or prejudice any rights or obligations which have accrued or arisen under this Agreement prior to the time of termination and such rights and obligations shall survive the termination of this Agreement.

15. Representations and Warranties. Each Party represents and warrants to and in favour of the other Party that, (a) the consummation of the transactions contemplated by this Agreement will not conflict with or result in a violation, contravention or breach of any agreement or instrument by which it is bound or any applicable law, (b) it has all necessary power, authority and capacity to carry out its obligations under this Agreement, and (c) the performance of its obligations under this Agreement has been authorized by all necessary action and this Agreement constitutes a valid and binding obligation of it enforceable against it in accordance with its terms subject, however, to limitations with respect to enforcement imposed by law in connection with insolvency, reorganization or other laws affecting creditors' rights generally and to the extent that equitable remedies such as specific performance and injunctions are only available in the discretion of the court from which they are sought.
16. Indemnification. The Lessee will be solely liable for and will indemnify and hold the Lessor and its affiliates, employees, directors, officers, successors and permitted assigns (the "**Lessor Indemnitees**") harmless from and against any and all claims, loss, cost, liabilities, damages, actions, legal proceedings and expenses (including legal fees and costs) whatsoever arising in connection with this Agreement, that are suffered or incurred by the Lessor Indemnitees and that arise out of or result, directly or indirectly, from the following, unless and to the extent such is related to or arises from acts or omissions of the Lessor or those for whom it is responsible at law: (i) death, bodily injury or loss of or damage to real or tangible personal property resulting from the negligence of the Lessee regarding its use and operation of the Rental Equipment, (ii) contamination of or adverse effects on the environment, including but not limited to the cost of assessment, remediation and all other related activities resulting from the negligence of the Lessee regarding its use and operation of the Rental Equipment, (iii) any negligent act or omission or wilful misconduct of the Lessee or of any of its affiliates, subcontractors or sub-suppliers in the maintenance of the Rental Equipment, and (iv) the failure by the Lessee to perform any of its obligations under this Agreement. This indemnity shall survive the termination of this Agreement. Notwithstanding the foregoing, except in the event of a claim made by a third party, neither Party will be liable to the other Party for any indirect, incidental or consequential damages of any kind (including lost profits).
17. **General.**
- (a) Notices that may be provided under this Agreement shall be in writing and delivered to a Party at the address provided for in the body of the Agreement.
- (b) The Lessee may not assign its rights or obligations under this Agreement without obtaining the prior written consent of the Lessor, such consent not to be unreasonably withheld, conditioned or delayed. The terms and conditions of this Agreement will bind and enure to the benefit of the respective successors and permitted assigns of each Party.
- (c) This Agreement is the complete and exclusive agreement regarding the Parties' obligations relating to the subject matter hereof and replaces all prior oral and written communications between the Parties. Each Party expressly disclaims the application of any collateral terms and conditions to the rental of the Rental Equipment, including any terms and conditions set forth in any quotation or offer given by either Party and any standard or general conditions of rental or supply of either Party. For greater certainty, unless agreed to by the Parties, any: (i) invoice, acknowledgement or other communication issued by the Lessor shall be construed to be for record and accounting purposes only, (ii) terms and conditions stated in any collateral communications between the Parties shall not be applicable to this Agreement, and (iii) trade custom and/or trade usage is superseded by, and

shall not be applicable in the interpretation of, this Agreement. Each Party will execute and deliver such further documents and agreements as may be reasonably required in order to carry out the intent of this Agreement.

- (d) This Agreement may only be amended by an instrument in writing that is signed by both Parties.
- (e) This Agreement is governed by the laws of the Province of British Columbia and the federal laws of Canada that are applicable in British Columbia.
- (f) Any disputes under this Agreement that the Parties may agree to resolve by arbitration shall be resolved in accordance with the *Arbitration Act*, R.S.B.C. 1996, c. 55, before a panel consisting of one arbitrator, with the parties having the option to attend virtually. Otherwise, the Parties irrevocably submit to the exclusive jurisdiction of the courts in the City of Vancouver in the Province of British Columbia for the resolution of all disputes under this Agreement.
- (g) If any provision of this Agreement is declared invalid or unenforceable, such provision shall be severed from this Agreement and the other provisions shall remain in full force and effect.

**This is Exhibit "E" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to be 'Alina Stoica', written in a cursive style.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

Phoena Holdings Inc.

Consolidated Financial Statements

For the Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

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Phoena Holdings Inc.

Consolidated Statement of Financial Position

As at December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	December 31, 2022
Assets	
Current assets	
Cash	\$ 531
Short term investments	254
Accounts receivable	1,781
Harmonized sales tax recoverable	4,385
Inventories	30,558
Biological assets	3,376
Prepaid and other receivables	3,743
Assets held for sale	-
Total current assets	44,628
Investments	15
Restricted cash	183
Property, plant and equipment	35,557
Right-of-use assets	35,877
Total assets	\$ 116,260
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 9,094
Current portion of debt obligations	27,682
Current portion of lease liabilities	2,066
Total current liabilities	38,842
Lease liabilities	36,347
Total liabilities	75,189
Shareholders' equity	
Share capital	465,550
Contributed surplus	21,739
Deficit	(446,218)
Total shareholders' equity	41,071
Total liabilities and shareholders' equity	\$ 116,260

Phoena Holdings Inc.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	Twelve month ended December 31, 2022
Gross revenue	\$ 13,167
Excise duties	(1,824)
Net revenue	11,343
Cost of goods sold (COGS)	(8,299)
Gross profit before changes in fair value and unrealized gain of biological assets	3,044
Manufacturing cost not included in inventory or COGS	(5,228)
Inventory written off or provided for	(4,315)
Realized gain on fair value adjustment	(2,820)
Unrealized gain on changes in fair value of biological assets	10,477
Gross loss	1,158
Operating expenses	
General and administrative expenses:	
Salaries and benefits	(4,251)
Other expenses	(4,361)
Insurance fees	(2,318)
Selling and shipping costs	(435)
Marketing and promotion	(1,149)
Depreciation	(610)
Gain on disposal of property, plant and equipment	41
Operating expenses	(13,083)
Loss from operations	(11,925)
Interest income	59
Other income (expense)	(4,661)
Interest expenses	(2,103)
Net financing cost	(3,253)
Restructuring expenses	(2,689)
Gain on financial assets	(230)
Share of net profit /(loss) and changes in fair value of investments	(39)
Loss before income recoveries	(24,841)
Income tax recoveries	-
Net loss and other comprehensive loss	\$ (24,841)

Phoena Holdings Inc.

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	Share capital		Contributed	Warrants	Deficit	Total
	Number of	Amount -	surplus	reserve		
	common shares	Common shares				
Balance at December 31, 2021	141,487,193	454,315	21,739	-	(421,377)	54,677
March 11, 2022 - Share Purchase		11,235			-	11,235
Net loss and other comprehensive loss	-	-	-	-	(24,841)	(24,841)
Balance at December 31, 2022	141,487,193	\$ 465,550	\$ 21,739	\$ -	\$ (446,218)	\$ 41,071

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Phoena Holdings Inc.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	Twelve months ended	
	December 31, 2022	
Operating activities		
Net loss	\$	(24,841)
Items not effecting cash		
Depreciation		610
Unrealized loss on changes in fair value of biological assets		10,477
Gain on financial assets		229
Share of net profit and changes in fair value of investments		39
Gain on disposal of property, plant and equipment		(41)
Interest expense, net of interest income		2,044
		(11,483)
Changes in non-cash working capital		
Harmonized sales tax recoverable		(856)
Inventory and biological assets		(23,229)
Accounts receivable		131
Prepaid and other receivables		1,646
Accounts payable and accrued liabilities		(49,189)
Cash flows used in operating activities		(82,980)
Investing activities		
Purchase of property, plant and equipment		(287)
Proceeds from disposal of property, plant and equipment		53
Interest received		59
Redemption of investments and financial assets		6,955
Purchase of short term investments		(2)
Cash flows used in investing activities		6,778
Financing activities		
Proceeds from debt obligations, net of costs		15,963
Proceeds from share issuance		11,234
Repayment of debt obligations		(7,618)
Repayment of lease liabilities		(1,918)
Interest paid on leases		(2,103)
Restricted cash held as collateral		5,796
Cash flows (used in) provided by financing activities		21,354
Net (decrease)/increase in cash		(54,848)
Cash, at beginning of periods		55,379
Cash, at end of periods	\$	531

**This is Exhibit "F" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to be 'Alina Stoica', written in a cursive style.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

Phoena Holdings Inc.

Consolidated Financial Statements

For the One month Ended January 31, 2023 and Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

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Phoena Holdings Inc.

Consolidated Statement of Financial Position

As at January 31, 2023 and December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	January 31, 2023	December 31, 2022
Assets		
Current assets		
Cash	\$ 310	\$ 531
Short term investments	254	254
Accounts receivable	1,773	1,781
Harmonized sales tax recoverable	4,502	4,385
Inventories	31,029	30,558
Biological assets	5,217	3,376
Prepaid and other receivables	3,536	3,743
Total current assets	46,621	44,628
Investments	15	15
Restricted cash	183	183
Property, plant and equipment	35,266	35,558
Right-of-use assets	35,655	35,876
Financial assets	-	-
Total assets	\$ 117,740	\$ 116,260
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,685	\$ 9,094
Current portion of debt obligations	29,060	27,682
Current portion of lease liabilities	2,066	2,066
Total current liabilities	40,811	38,842
Lease liabilities	36,175	36,347
Total liabilities	76,986	75,189
Shareholders' equity		
Share capital	465,550	465,550
Contributed surplus	21,739	21,739
Deficit	(446,535)	(446,218)
Total shareholders' equity	40,754	41,071
Total liabilities and shareholders' equity	\$ 117,740	\$ 116,260

Phoena Holdings Inc.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the One month Ended January 31, 2023 and Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	One month ended January 31, 2023	Twelve month ended December 31, 2022
Gross revenue	\$ 1,156	\$ 13,167
Excise duties	(256)	(1,824)
Net revenue	900	11,343
Cost of goods sold (COGS)	(1,161)	(8,299)
Gross profit before changes in fair value and unrealized gain of biological assets	(261)	3,044
Manufacturing cost not included in inventory or COGS	(216)	(5,228)
Inventory written off or provided for	(903)	(4,315)
Realized gain on fair value adjustment	(362)	(2,820)
Unrealized gain on changes in fair value of biological assets	2,630	10,477
Gross loss	888	1,158
Operating expenses		
General and administrative expenses:		
Salaries and benefits	(246)	(4,251)
Other expenses	(171)	(4,361)
Insurance fees	(134)	(2,318)
Selling and shipping costs	(27)	(435)
Marketing and promotion	(95)	(1,149)
Depreciation	(47)	(610)
Gain on disposal of property, plant and equipment	-	41
Operating expenses	(720)	(13,083)
Loss from operations	168	(11,925)
Interest income	1	59
Other income (expense)	7	(4,661)
Interest expenses	(178)	(2,103)
Net financing cost	(314)	(3,253)
Restructuring expenses	-	(2,689)
Gain on financial assets	(1)	(230)
Share of net profit /(loss) and changes in fair value of investments	-	(39)
Loss before income recoveries	(317)	(24,841)
Income tax recoveries	-	-
Net loss and other comprehensive loss	\$ (317)	\$ (24,841)

Phoena Holdings Inc.

Consolidated Statement of Changes in Equity

For the One Month Ended January 31, 2023 and Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	Share capital		Contributed surplus	Deficit	Total
	Number of common shares	Amount - Common shares			
Balance at December 31, 2021	141,487,193	454,315	21,739	(421,377)	54,677
March 11, 2022 - Share Purchase		11,235		-	11,235
Net loss and other comprehensive loss	-	-	-	(24,841)	(24,841)
Balance at December 31, 2022	141,487,193	465,550	21,739	(446,218)	41,071
Net loss and other comprehensive loss		-		(317)	(317)
Balance at January 31, 2023	141,487,193	\$ 465,550	\$ 21,739	\$ (446,535)	\$ 40,754

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Phoena Holdings Inc.

Consolidated Statement of Cash Flows

For the One Month Ended January 31, 2023 and Year Ended December 31, 2022

(In thousands of Canadian dollars except grams, number of shares, options, warrants and loss per share)

	One month ended	Twelve months ended
	January 31, 2023	December 31, 2022
Operating activities		
Net loss	\$ (317)	\$ (24,841)
Items not effecting cash		
Depreciation	47	610
Unrealized loss on changes in fair value of biological assets	2,631	10,477
Gain on financial assets	-	229
Share of net profit and changes in fair value of investments	-	39
Gain on disposal of property, plant and equipment	-	(41)
Interest expense, net of interest income	178	2,044
	2,539	(11,483)
Changes in non-cash working capital		
Harmonized sales tax recoverable	(117)	(856)
Inventory and biological assets	(4,478)	(23,229)
Accounts receivable	8	131
Prepaid and other receivables	207	1,646
Accounts payable and accrued liabilities	590	(49,189)
Cash flows used in operating activities	(1,251)	(82,980)
Investing activities		
Purchase of property, plant and equipment	-	(287)
Proceeds from disposal of property, plant and equipment	-	53
Interest received	1	59
Redemption of investments and financial assets	-	6,955
Purchase of short term investments	-	(2)
Cash flows used in investing activities	1	6,778
Financing activities		
Proceeds from debt obligations, net of costs	1,848	15,963
Proceeds from share issuance	-	11,234
Repayment of debt obligations	(470)	(7,618)
Repayment of lease liabilities	(171)	(1,918)
Interest paid on leases	(178)	(2,103)
Restricted cash held as collateral	-	5,796
Cash flows (used in) provided by financing activities	1,029	21,354
Net (decrease)/increase in cash	(221)	(54,848)
Cash, at beginning of periods	531	55,379
Cash, at end of periods	\$ 310	\$ 531

**This is Exhibit "G" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to read 'Alina Stoica', is positioned above a horizontal line.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

Phoena Holdings Inc. and Certain Affiliated CCAA Filing Entities (collectively, the “Applicants”)

Cash Flow Forecast for the Period April 3, 2023 to June 4, 2023

\$CDN in Thousands

	Week Ending	1 April 9	2 April 16	3 April 23	4 April 30	5 May 7	6 May 14	7 May 21	8 May 28	9 June 4	Total
Notes											
Receipts											
Sales Collections	2	\$ 455	\$ 272	\$ 206	\$ 142	\$ 297	\$ 297	\$ -	\$ -	\$ -	\$ 1,670
Other Receipts	3	-	-	-	-	-	-	-	-	-	-
Total Receipts		455	272	206	142	297	297	-	-	-	1,670
Disbursements											
Payroll & Benefits	4	-	541	-	308	-	209	-	94	-	1,152
Lease Payments	5	414	-	-	-	344	-	-	-	378	1,135
Operating Expenses	6	217	67	116	17	85	-	85	-	-	586
Other SG&A and Taxes	7	36	130	120	120	96	84	68	5	68	726
Restructuring Costs	8	170	130	147	40	45	35	35	35	35	671
Total Disbursements		836	867	383	485	569	327	188	134	481	4,269
Net cash receipts/(disbursements)		\$ (381)	\$ (595)	\$ (177)	\$ (342)	\$ (272)	\$ (30)	\$ (188)	\$ (134)	\$ (481)	\$ (2,599)
Cash Balance											
Opening Balance	1	142	961	366	689	347	575	544	357	723	142
DIP Draws/(Repayment)	9	1,200	-	500	-	500	-	-	500	-	2,700
Net Cash Receipts/(disbursements)		(381)	(595)	(177)	(342)	(272)	(30)	(188)	(134)	(481)	(2,599)
Ending Cash Balance		\$ 961	\$ 366	\$ 689	\$ 347	\$ 575	\$ 544	\$ 357	\$ 723	\$ 242	\$ 242
DIP Facility											
Opening balance		-	1,268	1,329	1,874	1,902	2,421	2,435	2,449	2,962	-
Draw/(Repayment)	9	1,200	-	500	-	500	-	-	500	-	2,700
Recoverable Expenses	10	68	57	40	21	11	5	5	5	5	214
Accrued Interest	11	-	5	5	7	7	9	9	9	11	64
Closing Balance		\$ 1,268	\$ 1,329	\$ 1,874	\$ 1,902	\$ 2,421	\$ 2,435	\$ 2,449	\$ 2,962	\$ 2,978	\$ 2,978

In the Matter of the CCAA of Phoena Holdings Inc., Phoena Inc., Elmcliffe Investments Inc., Elmcliffe Investments [No 2] Inc., and CTI Holdings (Osoyoos) Inc. (collectively, the “Applicants”)

Notes to the Unaudited Cash Flow Forecast of the Applicants

Disclaimer:

In preparing this cash flow forecast (the “**Cash Flow Forecast**”), the Applicants with the assistance of their financial advisor and Ernst & Young Inc., in its capacity as the proposed monitor of the Applicants (the “**Proposed Monitor**”) have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional assumptions discussed below with respect to the requirements and impact of a *Companies’ Creditors Arrangement Act* (“**CCAA**”) filing (the “**Probable and Hypothetical Assumptions**” or the “**Assumptions**”). Since the Cash Flow Forecast is based on Assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the Assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court appointed Monitor pursuant to section 23(1)(b) of the CCAA, which requires a Monitor to review the debtor’s cash flow statements as to its reasonableness and to file a report with the Court on the Monitor’s findings.

Pursuant to this standard, the Proposed Monitor’s review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of the Applicants and other employees of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on the Proposed Monitor’s review, nothing has come to the Proposed Monitor’s attention that causes the Proposed Monitor to believe, in any material respect, that:

- (a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (b) As at the date of this report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or
- (c) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Cash Flow Forecast period. The Applicants, with the assistance of Ernst & Young Inc., in its capacity as proposed monitor of the Applicants (the “**Proposed Monitor**”), have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the ongoing operations and the CCAA proceedings

The Cash Flow Forecast assumes that the Applicants obtains relief under the CCAA in the week ending April 9, 2023.

The Applicants are planning to commence an orderly wind-down process in the CCAA, while exploring options for restructuring as a going concern.

Assumptions:

1. Opening Balance

Represents the anticipated opening cash balance at the commencement as at April 3, 2023.

2. Sales Collections

The Applicants are primarily engaged in the sale of cannabis products to authorized distributors and retailers, using a variety of channels, including provincial agencies and direct sales to other license holders. Receipts are projected based on forecast collections from accounts receivable and projected inventory sales during the forecast period.

3. Other Receipts

The Applicants intend to realize on certain assets in the CCAA proceedings; however, the Cash Flow Forecast does not reflect these potential proceeds in the forecast period due to uncertainty in timing and amount.

4. Payroll and Benefits

Payroll and benefits for employees are forecast based on historical run rates and anticipated staffing levels. Employees get paid through ADP bi-weekly in arrears for the previous two weeks.

5. Lease Payments

Represents monthly payments associated with the use of certain facilities and equipment.

6. Operating Expenses

These disbursements include vendor payments, utilities and other operating expenses in connection with the production and sale of cannabis products based on expected production.

7. Other Selling, General & Administrative Expense (“Other SG&A”) and Taxes

This includes primarily insurance payments, consulting fees, HST and Excise duty payables, and other general and administrative costs that are not included in the Operating Expenses.

8. Restructuring Costs

Restructuring costs include primarily professional fee payments and expenses to the Applicants’ legal counsel, the Proposed Monitor and its counsel in connection with the Applicants’ restructuring proceedings.

9. Debtor-in-Possession Facility (“DIP”) Draws and Repayments

Reflects projected draws and repayments under a proposed DIP facility, subject to court approval.

10. Recoverable Expenses

Pursuant to the DIP Facility term sheet, certain expenses incurred by the DIP lender in connection with the DIP Facility are entitled to reimbursement from the Applicants by way of addition to the DIP Facility. These expenses include legal and financial advisory fees and disbursements incurred by the Agent and/or the Lenders in connection with the CCAA proceedings.

11. Accrued Interest

Pursuant to the DIP Facility term sheet, interest shall accrue on amounts advanced under the DIP Facility at a rate equal to 20% per annum as estimated based on opening balance of each week . The accrued interest will be paid on the DIP Facility Maturity Date as defined in the DIP Facility term sheet.

**This is Exhibit "H" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to read 'Alina', is positioned above a horizontal line.

A COMMISSIONER FOR TAKING AFFIDAVITS

ALINA STOICA

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of March 11, 2022

AMONG: **CORTLAND CREDIT LENDING CORPORATION**, as agent for and on behalf of the Lenders (the “**Agent**”)

AND: **CANNTRUST INC., ELMCLIFFE INVESTMENTS INC. (“Elmcliffe”), AND CTI HOLDINGS (OSOYOOS) INC.** (collectively, the “**Borrowers**” and each a “**Borrower**”)

AND: **CANNTRUST HOLDINGS INC. (“Holdings”), ELMCLIFFE INVESTMENTS [NO. 2] INC. and CANNTRUST EQUITY INC. (“Equity”** and together with Holdings and Elmcliffe Investments [No. 2] Inc., collectively, the “**Guarantors**” and each a “**Guarantor**”)

RECITALS:

1. The Borrowers and Holdings are subject to the CCAA Proceedings.
2. In connection with financing their operations throughout the CCAA Proceedings, the Borrowers, and Holdings, as borrowers and Elmcliffe Investments [No. 2] Inc., as a guarantor and the Agent on behalf of certain Lenders entered into a summary of terms and conditions made as of April 13, 2021 (as supplemented by (i) a consent request letter dated June 8, 2021, (ii) a consent request letter dated June 24, 2021, (iii) a consent request letter dated July 20, 2021; (iv) a consent request letter dated September 17, 2021, (v) a consent request letter dated November 17, 2021, (vi) a consent request letter dated December 24, 2021; (vii) a consent request letter dated January 19, 2022, and (viii) a consent request letter dated February 24, 2022, collectively, the “**DIP Term Sheet**”).
3. The Court granted the DIP Order, which among other things (i) authorized the DIP financing contemplated by the DIP Term Sheet; and (ii) granted the DIP Charge over the Collateral.
4. The Borrowers requested that the Lenders extend credit to the Borrowers upon their exit from the CCAA Proceedings, and the Lenders have agreed to provide such credit to the Borrowers on the terms and conditions contained herein.

NOW THEREFORE in consideration of the covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties covenant and agree as follows:

ARTICLE 1.00- INTERPRETATION

1.1 Definitions

In this Agreement (including the recitals hereto), unless there is something in the subject matter or context inconsistent therewith, the words and terms defined in Schedule “A” have the respective meanings given to them therein.

1.2 Construction

In this Agreement:

- (a) words importing the singular include the plural and *vice-versa*, words importing gender include both genders;
- (b) any reference to a statute includes a reference to all regulations made pursuant to such statute, all amendments made to such statute and regulations in force from time to time and to any statute or regulation which may be passed and which has the effect of supplementing or superseding such statute or regulations;
- (c) any reference to an Article, Section or Schedule is deemed to refer to the applicable Article, Section or Schedule contained in or attached to this Agreement and to no other agreement or document unless specific reference is made to such other agreement or document;
- (d) the division of this Agreement into Articles and Sections and the insertion of headings is for convenience of reference only and are not to be taken into account in interpreting this Agreement or any part of it;
- (e) when a reference is made to a “party” or “parties”, such reference shall be to a party or parties to this Agreement unless otherwise indicated;
- (f) the term:
 - (i) “**including**” means “**including, without limitation**” and the terms “**including**” and “**include**” will not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it;
 - (ii) “**may**” describes an act or forbearance which is optional under this Agreement; and
 - (iii) “**will**” shall be equivalent in meaning to the word “**shall**,” both of which describe an act or forbearance which is mandatory under this Agreement;
- (g) unless otherwise indicated, all references to dollar amounts are references to Canadian dollars;
- (h) unless otherwise indicated, any reference in this Agreement to any agreement or document means such agreement or document as the same may have been or may from time to time be amended, extended, renewed, restated, replaced, supplemented or otherwise modified in accordance herewith and therewith.

1.3 Schedules

The Schedules are as follows:

Schedule “A”	-	Defined Terms
Schedule “B”	-	Borrowing Notice
Schedule “C”	-	Repayment Notice
Schedule “D”	-	Compliance Certificate
Schedule “E”	-	Business Locations
Schedule “F”	-	Litigation

Schedule "G"	-	Environmental Law
Schedule "H"	-	Existing Debt of the Obligors
Schedule "I"	-	Collection Accounts
Schedule "J"	-	Subsidiaries
Schedule "K"	-	Material Agreements and Material Permits

The Schedules are incorporated into and form an integral part of this Agreement.

1.4 Accounting Principles and Practices

- (a) Where the character or amount of any asset or liability, or item of revenue or expense, is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any Credit Document, that determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement or as otherwise agreed in writing by the parties, be made in accordance with GAAP.
- (b) All calculations for the purpose of determining compliance with the financial covenants and financial ratios contained in this Agreement shall be made on a basis consistent with GAAP in existence as at the date of this Agreement. In the event of a change in GAAP, the Borrowers and the Agent shall negotiate in good faith to revise (if appropriate) those ratios and covenants to reflect GAAP as then in effect, in which case all subsequent calculations made for the purpose of determining compliance with those ratios and covenants shall be made on a basis consistent with GAAP in existence as at the date of those revisions.

1.5 CannTrust Holdings Inc. as a Guarantor and Obligor

The parties acknowledge and agree that (i) Holdings is solely a party to this Agreement for the limited purpose of (A) granting an unlimited guarantee in favour of the Agent in respect of the Obligations of the Borrowers; (B) granting a security interest over all of its present and after-acquired assets and other personal property that constitute Collateral (including a pledge of the 10% ownership interest that Holdings has in Equity after giving effect to the CT Equity Investment); and (C) being subject to Sections 7.1(c), 7.1(d), 7.1(g), 7.1(h), 7.1(i), 7.1(m), 7.1(q), 7.1(r), 7.2(a), 7.2(b), 7.2(c), 7.2(e), 7.2(h), 7.2(i), 7.2(l) and 7.2(m) of this Agreement, for so long as Greg Guyatt (or such other officer, director or designated representative of Equity) remains on the board of directors of Holdings; and (ii) unless otherwise expressly stated herein, Holdings will not otherwise be treated as a Guarantor or an Obligor for purposes of this Agreement or any other Credit Document nor will Holdings be the subject of any of the representations and warranties, covenants and Events of Default that apply to a Guarantor or an Obligor until, in each case, the earlier to occur of (the "**Holdings Implementation Date**"): (A) the amalgamation of Holdings and an Obligor (including Equity), (B) the revocation of the "failure to file" cease trade order dated April 13, 2020 made by the Ontario Securities Commission issued against Holdings; and (C) Marshall Fields Canada Investments Inc. (or any of its designated affiliates or subsidiaries that hold any equity interest in Equity) exercising its option to exchange its equity interests in Equity into common shares of Holdings. From and after the Holdings Implementation Date, Holdings (or its successor by amalgamation or otherwise) will be a Guarantor and an Obligor for purposes of the Credit Documents.

ARTICLE 2.00– CREDIT FACILITIES

2.1 Credit Facility

Subject to the satisfaction of the terms and conditions set out in this Agreement, the Agent, on behalf of the Lenders, hereby establishes a revolving credit facility (referred to herein as the “**Credit Facility**”) for the Borrowers in a maximum principal amount not to exceed at any time the Total Commitment.

2.2 Purpose of Credit Facility

Loan Advances made under the Credit Facility shall only be used for payment of general corporate and working capital requirements.

2.3 Loan Advances

- (a) Subject to satisfaction of the terms and conditions set out in this Agreement, the Agent will, from time to time, upon request of any Borrower made in accordance with the terms and conditions of this Agreement, make one or more Loan Advances available to such Borrower provided that the aggregate outstanding principal amount of all Loan Advances does not exceed, at any given time, the Borrowing Limit at such time.
- (b) Each Loan Advance made under the Credit Facility requires a notice of borrowing from the applicable Borrower delivered to the Agent, such notice to be in writing and substantially in the form attached as Schedule “B” (the “**Borrowing Notice**”). The applicable Borrower shall deliver each Borrowing Notice to the Agent at or before noon (Toronto time) at least one (1) Business Days prior to the date the Loan Advance is proposed to be made. The Borrowing Notice shall indicate the amount of the proposed Loan Advance and the date funds are required.
- (c) Any Loan Advance made under the Credit Facility shall be in a minimum amount of Five Hundred Thousand Dollars (\$500,000) or in a greater amount being a multiple of Fifty Thousand Dollars (\$50,000) or the lesser available amount under the Credit Facility.
- (d) Each Borrowing Notice given to the Agent may not be revoked or withdrawn once given.

2.4 Revolving Facility

The Credit Facility is a revolving facility. For greater certainty, subject to the satisfaction of the terms and conditions set out in this Agreement, each Borrower will be entitled to obtain Loan Advances under the Credit Facility from time to time and repay all or any portion of such Loan Advances from time to time and thereafter to re-borrow Loan Advances from time to time; provided that each Borrower acknowledges, covenants and agrees that the Outstanding Principal Obligations will not at any time exceed the Borrowing Limit.

ARTICLE 3.00– INTEREST AND FEES

3.1 Interest

Each Loan Advance under the Credit Facility shall bear interest at the Interest Rate.

3.2 Payment of Interest

Interest accrued on each Loan Advance shall be due and payable in cash in arrears on each Interest Payment Date.

3.3 Financing Review Fee

The parties to this Agreement hereby acknowledge, confirm and agree that a financing review fee in an amount equal to 0.75% of the Total Commitment, was fully earned by the Agent and paid to the Agent by the Borrowers upon the issuance of the DIP Order on April 30, 2021.

3.4 Commitment Fee

The parties to this Agreement hereby acknowledge, confirm and agree that a commitment fee in an amount equal to 1.50% of the Total Commitment (the “**Commitment Fee**”), was fully earned by the Agent and paid to the Agent by the Borrowers upon the issuance of the DIP Order on April 30, 2021.

3.5 [Reserved]

3.6 Utilization Fee

The Borrowers shall pay the Agent in cash on the last Business Day of each calendar month (commencing on the last Business Day of the month in which the initial Loan Advance is made) prior to the Termination Date and on the Termination Date, a fee (the “**Utilization Fee**”), calculated on a daily basis as the Unutilized Portion at the end of each day, an in the event such day is not a Business Day, the immediately preceding Business Day, in such calendar month, multiplied by the Utilization Fee Rate, divided by the number of days in such calendar year (on the basis of a 365-day or 366-day year, as applicable). The Utilization Fee shall be payable in arrears and shall commence to accrue from the date that the initial Loan Advance is made and shall continue to accrue until (but not including) the Termination Date.

3.7 Costs and Expenses; Due Diligence and Monitoring Fee; Legal Expenses

- (a) Each Obligor shall pay promptly upon receipt of written notice from the Agent all reasonable and documented out-of-pocket costs and expenses in connection with the preparation, execution and delivery of this Agreement, the other Credit Documents, and the other instruments, certificates and documents to be delivered under or in connection with this Agreement or the other Credit Documents, whether or not any Loan Advance has been made under this Agreement, including the reasonable and documented fees and out-of-pocket expenses of the Agent’s legal counsel with respect thereto and with respect to the preparation, negotiation, execution, delivery, registration, maintenance, administration, interpretation and enforcement or protection of its rights under this Agreement, the other Credit Documents or any other document to be delivered under or in connection with this Agreement, or to advising the Agent or the Lenders as to its rights

and responsibilities under this Agreement, the other Credit Documents or any other document to be delivered under or in connection with this Agreement.

- (b) Each Obligor further agrees to pay all reasonable and documented out-of-pocket costs and expenses in connection with the preparation or review of waivers, consents and amendments requested by any Obligor, questions of interpretation of this Agreement, the other Credit Documents or any other document to be delivered under or in connection with this Agreement, and in connection with the establishment of the validity and enforceability of this Agreement, the other Credit Documents or any other document to be delivered under or in connection with this Agreement and the preservation or enforcement of rights of the Agent and the Lenders under this Agreement, the other Credit Documents and other documents to be delivered under or in connection with this Agreement, including all reasonable and documented out-of-pocket costs and expenses sustained by the Agent and the Lenders as a result of any failure by any Borrower to perform or observe any of its obligations under this Agreement and including the reasonable and documented out-of-pocket fees and expenses of the Agent's legal counsel with respect thereto.
- (c) Each Obligor further agrees to pay all reasonable and documented out-of-pocket fees and expenses incurred by the Agent or the Lenders in connection with the Credit Facility and the Credit Documents, including all appraisal, audit, monitoring and valuation fees, all reasonable and documented out-of-pocket fees and expenses associated with any field exams and all travel expenses related thereto, in each case, incurred in compliance with the provisions of this Agreement.
- (d) In addition to the fees and other charges set out in this Agreement, the Borrowers shall pay, on demand, the reasonable and documented out-of-pocket charges and fees incurred or paid by the Agent and the Lenders in connection with the preparation and registration of the Agent's Lien (whether or not any Loan Advances are made hereunder) and enforcement or protection or exercise of its rights thereunder.
- (e) Fees and expenses required to be paid under this Section include reasonable and documented professional fees and expenses (e.g., appraisal, audit, notary and legal fees) incurred by the Agent or the Lenders in compliance with the terms of this Agreement.
- (f) The Obligors shall reimburse the Agent within three (3) Business Days of the Agent providing the Borrowers a summary and documentary evidence of the out-of-pocket expenses incurred.
- (g) Any payments owing to the Agent in accordance with (a) through (f) above shall be paid by the Borrowers to the Agent net of any deposits already paid by the Borrowers to the Agent prior to the Closing Date.

3.8 [Reserved]

3.9 General Rules

- (a) Interest owing on the Loan Advances shall be calculated daily and not in advance on the basis of the then current calendar year of three-hundred and sixty-five (365) or three-hundred and sixty-six (366) days for the actual number of days elapsed, and in the case of a leap year, the annual interest rate corresponding to the interest calculated on a three-hundred and sixty-five (365) day

year is equal to the interest rate thus calculated multiplied by three-hundred and sixty-six (366) and divided by three-hundred and sixty-five (365). Any amount of principal, interest, commission, discount or of any other nature remaining unpaid at maturity shall bear interest at the Interest Rate. Interest on all overdue interest calculated as aforesaid and compounded monthly and payable on demand at the aforesaid rate from the due date thereof without necessity of notice or demand, the whole before as well as after maturity, demand, default or judgement. Each Borrower acknowledges and agrees that for the purposes of the Interest Act (Canada), the information provided to it hereunder with respect to the calculation of interest hereunder or under any other Credit Document shall constitute an express statement of the yearly rate or percentage of interest to which such interest rate (including the Interest Rate) or percentage is equivalent. Each Borrower hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Agreement or any other Credit Document, that the interest payable under this Agreement (including the Interest Rate) or any other Transaction Document and the calculation thereof has not been adequately disclosed to such Borrower, whether pursuant to section 4 of the Interest Act (Canada) or any other Applicable Law.

3.10 Rate and Disclosure Calculation Consent

- (a) Each Obligor agrees and affirms that, if and to the extent that Section 4 of the *Interest Act* (Canada) (or any other provision of such statute or any other statute relating to disclosure of interest or its calculation under applicable law) applies to the determination or calculation of any annualized interest rate or other annualized rate expressed in this Agreement or in any other Credit Document, in each case, such annualized interest rate or other annualized rate is (i) readily determinable based on the methodology for calculation of annualized rates set out in this Article 3.00 and (ii) commercially reasonable. The execution of this Agreement by such Obligor conclusively evidences its unconditional and irrevocable acceptance of the foregoing, of the applicable annualized interest rate and of each other annualized rate provided for in, and as calculated under or pursuant to, this Agreement and each other Credit Document.
- (b) Each Obligor further covenants and agrees not to contest, repudiate or otherwise deny, by means of any proceeding, action, claim, demand, defence or otherwise, its acceptance of the applicable annualized interest rate or any other applicable annualized rate hereunder or in any other Credit Document or to assert that any such applicable annualized interest rate or other applicable annualized rate is not commercially reasonable and acceptable to it, or that any of the same is not readily determinable and appropriately disclosed to it in accordance with the requirements of the *Interest Act* (Canada) and otherwise pursuant to Applicable Law. Each Obligor also agrees that the provisions of this Section 3.8 are fully compliant with all subsisting requirements for disclosure of annualized interest or other annualized rates under the *Interest Act* (Canada) and otherwise under Applicable Law.
- (c) Notwithstanding anything to the contrary contained in any Credit Document, the interest paid or agreed to be paid under the Credit Documents shall not exceed the maximum rate of non-usurious interest permitted by Applicable Law (the "**Maximum Rate**"). If the Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Credit Facility or, if it exceeds such unpaid principal, refunded to the Borrowers. In determining whether the interest contracted for, charged, or received by the Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by Applicable Law, (i) characterize any payment that is not principal as an expense, fee, or premium

rather than interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

ARTICLE 4.00– CONDITIONS

4.1 Conditions upon the exit by the Borrowers and Holdings of the CCAA Proceedings

The effectiveness of this Agreement is subject to the fulfillment to the Agent's satisfaction, acting reasonably, of all of the following conditions:

- (a) Documentation. The Agent shall have received, in form and substance satisfactory to the Agent, each of the following, duly executed:
 - (i) this Agreement;
 - (ii) the Security Agreements required to be delivered on the Closing Date as set forth in Section 8.1;
 - (iii) the Kenzoll Intercreditor Agreement;
 - (iv) certificates of status or good standing, as applicable, of each Obligor for its jurisdiction of formation;
 - (v) a certificate of an officer of each Obligor with respect to certain factual matters pertaining to such Obligor and to which certificate is attached, the certificate and articles of formation and by-laws (or equivalent) of such Obligor, any shareholders agreement of such Obligor, a copy of a resolution of the directors, shareholders, managers, members or partners of such Obligor authorizing, among other things, the execution, delivery and performance of each of the Credit Documents to which it is a party, and a certificate of incumbency of its officers and directors; and
 - (vi) a copy of the Subdebt Credit Agreement in respect of the Marshall Subordinated Debt, which shall provide inter alia that the maturity date of the Marshall Fields Subdebt is at least six (6) months later than the Maturity Date unless such Postponed Debt is converted to equity pursuant to the terms of the Marshall Fields Subdebt prior to the maturity thereof.
- (b) Registration of Security. All registrations, recordings and filings of or with respect to the Security Agreements which in the opinion of counsel to the Agent are necessary to render effective the Agent's Liens intended to be created thereby shall have been completed.
- (c) Certificated Equity Interests. If applicable, the Agent shall have received original certificates for any equity interests issued to an Obligor in the capital of another Obligor, together with duly executed stock transfer powers of attorney with respect to such equity interests.
- (d) Due Diligence. The Agent and each of the Lenders shall have completed its business, financial, insurance and legal due diligence with respect to the Obligors (including, without limitation, all Material Agreements, Material Permits and shareholder indebtedness), including background

checks on the senior management of each of the Borrowers with results satisfactory to them.

- (e) Payment of Fees and Expenses. The Agent shall have received payment in full of all reasonable and documented fees and expenses required under this Agreement to be paid on or prior to the date of such Loan Advance.
- (f) Discharges, etc. The Agent shall have received, in form and substance satisfactory to the Agent, delivery of any estoppel letters, releases, discharges, subordinations and postponements (in registerable form where appropriate) with respect to any Liens affecting the Collateral.
- (g) Insurance. The Agent shall have received (i) a certificate for each business and property insurance policy maintained by or for the benefit of the Obligors, naming the Agent as an additional loss payee, (ii) a certificate for each commercial general liability insurance policy maintained by or for the benefit of the Obligors, naming the Agent as an additional insured, and (iii) a certificate for any property, aircraft, aviation, cargo, freight, marine cargo or similar insurance policy maintained by or for the benefit of the Obligors, as applicable, naming the Agent as an additional insured and as an additional loss payee, together with copies of all insurance policies referenced in such certificates.
- (h) Opinion. Legal counsel to each Obligor shall have delivered a currently-dated letter of opinion, in form and substance satisfactory to the Agent and its legal counsel in their sole discretion, acting reasonably with respect to, *inter alia*, due authorization, execution, delivery, and enforceability of the Credit Documents and the creation, validity and perfection of the Agent's Liens constituted by the Security Agreements.
- (i) CT Equity Investment and Marshall Subordinated Debt. The Agent shall have received evidence reasonably satisfactory to it that the CT Equity Investment has been made and that the Subdebt Credit Agreement in respect of the Marshall Subordinated Debt is in full force and effect.
- (j) KYC. The Agent and each of the Lenders shall have received all documentation and other information in respect of the Obligors, their Account Debtors, their suppliers and their respective authorized signing officers required pursuant to Anti-Terrorism and Corruption Laws, including guidelines or orders thereunder.
- (k) Customers and Suppliers. The Agent and each of the Lenders shall have received written permission from each Obligor to contact each Obligor's end customers (other than individual medicinal customers) and suppliers for the purposes of verification, in each case, subject to compliance with privacy laws and confidentiality obligations of the Obligor.
- (l) Business Plan. The Agent shall be satisfied with its review of the Borrowers' business plan and financial forecast for the 2022 fiscal year as of the Closing Date.
- (m) CCAA Plan Implementation. The CCAA Plan shall have been implemented and become effective prior to the date hereof (and the Agent acknowledges and agrees that it is satisfied with the CCAA Plan implemented on January 5, 2022).
- (n) CCAA Plan and CCAA Sanction Order. The Agent shall be satisfied with the terms of the CCAA Plan and the CCAA Sanction Order, in its reasonable discretion; and the Agent acknowledges and

agrees that it is satisfied with the CCAA Plan and the CCAA Sanction Order, each implemented on January 5, 2022.

- (o) [Reserved]
- (p) Representations and Warranties. The representations and warranties pursuant to Article 6.1 continue to be true and correct in all material respects as if made on and as of the date of such requested Loan Advance, as confirmed in the Borrowing Notice or Compliance Certificate, as applicable.
- (q) No Default or Event of Default. No Default or Event of Default has occurred and is continuing on the date of such requested Loan Advance, or would result from making such Loan Advance, as confirmed in the Borrowing Notice or Compliance Certificate, as applicable.
- (r) No Material Adverse Change. No Material Adverse Change has occurred since the date of the last financial statements for the month ended January 31, 2022 provided by the Obligors to the Agent.
- (s) Title Insurance. The Agent shall have received a title insurance policy in respect of the Real Estate Collateral, if any, owned by the Obligors in form and substance satisfactory to the Agent.
- (t) Approval of Agent's Legal Counsel. All legal matters incidental to the extension of credit by Lenders shall be satisfactory to the Agent's legal counsel and the Agent and the Lenders shall have received such additional evidence, documents or undertakings as the Agent or the Lenders shall reasonably request to establish the consummation of the transactions contemplated hereby and be satisfied, acting reasonably, as to the taking of all proceedings in connection herewith in compliance with the conditions set forth in this Agreement.
- (u) Miscellaneous. The Agent will have received such other conditions and/or documents or instruments as the Agent may reasonably require.

4.2 Conditions for Initial Loan Advance and Each Subsequent Loan Advance

The obligation of the Lenders to make the initial Loan Advance and any subsequent Loan Advance requested by any Borrower hereunder shall be subject to the fulfillment to the Agent's satisfaction, acting reasonably, of each of the following conditions:

- (a) Borrowing Notice. The Agent shall have received, in form and substance satisfactory to the Agent, a Borrowing Notice not less than one (1) Business Day prior to the proposed date of such requested Loan Advance.
- (b) Borrowing Base Certificate. The Agent shall have received, in form and substance satisfactory to the Agent, a Borrowing Base Certificate, setting out the Borrowing Base Amount as of the date of the proposed Loan Advance (in sufficient detail and with supporting calculations), evidencing that the Loan Advance requested pursuant to the accompanying Borrowing Notice does not exceed the Borrowing Limit.
- (c) Compliance. The Agent shall have received, in form and substance satisfactory to the Agent, an executed compliance certificate, substantially in the form of Schedule "D" (a "**Compliance Certificate**").

- (d) Representations and Warranties. The representations and warranties pursuant to Article 6.1 continue to be true and correct in all material respects as if made on and as of the date of such requested Loan Advance (unless expressly stated in Section 6.1 to apply only as at a specific earlier date), as confirmed in the Borrowing Notice or Compliance Certificate, as applicable.
- (e) No Default or Event of Default. No Default or Event of Default has occurred and is continuing on the date of such requested Loan Advance, or would result from making such Loan Advance, as confirmed in the Borrowing Notice or Compliance Certificate, as applicable.
- (f) No Material Adverse Change. No Material Adverse Change has occurred since the date of the last financial statements provided by the Obligor to the Agent.
- (g) Borrowing Limit. The making of any such Loan Advance shall not result in the Outstanding Principal Obligations under the Credit Facility exceeding the Borrowing Limit.
- (h) Miscellaneous. The Agent will have received such other conditions and/or documents or instruments as the Agent may reasonably require and are commercially reasonable to obtain in connection with such Loan Advance.

4.3 Waiver

The conditions set forth in Sections 4.1 and 4.2 are inserted for the sole benefit of the Agent and the Lenders and may be waived by the Agent, in whole or in part (with or without terms or conditions) in respect of the Loan Advance, without prejudicing the right of the Lenders at any time to assert such conditions in respect of any subsequent Loan Advances, if subsequent Loan Advances become available hereunder.

ARTICLE 5.00– FACILITY TERM AND PAYMENTS

5.1 Facility Term and Termination

- (a) The initial term of this Agreement will commence on the date of this Agreement and will continue until June 30, 2022 (the “**Initial Term**”), which may be extended for two (2) additional periods of six (6) months each thereafter (each a “**Facility Term Extension**”) upon written request from the Borrowers, and with the mutual agreement of the Borrowers and the Agent, no later than thirty (30) days prior to the end of the Initial Term; provided that each Facility Term Extension shall be conditional upon receipt by the Agent of evidence satisfactory to it that the maturity dates under the Subdebt Credit Agreement and the Marshall Fields Subdebt have each been extended to dates which are not less than thirty (30) days following the Maturity Date (as defined below).
- (b) The period commencing on the first day of the Initial Term and ending on the last day of the Initial Term or a Facility Term Extension (if applicable), is the “**Facility Term**”, and the last day of the Facility Term is the “**Maturity Date**”.
- (c) This Agreement may be terminated upon the mutual agreement of the Agent and the Borrowers, at which time, all accrued interest, principal and unpaid fees owing hereunder shall be paid in cash to the Agent on such Termination Date.
- (d) The Agent shall have the immediate right to terminate this Agreement upon notice to the

Borrowers if:

- (i) an Acceleration Event has occurred and is continuing; or
 - (ii) the Credit Facility shall become, in whole or in part, illegal or in contravention of any Applicable Law, policy or request of any Governmental Authority, unless such illegality or contravention resulted from the negligence of, or an illegal act by the Agent or a Lender.
- (e) The Agent shall have the immediate right to terminate this Agreement upon 120 days' notice if adverse market conditions are negatively affecting the liquidity of the Lenders; provided that, (i) the Termination Fee shall not be payable in such circumstances; and (ii) the repayment of the Outstanding Principal Obligations under the Credit Facility shall not be due and payable until 120 days after receipt of such notice by the Borrowers, unless otherwise agreed to in writing by the Borrowers.
- (f) The Borrower shall have the right to terminate this Agreement without the Agent's consent upon 30 days' notice to the Agent, subject to the payment to the Agent of:
- (i) the amounts described below in paragraph (g)(i); and
 - (ii) the Termination Fee, which shall be payable forthwith upon such termination.
- (g) If an Acceleration Event has occurred and is continuing and the Agent has elected to terminate this Agreement, then:
- (i) all accrued and unpaid interest, all outstanding principal and all unpaid fees (including the Termination Fee if such Event of Default results from a Change of Control which has not been consented to by the Agent) will be automatically due and payable under this Agreement, and the Borrowers will pay such amounts to the Agent forthwith upon such termination; and
 - (ii) each of the parties hereto will retain all of its rights and remedies under the Credit Documents, including such rights and remedies in favour of the Agent and the Lenders relating to the outstanding Obligations.

5.2 Repayment

The Borrowers shall repay all Obligations (including, for greater certainty, any unpaid Outstanding Principal Obligations, fees and accrued interest) on the Termination Date.

5.3 Mandatory Repayments

- (a) If the Agent determines that on any day the Outstanding Principal Obligations under the Credit Facility exceeds the Borrowing Limit (each such excess, a "**Borrowing Base Shortfall**"), then the Agent shall deliver to the Borrowers a Repayment Notice that such an event has occurred and the Borrowers shall, within three (3) Business Days following receipt of such notice, repay the Loan Advance under the Credit Facility in an amount equal to such excess.
- (b) If a Borrower sells any of the Real Estate Collateral, with the prior written consent of the Agent

and on terms satisfactory to the Agent, the Agent shall receive net sales proceeds from such sale, excluding only usual and customary closing adjustments, up to the total amount of the Borrowers' indebtedness to the Agent and the Lenders under the Credit Facility. For greater certainty, any such repayment by the Borrowers may be re-borrowed and shall not result in a permanent reduction of the availability and commitments under the Credit Facility.

5.4 Records of Payments

Each Borrower hereby authorizes the Agent to record from time to time, in its records, the date and amount of each Loan Advance made by it, the unpaid principal balance thereof and all payments received by the Agent, on behalf of the Lenders, on account of the Outstanding Principal Obligations, any interest thereon or fees or otherwise, and such other information as the Agent may reasonably require. All amounts so recorded shall be conclusive evidence (absent manifest error) of such Outstanding Principal Obligations, interest, fees and other amounts owing under any Credit Document. The failure to record, or any error in recording, any such amount shall not, however, limit or otherwise affect the obligations of the Borrowers to repay the Outstanding Principal Obligations, together with all accrued and unpaid interest thereon and all fees and other amounts owing under any Credit Document.

5.5 Place of Payments

Each Payment shall be made to the Agent (for the account of the Lenders), by electronic funds transfer to the Collections Account, at or before 3:00 p.m. (Toronto time) on the day the Payment is due. All amounts owing, whether on account of principal, interest or otherwise, shall be paid in Canadian Dollars and shall be made in immediately available funds without set-off or counterclaim. Each Payment made under this Agreement shall be made for value on the day the Payment is due, provided that if that day is not a Business Day, the Payment shall be due on the Business Day next following that day. All interest and other fees shall continue to accrue until payment of all Obligations in full has been received by the Agent (for the account of the Lenders).

5.6 Taxes; Withholding Tax Gross-Up

- (a) All payments in respect of the Obligations shall be made free and clear of and without any deduction or withholding for or on account of any present or future Taxes or governmental charges, and all liabilities with respect thereto, imposed by Canada, the United States of America, any other foreign government, or any political subdivision or taxing authority thereof or therein, excluding any Excluded Taxes (all such non-Excluded Taxes being hereinafter referred to as "Included Taxes"), except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of an applicable Obligor) requires the deduction or withholding of any Tax from any such payment by an Obligor, then the applicable Obligor shall be entitled to make such deduction or withholding. If any Included Taxes are imposed and required by law to be deducted or withheld from any amount payable to the Agent or the Lenders, then the Obligors shall (i) increase such payment by an amount (each an "Additional Amount") so that the Agent or the Lenders, as applicable, will receive a net amount (after deduction of all Included Taxes) equal to the amount due hereunder, and (ii) pay such Included Taxes to the appropriate taxing authority for the account of the Agent or the Lenders, as applicable, prior to the date on which penalties attach thereto or interest accrues thereon; provided, however, if any such penalties or interest shall become due, the Obligors shall make prompt payment thereof to the appropriate taxing authority.

- (b) The Obligors will pay to the relevant Governmental Authority in accordance with Applicable Law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any Credit Document, or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any Credit Document that are or would be applicable to the Agent and/or any Lender (“Other Taxes”).
- (c) The Obligors agree, jointly and severally, to indemnify the Agent and the Lenders for the full amount of Included Taxes and Other Taxes paid by the Agent and/or the Lenders and any liability actually incurred (including penalties, interest and expenses (including reasonable attorney’s fees and expenses)) arising as a result of any payment (or amount payable) by or on behalf of the Obligors hereunder or under any Credit Document, whether or not such Included Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by the Agent or any Lender, absent manifest error, shall be final conclusive and binding for all purposes. Such indemnification shall be made within 15 Business Days after the date the Agent and/or such Lender makes written demand therefor. The Obligors shall have the right to receive (in proportion to the amount of their respective indemnification payments) that portion of any refund of any Taxes and Other Taxes received by the Agent and/or such Lender for which, as determined by the Agent and/or such Lender in its reasonable discretion, the Obligors have previously paid any Additional Amount or indemnified the Agent and/or such Lender and which leaves the Agent and/or such Lender, after the Obligors’ receipt thereof, in no better or worse financial position than if no such Taxes or Other Taxes had been imposed or Additional Amounts or indemnification paid to the Agent and/or such Lender; provided, that the Obligors agree, upon the request of the Agent and/or any Lender, to repay the amount paid over to the Obligors (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent and/or such Lender in the event the Agent and/or such Lender is required to repay such refund to such Governmental Authority. This Subsection shall not be construed to require the Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrowers or any other Person. The Agent and/or the applicable Lender shall notify the Borrowers in writing of the receipt by such Person of any written notice from any taxing authority demanding, or threatening to demand, any Tax indemnifiable by any Obligor under this Section 5.6(c) within 30 days after receipt of such notice.
- (d) Any Lender that is entitled to an exemption from or reduction of withholding tax under the laws of the jurisdiction in which a Obligor is a resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder shall, at the request of such Obligor, deliver such properly completed and executed documentation as will permit payments from such Obligor to make payments hereunder without withholding or at a reduced rate of withholding.
- (e) [Reserved]
- (f) If an Obligor determines that a reasonable basis exists for contesting any Taxes for which an Obligor has paid Additional Amounts pursuant to this Section 5.6, each Lender and the Agent shall cooperate with such Obligor in contesting such Taxes. Such Obligor shall indemnify the Agent and each Lender for their reasonable expenses incurred cooperating in contesting such Taxes.
- (g) Each Lender and/or the Agent, as applicable, shall promptly notify the Obligors of any change in circumstances that would modify or render invalid any claimed exemption from or reduction of

Taxes of which they are aware and take all such reasonable steps as necessary to avoid any withholding or deduction of Taxes from any amounts paid by a Obligor hereunder.

- (h) The obligations of the Obligors under this Section 5.6 shall survive the termination of this Agreement.

5.7 Application of Payments

Each repayment or prepayment made under this Agreement shall be credited as follows:

- (a) first, to any interest or fees hereunder then accrued and remaining unpaid;
- (b) second, to the outstanding principal balance owing hereunder;
- (c) third, to the payment of any other Obligations; and
- (d) fourth, if any balance remains, to the Borrowers or as the Borrowers may direct.

ARTICLE 6.00– REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties

Each Borrower, on behalf of itself and each other Obligor, makes the following representations and warranties to the Agent and each of the Lenders as of the date hereof and on each day following the date hereof until the Termination Date, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all Obligations:

- (a) Legal Status. It has been duly formed, incorporated, amalgamated or continued, as the case may be, and is validly subsisting under the laws of its jurisdiction of formation, incorporation, amalgamation or continuance, as the case may be. It is, and will be at all times at which the Loan Advance is outstanding hereunder, duly qualified and has all required licenses, registrations, approvals and qualifications to carry on its business in each jurisdiction in which the nature of its business requires such licenses, registrations, approvals and/or qualifications.
- (b) Locations. Its chief executive office, registered office, principal place of business and jurisdiction of organization are accurately described in Schedule “E” attached hereto. Its business and operations, and the locations thereof (including whether such locations are owned or leased), are accurately described in Schedule “E” attached hereto. Other than tangible Collateral which in the aggregate do not exceed Twenty-Five Thousand Dollars (\$25,000) and in-transit inventory, all of the tangible Collateral is located at the locations described in Schedule “E” attached hereto.
- (c) Financial Year End. In the case of each Borrower only, its financial year end is December 31 of each calendar year.
- (d) Authorization and Validity. It has the power, capacity and authority to own and operate its property and assets, to develop, own, operate and carry on its business as currently conducted by it and to enter into, execute, deliver and perform its obligations under this Agreement and each other Transaction Document to which it is a party. It has the power and is duly authorized

to borrow as herein contemplated and to provide the security interests herein contemplated. This Agreement, the Security Agreements and each of the other Credit Documents to which it is a party have been duly authorized and delivered by it in accordance with Applicable Law. Upon their execution and delivery in accordance with the provisions hereof, each of the Credit Documents to which it is a party will constitute legal, valid and binding obligations of it, enforceable in accordance with their respective terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by principals of equity). The Security Agreements create or will create in favour of the Agent valid and enforceable first ranking Liens upon the Collateral subject to Permitted Liens and, subject only to the terms of this Agreement and the Security Agreements, the Agent's Liens have been registered or recorded in all places where registration or recording is necessary to perfect and protect the charges and security interests created therein.

- (e) No Violation. The execution, delivery and performance by it of each of the Credit Documents to which it is a party and the Liens granted pursuant to the Security Agreements do not violate any provision of any Applicable Law of a material nature, or contravene any provision of its constating documents, or result in any material breach of or default under any contract, obligation, indenture or other instrument to which it is a party or by which it is bound.
- (f) Consent Respecting Credit Documents. It has obtained all consents, approvals, authorizations, declarations and has completed all, registrations, filings, notices and other actions whatsoever required under Applicable Law to enable it to execute and deliver each of the Credit Documents to which it is a party and to consummate the transactions contemplated by the Credit Documents and to perform its obligations hereunder and thereunder, and all such consents, approvals, authorizations remain in full force and effect.
- (g) Taxes. It has duly and timely filed all tax returns required to be filed by it and has paid or made adequate provision for the payment of all taxes levied on its property or income which are showing therein as due and payable, including interest and penalties, or has accrued such amounts in its financial statements for the payment of such taxes except for taxes which are not material in amount or which are not delinquent or if delinquent are being contested and for which reasonable reserves under GAAP are maintained, and there is no material action, suit, proceeding, investigation, audit or claim now pending, or to its knowledge, threatened by any Governmental Authority regarding any taxes nor has it agreed to waive or extend any statute of limitations with respect to the payment or collection of taxes.
- (h) Judgments, Etc. It is not subject to any judgment, order, writ, injunction, decree or award, or to any restriction, rule or regulation (other than customary or ordinary course restrictions, rules and regulations consistent or similar with those imposed on other Persons engaged in similar businesses) which has not been stayed or of which enforcement has not been suspended which, in each case, restrains, prohibits or delays the execution and delivery of the Credit Documents.
- (i) Title to Assets. It owns, leases or has rights in all assets required in order to carry on its businesses as presently conducted. It has not sold, leased or otherwise disposed of any Collateral other than inventory in the ordinary course of business. It is the sole legal and beneficial owner of, and has good title to, all Collateral, free and clear of all Liens (other than the Agent's Liens and other Permitted Liens) and other Adverse Claims and it has good right, full power and absolute authority to grant the Agent's Liens in the Collateral.

- (j) Compliance with Applicable Law. It is in compliance in all material respects under all Applicable Law (specifically including, for greater certainty, all applicable Cannabis Laws). The business operations of each Obligor is and will continue to be conducted in compliance with all Applicable Law of each jurisdiction in which business has been or is being carried on, other than to the extent it would not cause a Material Adverse Change.
- (k) No Default or Event of Default. To the Obligor's Knowledge, no Default or Event of Default has occurred which is continuing.
- (l) Litigation. Other than (A) the CCAA Proceedings and the litigation stayed by such proceedings, (B) proceedings in respect of claims settled by the CCAA Plan and to be discharged, and (C) except as described in Schedule "F", there are no pending, or to any Obligor's Knowledge threatened, actions, claims, investigations, suits or proceedings (including any tax-related matter) by or before any Governmental Authority, arbitrator, court or administrative agency, which if adversely determined could reasonably be expected to result in a judgment, award or liability to an Obligor greater than Five Hundred Thousand Dollars (\$500,000) in the aggregate which is not, after payment of any applicable deductible, fully covered by the proceeds of insurance maintained by or for the applicable Obligor, other than those disclosed by it to the Agent in writing prior to the date hereof.
- (m) Environmental Laws. Except as described in Schedule "G",
 - (i) each Obligor is and has been in material compliance with all applicable Environmental Laws, including obtaining, maintaining and complying with all permits required by any applicable Environmental Laws;
 - (ii) no Obligor is party to, and no real property currently or previously owned, leased or otherwise occupied by or for any Obligor is subject to or the subject of, any contractual obligation or any pending or, to the Obligor's Knowledge, threatened order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice under or pursuant to any Environmental Laws which could reasonably be expected to result in a remedial obligation having a Material Adverse Change,
 - (iii) no Lien in favour of any Environmental Laws securing, in whole or in part, environmental liabilities has attached to any property of the Obligors and no facts, circumstances or conditions exist that could reasonably be expected to result in any such Lien attaching to any such property;
 - (iv) no Obligor has caused or suffered to occur a release of any hazardous substances or conditions creating any potential for such a release at, to or from any real property other than in compliance with Environmental Laws and except when failure to do so could not reasonably be expected to have a Material Adverse Change;
 - (v) no Obligor has engaged in operations that, and no facts, circumstances or conditions exist that, in the aggregate, would have a reasonable likelihood of resulting in material environmental liabilities; and
 - (vi) each Obligor has made available to the Agent copies of all existing environmental reports,

reviews and audits and all documents pertaining to actual or potential environmental liabilities, in each case to the extent such reports, reviews, audits and documents are in its possession, custody or control.

- (n) Correctness of Financial Statements. The financial statements of each Borrower for the fiscal year ended December 31, 2020 and the fiscal quarter ended September 30, 2021, and all financial statements (including, without limitation, all information, reports, budgets, forecasts and projects) delivered to the Agent since said dates, true copies of which have been delivered by such Borrower to the Agent prior to the date hereof, and subject to any adjustments as a result of completion of an audit by the Borrowers' accountants, (i) are complete and correct in all material respects and present fairly the financial condition of such Borrower and its Subsidiaries as of the dates referred to therein, (ii) disclose all liabilities of such Borrower and its Subsidiaries that are required to be reflected or reserved against under GAAP, consistently applied, whether liquidated or unliquidated, fixed or contingent, and (iii) have been prepared in accordance with GAAP consistently applied. Since the dates of such financial statements there has been no Material Adverse Change in the financial condition of such Borrower and its Subsidiaries, nor has such Borrower or any of its Subsidiaries mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favour of the Agent or as otherwise permitted by the Agent in writing.
- (o) Disclosure. All information and statements (including, without limitation, financial information, financial statements, reports, budgets, forecasts and projections) furnished by or in respect of the Obligors to the Agent for the purposes of or in connection with this Agreement and each of the Credit Documents furnished to the Agent or any Lender by any Obligor for use in connection with the transactions contemplated hereby are true, complete and accurate in all material respects and do not contain any untrue statement of fact or omit to state a fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. There are no facts known (or which should upon the reasonable exercise of diligence be known) to it (other than matters of a general economic nature) that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change and that have not been disclosed herein.
- (p) Bankruptcy Events. Other than the CCAA Proceedings, no Bankruptcy Event has been initiated by it or occurred in respect of it, and to its knowledge, after due inquiry, no Bankruptcy Event has been threatened against it.
- (q) [Reserved.]
- (r) No Subordination. There is no agreement, indenture, contract or instrument to which it is a party or by which it may be bound that requires the subordination in right of payment of any of its obligations under this Agreement or any other Credit Document to which it is a party to any of its other obligations other than (A) the Balfour Tolling Agreement, and (B) the BMO GIC.
- (s) Debt. All Debt, including (i) indebtedness for borrowed money, (ii) any liability or obligation required to be characterized as debt in accordance with GAAP, (iii) any liability or obligation secured by a lien on any property, assets or undertaking owned or acquired, (iv) any other debt, liability or obligation of the Obligors (other than unsecured trade payables and unsecured liabilities incurred in the ordinary course), including Permitted Indebtedness, but excluding

indebtedness owed by one Obligor to another Obligor, are described on Schedule "H" attached hereto.

- (t) Collection Accounts and Deposit Accounts. The location, description and beneficiary of each Collection Account and Deposit Account is accurately set forth on Schedule "I". Each applicable Obligor has instructed its Account Debtors to make all payments on account of such Obligor's accounts receivable to such Obligor's Collection Account. Other than the accounts described in Schedule "I", such Obligor does not have or maintain any other bank accounts.
- (u) Other Obligations. It is not in material default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, or liability except for amounts that are being contested and for which reasonable reserves under GAAP are maintained.
- (v) Subsidiaries. Other than as set out in Schedule "J", no Obligor owns any securities or other equity interests in any Person.
- (w) Material Agreements and Material Permits. Schedule "K" contains a true and complete list of all Material Agreements and Material Permits to which each Obligor is a party. Each Material Agreement and Material Permit is in good standing and in full force and effect; and to each Obligor's Knowledge the other parties thereto are not in material breach of any of the terms or conditions contained therein and no proceedings have been threatened to revoke or amend any of such Material Agreements or Material Permits.
- (x) Liens. No Obligor is aware of any Person with a secured claim against any Obligor or the Collateral except for the Permitted Liens.
- (y) Insurance. Each Obligor maintains insurance policies and coverage which (i) is sufficient for compliance with Applicable Law and all Material Agreements to which an Obligor is a party and (ii) provide adequate insurance coverage in at least such amounts and against at least such risks as are usually insured against to the same extent by Persons engaged in the same or similar business to the assets and operations of the Obligors.
- (z) Anti-Terrorism and Corruption Laws.
 - (i) It has conducted its businesses in compliance with Anti-Terrorism and Corruption Laws.
 - (ii) It is not, and to its knowledge, none of its Affiliates or agents acting or benefiting in any capacity in connection with the credit granted under this Agreement is any of the following:
 - (A) a Person that is listed in the annex to, or is otherwise the target of the provisions of, the Executive Order;
 - (B) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise the target of the provisions of, the Executive Order;
 - (C) a Person that commits, threatens or conspires to commit or supports "terrorism"

as defined in the Executive Order; or

- (D) a Blocked Person.
- (iii) To its knowledge, it does not and no agent acting on its behalf in any capacity in connection with the credit granted under this Agreement (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 6.1(z)(ii) above, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism and Corruption Law.
- (iv) Neither it, nor to its knowledge, any of its directors or officers, or any employees, agents, or its Affiliates, is a Sanctioned Person.
- (v) Neither it, nor to its knowledge, any of its directors, officers, agents, employees, Affiliates or other person acting on behalf of them or any of their Subsidiaries are aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of any applicable anti-bribery law, including but not limited to FCPA. Furthermore, it and, to its knowledge, its Affiliates have conducted their businesses in compliance with the FCPA and similar laws, rules or regulations.
- (vi) Neither it, nor to its knowledge, any of its directors, or officers, or any employees, agents, or Affiliates, is in violation of any requirement pursuant to the USA Patriot Act, as amended, PL 107-56 (2001), or its implementing regulations set forth at 31 CFR 1010 et seq.; or to pursuant to the Bank Secrecy Act, as amended, 12 USC 1951 et seq., and/or the *Currency and Foreign Transactions Reporting Act*, as amended, 31 USC 5311 et seq.
- (vii) Neither it, nor to its knowledge, any of its directors, or officers, or any employees, agents, or Affiliate, is subject to any ongoing or threatened investigation, administrative or judicial orders in connection with its conduct, or activities, pursuant to the laws and regulations set forth in Section 6.1(z)(vi) above.
- (viii) Neither it, nor to its knowledge, any of its directors, or officers, or any employees, agents, or Affiliate, is, or has taken any action, directly or indirectly, that would result in a violation or any requirement pursuant to the laws and regulations set forth in Section 6.1(z)(vi) above.
- (ix) Notwithstanding anything in this Agreement, nothing in this Agreement shall require any Borrower or any Obligor, or any director, officer, employee, agent or Affiliate of any Borrower or any Obligor that are registered or incorporated under the laws of Canada or a province or territory thereof to commit an act or omission that contravenes the *Foreign Extraterritorial Measures (United States) Order, 1992*.
- (aa) U.S. Cannabis. It has no direct, indirect or ancillary interest in any “marijuana-related activity” in the United States of America as defined in Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Activities* of the Canadian Securities Administrators.

6.2 Survival and Repetition of Representations and Warranties

The representations and warranties set out in Section 6.1 will be deemed to be repeated by each Obligor as of the last Business Day of each month until the Termination Date except to the extent that on or prior to such date:

- (a) the Borrowers have advised the Agent in writing of a variation in any such representation or warranty; and
- (b) the Agent has approved such variation in writing.

ARTICLE 7.00– COVENANTS

7.1 Affirmative Covenants

So long as this Agreement is in effect, and until the Obligations have been indefeasibly paid in full, each Borrower covenants and agrees that it will, and will cause each other Obligor to, except as otherwise permitted by the prior written consent of the Agent, which consent may be withheld in the Agent's discretion unless otherwise expressly provided herein:

- (a) make due and timely payment of the Obligations required to be paid by it under this Agreement or any other Credit Document;
- (b) use the proceeds of the Credit Facility only for the purposes permitted by Section 2.2;
- (c) satisfy the terms and conditions of this Agreement and any other Credit Document to which it is a party;
- (d) immediately, and in any event within two (2) Business Days, advise the Agent of the occurrence of any Default or Event of Default;
- (e) file all tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Priority Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
- (f) give the Agent no less than five (5) days prior notice of any intended issuance of equity interests in any Obligor, other than Holdings and Equity;
- (g) comply in all material respects with all Applicable Laws, including all Environmental Laws and all Cannabis Laws, and use the proceeds of all Loan Advances hereunder for legal and proper purposes; and without limiting the generality of the foregoing the Borrowers shall and shall cause each other Obligor to:
 - (i) engage in Cannabis-Related Activities only to the extent that such Cannabis-Related Activities are (A) in an Approved Jurisdiction, and (B) in compliance with all Applicable Laws in such Approved Jurisdiction (including, without limitation on a federal, state, provincial, territorial and municipal basis);

- (ii) ensure that all activities of the Obligors relating to the cultivation, production and processing of Cannabis and Cannabis-related products occur solely in facilities licensed by Governmental Authorities in Approved Jurisdictions; and
- (iii) ensure that all activities of the Obligors relating to the sale of Cannabis and Cannabis-related products occur solely in facilities licensed by Governmental Authorities in Approved Jurisdictions or between entities licensed by Governmental Authorities in Approved Jurisdictions;
- (h) immediately advise the Agent of any material action requests or material violation notices received concerning it greater than Two Hundred and Fifty Thousand Dollars (\$250,000) in the aggregate;
- (i) immediately advise the Agent of any unfavourable change in its financial position which may materially adversely affect its ability to pay or perform its obligations under and in accordance with the terms of the Credit Documents;
- (j) keep its assets insured against such perils, in such amounts, and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep insured such buildings against such perils;
- (k) at reasonable times and upon reasonable notice (provided that upon the occurrence of an Event of Default, the Agent is permitted to do the following at any time and without notice) permit the Agent or its representatives, from time to time and during normal business hours, (i) to visit and inspect its premises, properties and assets and examine and obtain copies of its records or other information, and (ii) to discuss its affairs with its auditors (in the presence of such Obligor's representatives as it may designate) (and it hereby consents to the auditor providing the Agent or its representatives all such information, records or documentation reasonably requested by the Agent);
- (l) permit and fully co-operate with each party conducting any field exam or due diligence on behalf of the Agent and will reimburse the Agent for all costs associated with any such field exams and appraisals;
- (m) defend the right, title and interest of it and the other Obligors in and to the Collateral against the claims and demands of all Persons whomsoever;
- (n) if any Obligor receives any proceeds of items included in the Borrowing Base Amount or any other Collateral in any bank account other than a Collection Account, within two (2) Business Days of receipt thereof, transfer such proceeds to a Collection Account;
- (o) conduct its business in compliance with Anti-Terrorism and Corruption Laws;
- (p) maintain adequate books and records in accordance with GAAP consistently applied, and permit any representative of the Agent, at any reasonable time and upon reasonable notice, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of the Obligors up to a maximum of once per calendar quarter at the cost and expense of the Borrowers (provided that such maximum number of inspections will not apply if there exists

- an Event of Default that is continuing);
- (q) preserve and maintain all material licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and maintain in good standing its corporate existence and comply with the provisions of all documents pursuant to which it is organized and/or which govern its continued existence and comply in all material respects with the requirements of all Applicable Law applicable to it and/or its business;
 - (r) continue to preserve and maintain its existence (other than pursuant to a transaction permitted by Section 7.2(e));
 - (s) notify the Agent within three (3) Business Day of any Account Debtor of an Obligor notifying such Obligor that such Account Debtor is contesting or disputing any Debtor Invoice having an outstanding amount of Two Hundred and Fifty Thousand Dollars (\$250,000) or more;
 - (t) upon the Agent's reasonable request, provide the Agent with such information relating to any vendor number or similar identification of such Obligor by its end customers and/or suppliers;
 - (u) grant the Agent view access rights over (i) all bank statements for all bank accounts of the Obligors, and (ii) if permitted and supported by the applicable financial institution, all bank accounts of the Obligors;
 - (v) if a Default or an Event of Default has occurred and is continuing, set aside the proceeds of any Collateral sold by it and hold it as trustee for the Agent and such shall remain part of the Collateral;
 - (w) with respect to the Security Agreements and the Agent's Liens:
 - (i) provide to the Agent the Security Agreements required from time to time pursuant to Article 8.00 in accordance with the provisions of that Article, accompanied by supporting resolutions, certificates and opinions in form and substance satisfactory to the Agent and its counsel in their sole discretion, acting reasonably;
 - (ii) do, execute and deliver all such things, documents, security, agreements and assurances as may from time to time be requested by the Agent or any Lender to ensure that the Agent holds at all times valid, enforceable, perfected first priority security from each Borrower for and on behalf of itself and the Lenders meeting the requirements of Article 8.00; and
 - (iii) do, observe and perform all of its obligations in all matters and things necessary or expedient to be done, observed or performed by virtue of any Applicable Law for the purpose of creating, perfecting, maintaining or registering the Agent's Liens, all of which shall at all times be duly and properly registered so as to preserve and protect the interest of the Agent and the Lenders therein;
 - (x) promptly following the acquisition or formation of any Subsidiary by an Obligor cause such Subsidiary to do all such things and execute all such documents as may be reasonably required by the Agent to become a Guarantor hereunder and to grant in favour of the Agent a first ranking security interest over all of its assets and personal property (subject to Permitted Liens), including executing an instrument of assumption and joinder to this Agreement, a guarantee and a security

agreement, each in a form satisfactory to the Agent;

- (y) ensure that all distributions and other payments between or among the Obligor and all guarantors of the Obligations made by the Guarantors under any Credit Documents are made in compliance with Applicable Laws, including laws or regulations concerning capital maintenance, financial assistance and any requirement that a Person be Solvent at the time that such distributions, payments or guarantors are made;
- (z) [Reserved.]
- (aa) subject to privacy laws and confidentiality obligations of each Obligor, the Agent may, from time to time, contact such Obligor's customers and suppliers for the purposes of verification, and each Obligor hereby confirms, acknowledges and agrees that the Agent is permitted to make such contact, provided, however, that the parties agree that the Agent shall not contact any individual medicinal customer;
- (bb) will (i) where an Account Debtor makes a payment in the form of a cheque, deposit such cheque into a Collections Account, or (ii) where an Account Debtor makes a payment by electronic funds transfer, direct such Account Debtor to make such transfer to a Collections Account;
- (cc) within thirty (30) days of the Closing Date (or such later date as the Agent may agree), use commercially reasonable efforts to deliver to the Agent original certificates for the equity interests issued to Equity in the capital of Cannabis Coffee and Tea Pod Company Ltd., together with duly executed stock transfer powers of attorney with respect to such equity interests and accompanied by supporting resolutions and certificates in form and substance satisfactory to the Agent; and
- (dd) by no later than June 30, 2022 (or such later date as the Agent may agree), use commercially reasonable efforts to deliver to the Agent third party appraisals of any Collateral or Approved Equipment by an Acceptable Appraiser, in form and substance satisfactory to the Agent.

7.2 Negative Covenants

So long as this Agreement is in effect, and until the Obligations have been indefeasibly paid in full, each Obligor covenants and agrees that it will not, except as otherwise permitted by the prior written consent of the Agent, which consent may be withheld in the Agent's discretion unless otherwise expressly provided herein:

- (a) except for Permitted Liens, grant, create, assume or suffer to exist any Lien affecting any Collateral;
- (b) other than Permitted Asset Sales, sell, transfer, convey, lease or otherwise dispose of any of Collateral;
- (c) other than Permitted Guarantees, provide any guarantees, financial assistance or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person;

- (d) other than Permitted Investments, make any Investment in any Person, over which the Agent does not hold a perfected, first-priority Lien (subject to Permitted Liens); provided that no such Permitted Investment (i) is made using the proceeds of any Loan Advance or any Collateral included in the Borrowing Base Amount, (ii) is made during the continuance of any Event of Default, or (iii) if made would (A) result in the Obligor making such loan, investment, contribution or other payment ceasing to be Solvent, (B) result in a Material Adverse Change to such Obligor or any of its Affiliates, or (C) result in the occurrence of an Event of Default;
- (e) other than the Permitted Corporate Restructuring, the CT Equity Investment and amalgamations between (a) Obligors, (b) Holdings, (c) CTI Holdings (Osoyoos) Inc., and/or (d) Elmcliffe Investments [No.2] Inc., without giving the Agent 15 days prior notice in writing and obtaining the Agent's consent, merge, amalgamate, sell all or substantially all of its assets, properties and undertaking or otherwise enter into any other form of business combination (each a "**Business Combination Transaction**") with any other Person and it will either: (i) if the Agent consents to such Business Combination Transaction, cause any such resulting Person to become a borrower or guarantor, as applicable, hereunder and to grant such security and enter into such Credit Documents and other agreements as the Agent may require and to grant such security and enter into such agreements as the Agent may require, and if a Borrower is the non-surviving entity of any Business Combination Transaction, then such action will constitute an Event of Default unless the surviving entity of Business Combination Transaction agrees to assume the Obligations of such Borrower hereunder and under each other Credit Document to which such Borrower is a party, in each case on terms satisfactory to the Agent, and provided that the Agent and each of the Lenders shall have received all documentation and other information in respect of such surviving entity or such purchaser, as applicable, and their respective authorized signing officers required pursuant to Anti-Terrorism and Corruption Laws, including guidelines or orders thereunder; or (ii) if the Agent does not consent to such Business Combination Transaction, such Borrower shall promptly repay all Obligations and this Agreement will be terminated immediately upon such repayment;
- (f) other than Permitted Payments, pay any Restricted Payments; provided that no such Permitted Payment (i) is made during the continuance of any Event of Default, or (ii) if made would result in the occurrence of an Event of Default;
- (g) acquire or move any material Collateral to any jurisdiction where the Agent's Liens in the Collateral have not been perfected without first executing and delivering all such Security Agreements and other documentation and completing all registrations, recordings and filings to grant in favour of the Agent an equivalent Lien in such Collateral and to render effective the Liens granted thereby, all in form and substance satisfactory to the Agent;
- (h) incur additional Debt other than Permitted Indebtedness;
- (i) make or cause any amendment to, or surrender or termination of, any Material Agreement if the effect of such amendment would be reasonably likely to result in a Default or Event of Default;
- (j) (i) amend, vary or terminate any Control Agreement without the Agent's consent, or (ii) amend, modify or otherwise change any banking instructions provided to the financial institution maintaining any Collections Account, which would result in either the application of any funds from any Account Debtor to an account other than a Collections Account or the prevention of the Agent from having view access over any Collections Account;

- (k) amend, supplement (in a way that is detrimental to the Agent or any Lender), terminate, abandon, allow to expire or fail to renew any Material Permit if the effect of such amendment, supplement, termination, abandonment, expiration or failure to renew would be reasonably likely to result in a Default or Event of Default;
- (l) enter into any transaction with any Affiliate, other than another Obligor, except as permitted in (i) any Credit Document, (ii) the Subdebt Credit Agreement or the documents governing the Marshall Fields Subdebt; or (iii) otherwise on terms no less favourable than could be obtained in an arm's-length transaction; or
- (m) enter into any swaps, futures, hedges, foreign exchange or commodity transactions for spot or forward delivery, contracts or other derivative transactions for investment or speculative purposes (for greater certainty, the entering into of any such swaps, futures, hedges, foreign exchange or commodity transactions for spot or forward delivery, contracts or other transactions for protection against fluctuation in currency or interest rates or commodity prices is permitted).

7.3 Financial Covenants

So long as this Agreement is in effect, and until the Obligations have been indefeasibly paid in full, each Borrower covenants and agrees that it will, except as otherwise permitted by the prior written consent of the Agent, which consent may be withheld in the Agent's discretion unless otherwise expressly provided herein:

- (a) at all times thereafter maintain a minimum Tangible Net Worth of Twenty Million Dollars (\$20,000,000); and
- (b) maintain a level of actual EBITDA equal to or greater than the EBITDA levels as presented on the Borrowers' Approved Budget Forecast where such actual EBITDA earned (or lost) in any consecutive three (3) month period must be (i) equal to or greater than 90% of projected EBITDA in such period if projected EBITDA is to be positive, or (ii) greater than or equal to projected EBITDA in such period if EBITDA is projected to be negative, provided that a breach of this covenant will not occur if any absolute variance from actual EBITDA to projected EBITDA is less than Two Hundred and Fifty Thousand Dollars (\$250,000) for such three (3) month period.

7.4 Reporting Covenants

So long as this Agreement is in effect, and until the Obligations have been indefeasibly paid in full, each Borrower covenants and agrees that it will, except as otherwise permitted by the prior written consent of the Agent, which consent may be withheld in the Agent's discretion unless otherwise expressly provided herein:

- (a) provide or cause to be provided to the Agent all of the following, in form and detail satisfactory to Agent:
 - (i) quarterly, within 30 days after each calendar quarter end, financial reporting for each Borrower on a consolidated and an unconsolidated basis;
 - (ii) monthly:

- (A) within 30 days after the end of each calendar month:
 - (I) internal management prepared financial statements of the Borrowers and each other Obligor as at the end of such calendar month on a consolidated and an unconsolidated basis;
 - (II) a trial balance of the Borrowers and each other Obligor as at the end of such calendar month; and
 - (III) a summary of any notice (if any) received by any Borrower during such prior month of any Account Debtor of an Obligor notifying such Obligor that such Account Debtor is contesting or disputing any Debtor Invoice having an outstanding amount of Two Hundred and Fifty Thousand Dollars (\$250,000) or more;
- (B) within ten (10) days after the end of each calendar month, proof of all payments required to be made on all Taxes owing by the Borrowers and each other Obligor;
- (C) within two (2) Business Days after the end of each calendar month:
 - (I) a certificate setting out the details of the Borrowing Base Amount (each a “**Borrowing Base Certificate**”) as at the last day of such calendar month;
 - (II) account statements generated by the applicable bank for all bank accounts (including all Collection Accounts) of each Borrower and each other Obligor (if not available to the Agent through its view access of such bank accounts);
 - (III) a cash reconciliation, to the extent not provided in any Borrowing Base Certificate, reconciling all purchases, repayments, chargebacks, write-offs and any other transactions covering such calendar month;
- (iii) weekly:
 - (A) by-Monday of each week, for the period covering the previous 7 days ending on Friday of such week:
 - (I) a Borrowing Base Certificate as at the Friday of the immediately prior week;
 - (II) a cash reconciliation, to the extent not provided in any Borrowing Base Certificate, reconciling all purchases, repayments, chargebacks, write-offs, credit memos and any other transactions covering the prior week;
 - (III) a 13-week cash forecast of the Borrowers covering the following 13-week period from the time of reporting such forecast;
- (iv) if and as requested by the Agent from time to time, copies of all original Debtor Invoices, supply agreements and other documents relating to any amounts included in calculating

the Borrowing Base Amount;

- (v) if and as requested by the Agent from time to time, such information required to fulfill any environmental, social and governance reporting and initiatives that the Agent or any Lender is engaged with; ~~and~~
 - (vi) such other documents and information as the Agent and the Borrowers may mutually agree.
- (b) provide a copy of the annual budgets and business plans, including sales plans and revenue projections, for the Obligors, as available (and in any event no later than the end of the first fiscal quarter of each fiscal year);
 - (c) provide a periodic (but no more than quarterly) business review of the Obligors on such terms and such basis as may be required by the Agent to determine compliance with the terms of this Agreement and the other Credit Documents;
 - (d) at the time of delivery of any Borrowing Base Certificate, provide copies of all Debtor Invoices, all bills of lading and all insurance confirmations relating to any and all amounts included in the Borrowing Base Amount from time to time;
 - (e) upon request by the Agent, any information required for the Agent and the Lenders to complete any background checks on senior management of each of the Borrowers; and
 - (f) promptly give written notice to the Agent in reasonable detail of:
 - (i) on a monthly basis, within five (5) days after the end of each calendar month, copies of all amendments to Material Agreements and Material Permits, if any, entered into in the prior month;
 - (ii) all correspondence and notices received from any Governmental Authority or stock exchange with respect to any Material Agreement, Material Permit or any regulatory or other investigations into the Obligors' business practices which could have a material and negative effect on any of the Obligors or their business, or any of the Obligors' ability to repay the obligations owing under this Agreement or would be likely to result in a Default;
 - (iii) any changes in the identity of Responsible Persons, which materially affect the Obligors together with satisfactory evidence of security clearances for such Responsible Persons pursuant to Cannabis Laws; and any rejection notice for new or renewal security clearance applications for each Responsible Person;
 - (iv) the occurrence of any Default or any Event of Default;
 - (v) any violation of any Applicable Law which results or could result in a Material Adverse Change;
 - (vi) any litigation pending or threatened against any Obligor which could reasonably be expected result in a Material Adverse Change;

- (vii) any encumbrance or Adverse Claim registered or alleged or asserted against any Collateral;
- (viii) any change in the name, the organizational structure or the jurisdiction of organization of any Obligor, including as a result of any amalgamation, arrangement, continuance, dissolution or any Business Combination Transaction involving such Obligor; and
- (ix) Greg Guyatt (or such other officer, director or designated representative of Equity) ceases to remain on the board of directors of Holdings.

7.5 Anti-Terrorism and Corruption Laws.

- (a) Each Obligor acknowledges and agrees that:
 - (i) the Agent and the Lenders are required to act in accordance with Anti-Terrorism and Corruption Laws, each of the Agent and the Lenders may take any action which it, in its sole and reasonable discretion, considers appropriate to take, to comply with Anti-Terrorism and Corruption Laws, and its internal policies relating to Anti-Terrorism and Corruption Laws, and such action may include but is not limited to (A) interception and/or investigation of any payment messages and other information or communications sent to or by the Obligors via the network and systems of the Agent and the Lenders, (B) investigation of any application for product or service, or drawdown or utilization of financing facility, by the Obligors, (C) making further enquiries as to whether a name which might refer to a sanctioned person or entity actually refers to that person or entity, (D) delaying, blocking or refusing any payment, provision of any product or service; or drawdown or utilization of any financing facility, and (E) giving any information about any transaction or activity to any person authorized under any Anti-Terrorism and Corruption Law or its internal policy relating to Anti-Terrorism and Corruption Laws to receive that information;
 - (ii) third parties (including the government of the United States of America and other government authorities) may also take action under Anti-Terrorism and Corruption Laws, which may result in delays, blocking, seizure or confiscation of payments;
 - (iii) the Agent and the Lenders will not be liable under this Agreement or any other Credit Document for loss (whether direct or consequential and including, without limitation, loss of profit or interest) or damage suffered by any party arising out of any delay or failure by any of the Agent or the Lenders in processing any payment messages, information or communications, performing any of its duties or other obligations in connection with any account, providing any product or service to any person, or effecting a drawdown or utilization of any financing facility, in each case caused in whole or in part by any steps which any of the Agent and the Lenders, in its sole and reasonable discretion, considers appropriate to take in accordance with Anti-Terrorism and Corruption Laws or its internal policies relating to Anti-Terrorism and Corruption Laws, or the exercise of any of the Agent's and the Lenders' rights under this Section, or any action taken by third parties in accordance with Anti-Terrorism and Corruption Laws; and
 - (iv) in certain circumstances the action which any of the Agent and the Lenders may take may prevent or cause a delay in the processing of certain information, and none of the Agent

and the Lenders warrants that any information on its respective systems relating to any payment messages or other information or communications which are the subject of any action taken pursuant to this Section is accurate, current or up-to-date at the time it is accessed, whilst such action is being taken.

- (b) Each Obligor agrees that it will not knowingly permit (i) any of the funds or property of such Obligor that are used to repay the Obligations to constitute property of, or be beneficially owned, directly or indirectly by, Embargoed Person, or (ii) any Embargoed Person to have any direct or indirect interest of any nature whatsoever in any Obligor with the result that the investment in such Obligor (whether directly or indirectly) is prohibited by any Applicable Law or such Obligor is in violation of any Applicable Law.
- (c) Each Obligor agrees that it will not directly or indirectly, use the proceeds of any Loan Advance hereunder, or use the proceeds thereof to make any Investment in any other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, in each case to the extent doing so would violate any applicable Sanctions, or (ii) in any other manner that would be reasonably likely to result in a violation of Sanctions by any Person (including any Person participating in the loans or advances hereunder, whether as underwriter, advisor, investor or otherwise), and no part of the proceeds of the loans or advances hereunder will be used, directly or indirectly, for any payments that would be reasonably likely to constitute a violation of any applicable anti-bribery law.

ARTICLE 8.00– SECURITY AGREEMENTS

8.1 Security Agreements & Agent’s Liens

As general and continuing security for the due payment and performance of the Obligations, the following Security Agreements shall be granted to the Agent (on behalf of itself and the Lenders), each in form satisfactory to the Agent:

- (a) a security agreement executed by each Obligor, pursuant to which, among other things, each such Obligor shall grant to the Agent (i) a first-priority Lien (subject to Permitted Liens) over all present and after-acquired assets and other personal property of such Obligor that constitute Collateral, (ii) a Lien over such Obligor’s interest in its Collection Accounts, and (iii) a pledge of all equity interests and other securities issued to such Obligor by any Person;
- (b) a security agreement in respect of the Intellectual Property Collateral of the Obligors registered at the Canadian Intellectual Property Office and the United States Patent and Trademarks Office, as applicable, pursuant to which, among other things, such Obligor shall grant to the Agent a first-priority Lien (subject to Permitted Liens) over all present and after-acquired Intellectual Property Collateral of such Obligor;
- (c) an unlimited guarantee executed by each Guarantor in favour of the Agent in respect of the Obligations;
- (d) an assignment of insurance executed by each Obligor in respect of any insurance policy maintained by or on behalf of such Obligor (other than third party liability insurance);

- (e) a debenture in the principal amount of Twenty-Five Million Seven Hundred Thousand Dollars (\$25,700,000) creating a first- priority Lien (subject to Permitted Liens) in respect of the Pelham Property;
 - (f) [Reserved];
 - (g) a subordination, postponement and standstill agreement with respect to the indebtedness of CannTrust Inc. to Equity;
 - (h) [Reserved];
 - (i) within forty-five (45) days of the Closing Date, use commercially reasonable efforts to deliver a Landlord Agreement in respect of any premises where any tangible personal property of an Obligor is located and where such premises are not owned by an Obligor;
 - (j) other than all accounts that relate to the Excluded Collateral, the Obligors shall maintain springing blocks in favour of the Agent over all bank accounts where an Obligor holds any funds (including all proceeds from Debtor Invoices and the proceeds of any disposition of any other Collateral), which will be subject to a blocked account control agreement in favour of the Agent (collectively, the “**Blocked Account Agreements**”), but which the Obligors will retain exclusive control over the funds on deposit in such accounts until the Agent takes any enforcement action in accordance with the terms hereunder or the other Credit Documents;
 - (k) in the event any Borrower’s Debtor Invoices are included in the Borrowing Base Amount, all proceeds of such Accounts Receivable must be deposited into a deposit account which the Agent maintains exclusive control over through a full block on such account where such balances automatically sweep daily to the Agent’s accounts and will be applied as follows:
 - (i) first, as a repayment under the Credit Facility; and
 - (ii) second, any excess funds (if any) shall have transferred to a bank account of the Borrowers (or as the Borrowers may otherwise direct).
- Each Obligor will use its commercially reasonable efforts to set up such cash management arrangements with its depository bank and the Agent in order to implement the foregoing.
- (l) such other security, agreements, documents or instruments that the Agent and it legal counsel may reasonably require.

ARTICLE 9.00– DEFAULT

9.1 Events of Default

The occurrence of any of the following events (each an “**Event of Default**”) shall constitute a default under this Agreement:

- (a) the failure of any Borrower to pay when due any outstanding principal amount of any Loan Advances;

- (b) the failure of any Borrower to pay any interest, fees or other amounts payable under this Agreement or any other Credit Document, other than any such interest, fees or other amounts payable on the Maturity Date, and such default shall continue unremedied for a period of three (3) Business Days;
- (c) the failure of any Obligor to observe or perform any covenant or obligation applicable to it under Sections 7.1(a), 7.1(b), 7.1(d), 7.1(k), 7.1(n), 7.1(o), 7.1(r), 7.1(s), 7.1(u), 7.1(v), 7.1(cc), 7.1(dd), 7.2 and 7.3;
- (d) the failure of any Obligor to observe or perform any covenant or obligation applicable to it under Sections 7.1, other than Sections 7.1(a), 7.1(b), 7.1(d), 7.1(k), 7.1(n), 7.1(o), 7.1(r), 7.1(s), 7.1(u), 7.1(v), 7.1(cc) and 7.1(dd), and 7.4 and such default shall continue unremedied for a period of ten (10) Business Days;
- (e) the failure of any Obligor to observe or perform any covenant or obligation applicable to it under Section 7.5;
- (f) the failure of any Obligor to observe or perform any other covenant or obligation applicable to it under this Agreement or any Credit Document and such default shall continue unremedied for a period of ten (10) Business Days;
- (g) any representation or warranty made by any Obligor in this Agreement, any other Credit Document or in any certificate or other document at any time delivered hereunder to the Agent or any of the Lenders prove to be incorrect, false, inaccurate or misleading in any material respect when furnished or made (other than a misrepresentation which is capable of being remedied by way of update to a disclosure schedule provided for herein), which misrepresentation is not cured to the satisfaction of the Agent, acting reasonably, within ten (10) Business Days after the earlier of (i) the date on which any Obligor obtains knowledge thereof, and (ii) the date on which written notice of same has been given by the Agent to the Borrowers;
- (h) if any Obligor or any representative of any Obligor ceases or threatens to cease carrying on its business or if a petition shall be filed, an order shall be made or an effective resolution shall be passed for the winding up or liquidation of any Obligor;
- (i) if a Bankruptcy Event of any Obligor occurs (other than the CCAA Proceedings);
- (j) [Reserved];
- (k) if a Change of Control occurs which has not been consented to by the Agent;
- (l) if a Borrowing Base Shortfall occurs and is not repaid on the same day of such occurrence, provided that the Agent shall grant the Borrowers two 3-Business Day cure periods in each twelve (12) month period after the date hereof, to allow for the Borrowers to cure any such Borrowing Base Shortfall;
- (m) if any encumbrancer, lien holder or Person acting on its behalf shall take possession of the Collateral or any material part thereof;
- (n) if any Material Permit shall be withdrawn, materially altered in a manner materially detrimental to the business or operations of such Obligor, or cancelled;

- (o) if any Obligor defaults in the observance or performance of any provision relating to the indebtedness or liability of such Obligor to any Person (other than indebtedness or liabilities with respect to the Amended and Restated Initial Order or the Credit Documents), in an aggregate principal amount exceeding One Million Five Hundred Thousand Dollars (\$1,500,000) (taken in the aggregate);
- (p) other than amounts that are subject to the stay of proceedings under the Amended and Restated Initial Order, if any Obligor permits any sum which has been admitted as due by such Obligor or is not disputed to be due by it and which forms or is capable of being made a Lien on any Collateral in priority to the Agent's Liens to remain unpaid after proceedings have been taken to enforce such charge;
- (q) there shall have occurred any event or circumstance that has resulted in, or could reasonably be expected to result in, a Material Adverse Change;
- (r) if any Obligor denies its obligations under any Credit Document or claims any of the Credit Documents to be invalid, unenforceable, or of no further force or effect in whole or in part;
- (s) if any of the Agent's Liens shall cease to be a valid and perfected first ranking priority Liens in the Collateral subject to Permitted Liens;
- (t) if any proceeds of any Collateral are deposited in any bank account other than a Collection Account;
- (u) if any Obligor engages in business activities related to Cannabis within the United States of America so long as such activity is not legal in the United States of America;
- (v) if the Cannabis Act is repealed and not replaced with similar legislation;
- (w) if a final judgment, execution, writ of seizure and sale, sequestration or decree for the payment of money in an amount, individually or in the aggregate, of at least One Million Five Hundred Thousand Dollars (\$1,500,000) (not covered by independent third party insurance as to which liability has been accepted by such insurance carrier) shall have been obtained or entered against an Obligor, unless such judgment, execution, writ of seizure and sale, sequestration or decree is and remains vacated, discharged or stayed pending appeal within the applicable appeal period; or
- (x) if any event of default under the Subdebt Credit Agreement occurs that results in the Subdebt Agent accelerating the indebtedness outstanding under the Subdebt Credit Agreement.

9.2 Cure Period Limitation

The Obligors shall not be entitled to rely on any cure period contained in Section **Error! Reference source not found.** more than four (4) times prior to the Maturity Date and no more than two (2) consecutive cures.

9.3 Remedies on an Acceleration Event

Upon the occurrence and continuance of any Acceleration Event: (a) all indebtedness of the Borrowers under this Agreement and each of the other Credit Documents to which it is a party, any term

hereof or thereof to the contrary notwithstanding, shall without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by the Borrowers; (b) the obligation, if any, of the Lenders to extend any further credit under this Agreement or any of the other Credit Documents shall immediately cease and terminate; and (c) the Agent and the Lenders shall have all rights, powers and remedies available under this Agreement and each of the other Credit Documents, or accorded by law, including the right to resort to any or all Security Agreements for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to all Applicable Law. All rights, powers and remedies of the Agent and the Lenders may be exercised at any time by the Agent and the Lenders and from time to time after the occurrence and continuance of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE 10.00– INDEMNITY

10.1 Indemnity

The Obligors shall, and do hereby, jointly and severally indemnify the Indemnified Persons against all suits, actions, proceedings, claims, Losses, expenses (including fees, charges and disbursements of counsel), damages and liabilities that the Agent or any of the Lenders may sustain or incur as a consequence of (i) any default by an Obligor under this Agreement or any other Credit Document, (ii) any misrepresentation contained in any Credit Document delivered to the Agent or the Lenders, (iii) the use of proceeds of the Credit Facility, or (iv) any indemnity obligations of the Agent under or in connection with any Control Agreement, except that no Indemnified Person shall be indemnified for any of the foregoing matters to the extent the same resulted from (i) its own gross negligence or willful misconduct as determined by a court of competent jurisdiction, or (ii) the bad faith of such Indemnified Person.

ARTICLE 11.00– CONFIDENTIALITY

11.1 Transactions to Remain Confidential

Prior to the revocation of the cease trade order dated April 13, 2020 made by the Ontario Securities Commission (the “**Revocation**”), each Obligor agrees not to file a copy of this Agreement or any other Credit Document in any public manner, or otherwise publicly disclose any information contained therein, except (a) on a confidential basis to its officers, directors, employees, investors, shareholders, accountants, lawyers and other professional advisors; (b) to any *bona fide* existing or prospective investor or purchaser of the equity interests of an Obligor or all or substantially all of the assets of an Obligor, in each case to the extent permitted hereunder, provided that each such Person agrees in writing with the Agent to maintain the confidentiality of such information in accordance with the provisions of this Section; (c) as may be required pursuant to Applicable Law; (d) as may be required pursuant to the CCAA Proceedings; (e) to the Subdebt Agent and the Subdebt Lenders; and (f) in connection with the CT Equity Investment. If any such disclosure is required pursuant to Applicable Law, the Borrowers (and any Person required to make such disclosure) will provide at least seven (7) days’ prior written notice to the Agent before making such disclosure and during such period the Agent acting reasonably may advise the Borrowers as to which portions of such Credit Documents shall be redacted in order to protect the rights of the Agent and the Lenders to maintain the confidentiality of information which the Agent and the Lenders believe is confidential and proprietary to them. Each Obligor agrees to comply (and to cause any other Person described above in clause (a), (b) or (c) that is required to make such disclosure to comply) with any such request and the said seven (7) days notice provision unless such compliance would

contravene Applicable Law. Following the Revocation, the Borrowers shall provide the Agent with the opportunity to review and provide comment on any draft disclosure filings intended to be filed with the Ontario Securities Commission in respect of this Agreement or any other Credit Document in accordance with the terms of this Section 11.1. Unless specifically required by Applicable Laws, the Obligors agree to maintain confidentiality. The terms of this paragraph shall survive the termination of this Agreement.

ARTICLE 12.00– GENERAL

12.1 Recitals

The recitals to this Agreement are incorporated as an integral part of this Agreement.

12.2 Entire Agreement

This Agreement, including any Schedules attached to this Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. There are no representations, warranties or other agreements, whether oral or written, between the parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement.

12.3 Amendments

No amendment, supplement, modification, waiver or termination of this Agreement is binding on the parties unless it is in writing and signed by all of the parties.

12.4 Waiver

No delay, failure or discontinuance of the Agent or any of the Lenders in exercising any right, power or remedy under any of the Credit Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by the Agent or any Lender of any breach of or default under any of the Credit Documents must be in writing and shall be effective only to the extent set forth in such writing.

12.5 Invalidity

If any provision of this Agreement or any part of any provision of this Agreement is held to be invalid, illegal or unenforceable by a court of competent jurisdiction, such provision or part will not affect the validity, legality or enforceability of any other provision of this Agreement or the balance of any provision of this Agreement absent such part and such invalid, illegal or unenforceable provision or part is deemed to be severed from this Agreement and this Agreement will then be construed and enforced as if such invalid, illegal or unenforceable provision or part had never been included in this Agreement.

12.6 Time

Time is of the essence of this Agreement and no extension or variation of this Agreement operates as a waiver of this provision. When calculating the period of time within which or following which any act

is to be done or step taken pursuant to this Agreement, the date which is the reference date in calculating such period is excluded. If the last day of such period is not a Business Day, the period in question ends on the next following Business Day.

12.7 Further Assurances

The parties shall with reasonable diligence do all things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement. Each party shall provide and execute such further documents or instruments as may be reasonably required by any other party, exercise its influence and do and perform or cause to be done or performed such further and other acts as may be reasonably necessary or desirable to effect the purpose of and to carry out the provisions of this Agreement.

12.8 Notice

Any notice or other communication required or permitted to be given by this Agreement must be in writing and will be effectively given if:

- (a) delivered personally;
- (b) sent by prepaid courier service;
- (c) sent by registered mail;
- (d) sent by fax or email,

in the case of notice to:

- (i) any Borrower or any other Obligor:

c/o CannTrust Equity Inc.
3280 Langstaff Rd. Unit #1
Vaughan, Ontario
Attention: Greg Guyatt/David Blair
Email: GGuyatt@canntrust.ca/dblair@canntrust.ca

- (ii) the Agent or any of the Lenders:

c/o Cortland Credit Lending Corporation
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3230
Toronto, Ontario M5J 2J2

Attention: Sean Rogister, CEO
Email: srogister@cortlandcredit.ca

or at such other address as the party to whom such notice or other communication is to be given advises the party giving same in the manner provided in this Section. Any notice or other communication delivered personally or by prepaid courier service will be deemed to have been given and received on the day it is

so delivered at such address, unless such day is not a Business Day in which case it will be deemed to have been given and received on the next following Business Day. Any notice or other communication sent by registered mail will be deemed to have been given and received on the third Business Day following the date of its mailing. Any notice or other communication sent by fax or email will be deemed to have been given and received on the day it is sent provided that such day is a Business Day and it is sent before 5:00 p.m. (Toronto time) on such day, failing which it will be deemed to have been given and received on the first Business Day after it is sent. Regardless of the foregoing, if there is a mail stoppage or labour dispute or threatened labour dispute which has affected or could affect normal mail delivery by Canada Post or the United States Postal Service, then no notice or other communication may be delivered by registered mail.

12.9 Counterparts and Execution

This Agreement may be executed in one or more counterparts, each of which when so executed shall constitute an original and all of which together shall constitute one and the same Agreement.

12.10 Electronic Execution of Certain Documents

The words "delivery", "execution," "signed," "signature," and words of like import in any Credit Document or any other document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, provided, that notwithstanding anything contained herein to the contrary the Agent is under no obligation to agree to accept electronic signature in any form or in any format unless expressly agreed to by the Agent pursuant to procedures approved by it.

12.11 Assignability

No Obligor may assign or transfer its interests or rights hereunder without the Agent's prior written consent. The Agent and each of the Lenders reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, the Agent's or such Lender's rights and benefits under each of the Credit Documents and, in connection therewith, the Agent and/or such Lender may disclose, notwithstanding anything else herein contained, all documents and information which the Agent and such Lender now has or may hereafter acquire relating to any credit subject hereto, any Obligor or such Obligor's business or any Collateral required hereunder.

12.12 No Adverse Presumption

This Agreement has been negotiated and approved by the parties and, notwithstanding any rule or maxim of law or construction to the contrary, any ambiguity or uncertainty will not be construed against either of the parties by reason of the authorship of any of the provisions of this Agreement.

12.13 Binding Effect

This Agreement enures to the benefit of and is binding on the parties and their respective successors and permitted assigns.

12.14 GOVERNING LAW

THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS (EXCEPT, AS TO ANY OTHER CREDIT DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT (EXCEPT, AS TO ANY OTHER CREDIT DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN.

12.15 SUBMISSION TO JURISDICTION

EACH OBLIGOR IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE AGENT OR ANY RELATED PARTY OF THE AGENT IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE PROVINCE OF ONTARIO SITTING IN THE CITY OF TORONTO, AND ANY APPELLATE COURT FROM ANY THEREOF, (EXCEPT, AS TO ANY OTHER CREDIT DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH ONTARIO COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER CREDIT DOCUMENT SHALL AFFECT ANY RIGHT THAT THE AGENT MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AGAINST ANY OBLIGOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

12.16 WAIVER OF VENUE

EACH OBLIGOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT IN ANY COURT REFERRED TO IN SECTION 12.15. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

12.17 SERVICE OF PROCESS

EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 12.8, TO THE EXTENT PERMITTED BY APPLICABLE LAW. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER

MANNER PERMITTED BY APPLICABLE LAW.

12.18 WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

12.19 Lenders; Confidentiality; Registers

- (a) Each Obligor acknowledges and agrees that the Agent is acting as administrative and collateral agent for certain third parties, including any Affiliate of the Agent, that agrees with the Borrowers to be bound by the terms of this Agreement from time to time (collectively, the “**Lenders**” and each is, individually, a “**Lender**”). Each of the Agent and the Lenders agree to maintain the confidentiality of the Information. Each Obligor acknowledges and agrees that the Agent shall be entitled to disclose, on a confidential basis, all Information received by it regarding the Borrowers, any Obligor, the Collateral, the Credit Facility, this Agreement and any other Credit Document to: (i) each Lender, each prospective Lender, any Person purchasing notes, units or otherwise providing funding, directly or indirectly, to any Lender (or any prospective Lender), each prospective assignee or participant, and the officers, directors, employees, accountants, lawyers and other professional advisors of the Agent, any Lender, any prospective Lender and any prospective assignee or participant (each a “**Receiving Party**”) provided that each Receiving Party agrees to maintain the confidentiality of any such information in respect of which the Agent has any duty of confidentiality to the Borrowers or any Obligor; (ii) to any rating agencies rating the indebtedness of a Lender, provided such rating agencies are bound by customary confidentiality agreements; (iii) to any agent of the Agent or any Lender to the extent necessary to enforce any rights which the Agent or such Lender may have to collect any amounts in respect of the Credit Documents or the Collateral, provided such agent has agreed in writing to be bound by the provision of this Agreement in respect of such information; (iv) to the extent required for any registration or filing required to perfect any of the Agent’s Liens contemplated any Security Agreement or other Credit Document; and (v) as may be required by Applicable Law. The Agent and the Lenders confirm that, regardless of the number and identity of the Lenders, the Obligors will only be required to act in accordance with the instructions of the Agent, and no Lender will have an independent cause of action or remedy against the Obligors directly, it being understood that each Lender has appointed, or will appoint, the Agent as its sole and exclusive administrative and collateral agent in connection with the transactions contemplated by this Agreement.
- (b) The Agent, acting solely for this purpose as a non-fiduciary agent of the Borrowers, shall maintain

at one of its offices a register for the recordation of the names and addresses of the Lenders and principal amounts and stated interest of the Credit Facility owing to each Lender, pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error and the Borrowers, the Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender for all purposes of this Agreement. The Register shall be available for inspection by the Obligors and any Lender, as the case may be, at any reasonable time and from time to time upon reasonable prior notice. In establishing and maintaining the Register, the Agent shall serve as the Borrowers' non-fiduciary agent solely for tax purposes and solely with respect to the actions described in this Section.

[signature pages follow]

IN WITNESS WHEREOF the parties have executed this Agreement.

CORTLAND CREDIT LENDING CORPORATION, as Agent

Per: 
Name: Sean Rogister
Title: CEO

CANTRUST INC., as a Borrower

Per: _____
Name:
Title:

ELMCLIFFE INVESTMENTS INC., as a Borrower

Per: _____
Name:
Title:

CTI HOLDINGS (OSOYOOS) INC., as a Borrower

Per: _____
Name:
Title:

CANTRUST HOLDINGS INC., as a Guarantor

Per: _____
Name:
Title:

CANTRUST INC., as a Borrower

Per: 
Name: Greg Guyatt
Title: Chief Executive Officer


ELMCLIFFE INVESTMENTS INC., as a Borrower

Per: 
Name: Greg Guyatt
Title: President, Secretary and Treasurer

CTI HOLDINGS (OSOYOOS) INC., as a Borrower

Per: 
Name: Greg Guyatt
Title: President and Treasurer

ELMCLIFFE INVESTMENTS [NO. 2] INC., as a Guarantor

Per: 
Name: Greg Guyatt
Title: President, Secretary and Treasurer

CANTRUST HOLDINGS INC., as a Guarantor

Per: 
Name: Greg Guyatt
Title: Chief Executive Officer

CANTRUST EQUITY INC., as a Guarantor

Per: 
Name: Greg Guyatt
Title: President

SCHEDULE "A"

DEFINED TERMS

As used in this Agreement and unless otherwise stated herein, the terms set out below will have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"\$" means Canadian dollars.

"**Acceleration Events**" means, collectively: (i) the occurrence of a Bankruptcy Event with respect to any Obligor; (ii) the occurrence and during the continuation of an Event of Default (other than a Bankruptcy Event of any Obligor) that has not been cured or waived by the Agent and which the Agent has demanded repayment of all Obligations in accordance with Section 9.2(a); and (iii) a Change of Control which has not been consented to by the Agent, except, in each case, as otherwise permitted by the terms of this Agreement or unless otherwise waived by the Agent, and "**Acceleration Event**" means any one of them.

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

"**Account Debtor**" means any Person who owes any amount under invoices owing to any Borrower.

"**Accounts Receivable**" means all debts, accounts (including all "accounts" as defined in the PPSA), claims, demands, monies and choses in action which are now or which may at any time hereafter be due, owing to or accruing due to or owned by any Borrower, together with all books, records, documents, papers and electronically recorded data and any other documents or information of any kind which in any way evidences or relates to any or all of the said debts, accounts, claims, demands, monies and choses in action.

"**Additional Amounts**" has the meaning given to that term in Section 5.6(a).

"**Adverse Claim**" means a lien, security interest, mortgage, pledge, charge, encumbrance, assignment, hypothec, title retention agreement, ownership interest, which would constitute a prior ranking claim to the Collateral, of or through any Person including any filing or registration made in respect thereof.

"**Affiliate**" mean, with respect to a specified Person, another Person that directly or indirectly Controls or is Controlled by or is under common Control with such specified Person.

"**Agent**" means Cortland Credit Lending Corporation, a corporation formed under the laws of the Province of Ontario, in its capacity as agent for and on behalf of the Lenders, and includes its successors and assigns.

"**Agent's Liens**" means all Liens from time to time granted to, held or otherwise obtained by or on behalf of the Agent or the Lenders in respect of the Collateral, securing or intended to secure directly or indirectly

repayment of the Obligations.

“Agreement” means this credit agreement, as same may be amended, revised, replaced, supplemented or restated from time to time.

“Amended and Restated Initial Order” means the amended and restated initial order dated April 9, 2020, issued pursuant to the CCAA Proceedings, as amended from time to time.

“Anti-Terrorism and Corruption Laws” means any laws, rules and regulations of any Governmental Authority relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, corruption or bribery, and any regulation, order, or directive promulgated, issued or enforced pursuant to such laws, rules and regulations, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Corruption of Foreign Public Officials Act* (Canada) (to the extent applicable), the *Bribery Act* (U.K.), the Executive Order, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, and the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., all as amended, supplemented or replaced from time to time.

“Applicable Law” means, with respect to any Person, all international, foreign, federal state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes, administrative or judicial precedents or authorities, including interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licences, authorization and permits of, and agreements with, any Governmental Authority applicable to such Person or any of its properties or assets, and “Applicable Law” means any one of them.

“Approved Appraised Real Estate Value” means the net orderly liquidation value of the Real Estate Collateral where such value is based on best alternative use, such value to be determined by an Acceptable Appraiser, and such appraisal to be conducted once at any time in each calendar year. Until such time as a revised or substitute appraisal, acceptable to the Agent, is obtained in respect of the Real Estate Collateral, the Approved Appraised Real Estate Value in respect of the Pelham Property is Twenty-Eight Million Dollars (\$28,000,000).

“Approved Budget Forecast” means the budget forecast provided by the Borrowers to the Agent, which at the time of transmission had the file name “Financial Statements 2022 Forecast- 03_10_2022 - 30M – Cortland.pdf”.

“Approved Debtor” means each Account Debtor which satisfies any Debtor Eligibility Criteria relevant to classifying debtors of any Borrower which may be established by the Agent from time to time; for greater certainty, as of the date of this Agreement, the Approved Debtors include the following:

- (a) Ontario Cannabis Store;
- (b) Alberta Gaming, Liquor and Cannabis;
- (c) British Columbia Liquor Distribution Branch;
- (d) Saskatchewan Liquor and Gaming Authority;

- (e) Liquor, Gaming & Cannabis Authority of Manitoba;
- (f) Cannabis NB;
- (g) Nova Scotia Liquor Corporation;
- (h) Prince Edward Island Cannabis Management Corporation;
- (i) Newfoundland and Labrador Liquor Corporation;
- (j) Société québécoise du cannabis;
- (k) Nunavut Liquor and Cannabis Commission;
- (l) Yukon Liquor Corporation;
- (m) Northwest Territories Liquor and Cannabis Commission; and
- (n) such other Account Debtors approved by the Agent from time to time.

“Approved Debtor Invoice” means any Debtor Invoice owing from an Approved Debtor to a Borrower that complies with the following eligibility criteria:

- (a) such invoice is aged less than ninety (90) days past the invoice date;
- (b) such invoice does not have any Potential Priority Claims attached to it, in the opinion of the Agent;
- (c) such invoice is not due from any Approved Debtors whose aggregate outstanding invoice balance that is aged greater than ninety (90) days from the invoice date with any Borrower is greater than 50% of the total amount of invoices outstanding issued by such Borrower and are outstanding at any point in time with such Account Debtor (50% cross-aging restriction);
- (d) such invoice is not related to any products which are either voluntarily or involuntarily recalled by any Borrower, any Governmental Authority, or any supplier of any Borrower;
- (e) such invoice is not an invoice which has been issued to a foreign entity (other than a resident of Canada);
- (f) if such invoice is owing by a Governmental Authority, to the extent requested and required by the Agent, all requirements under Applicable Law shall have been satisfied in order for there to be a valid and enforceable assignment of such invoice to and in favour of the Agent;
- (g) such invoice is not an invoice which is contestable by the relevant Account Debtor;
- (h) such invoice is valid and collectible in the full amount from the named Account Debtor without right of set-off;
- (i) the Agent is able to obtain a first-ranking perfected Lien over all amounts payable pursuant to such invoice without restriction;
- (j) all amounts payable pursuant to such invoice are payable by wire transfer to a Collection Account

(which, for greater certainty is subject to the Agent's Lien) and are not in any event payable by cash or cheque; and

- (k) such other eligibility criteria as the Agent may determine from time to time in connection with its ongoing due diligence regarding the Borrowers and the Account Debtors.

"Approved Equipment" means the Equipment owned by any Obligor that satisfies the Equipment Eligibility Criteria.

"Approved Equipment Availability" means, only after the required equipment appraisals are completed by an appraiser selected and approved by the Agent, the amount which is the lesser of (i) 50% of the cost, and (ii) 85% of net orderly liquidation value (as determined by a third party appraiser selected and approved by the Agent) for any Approved Equipment.

"Approved Jurisdiction" means a country in which it is legal in all political subdivisions therein (including for greater certainty on a federal, state, provincial, territorial and municipal basis) to undertake any Cannabis-Related Activities provided that in each case (i) such country has been approved in writing by the Agent in its discretion and (ii) if required by the Agent, the ability to undertake Cannabis-Related Activities to the extent permitted by Applicable Law therein is confirmed by a legal opinion provided by the Borrowers' counsel in such jurisdiction, in form and substance satisfactory to the Agent. The Agent may in its discretion from time to time (i) upon receipt of a written request by the Borrowers, designate any jurisdiction an Approved Jurisdiction provided that the above criteria are satisfied; and (ii) revoke the designation of any jurisdiction as an Approved Jurisdiction by written notice to the Borrowers if such criteria are not satisfied.

"Assigned Claims" has the meaning ascribed to such term in the restructuring supporting agreement dated January 19, 2021.

"Bankruptcy Event" means an Involuntary Bankruptcy Event or a Voluntary Bankruptcy Event (other than the CCAA Proceedings).

"Balfour Tolling Agreement" means the tolling agreement made as of January 31, 2018 among, *inter alios*, Balfour Energy Corp., CannTrust Inc. and Elmcliffe Investments Inc. and the other Obligors party thereto from time to time, as amended, restated, supplemented or otherwise modified from time to time.

"Blocked Person" means that is named as a "specially designated national and blocked Person" on the most current list published by OFAC at its official website or any replacement website or other replacement official publication of such list.

"BMO GIC" means the guaranteed investment certificate No. 00061016633 in the principal amount of Two Hundred and Fifty Thousand Dollars (\$250,000).

"Borrowers" means CannTrust Inc., Elmcliffe Investments Inc., and CTI Holdings (Osoyoos) Inc., and each of their respective successors and permitted assigns, and each of them is a **"Borrower"**.

"Borrowing Base Amount" means the calculations prepared by the Borrowers and reviewed by the Agent from time to time which calculates the availability under the Credit Facility using criteria set out for Approved Debtors, Approved Debtor Invoices, Approved Equipment and Eligible Inventory, and calculated as follows, collectively, without duplication:

- (a) the product of (A) the Approved Appraised Real Estate Value of the Real Estate Collateral, multiplied by (B) the Real Estate Advance Rate, plus
- (b) 50% of the Borrowers' aggregate Unrestricted Cash; plus
- (c) the product of (A) the face value of all Insured Approved Debtor Invoices, multiplied by the Insured Advance Rate; plus
- (d) the product of (A) the face value of all Uninsured Approved Debtor Invoices, multiplied by the Uninsured Advance Rate; plus
- (e) the Approved Equipment Availability, less
- (f) the value of any Potential Priority Claims of the Borrowers; less
- (g) the Dilution Reserve; less
- (h) any amounts owing by any Obligor for Taxes then due and unpaid (including income taxes, sales taxes and duties); less
- (i) the face value of any assets that form part of the Collateral that are subject to an existing Priority Lien, or over which a Priority Lien may be registered at any point in the future.

"Borrowing Base Certificate" has the meaning given to that term in Section 7.4(a)(c).

"Borrowing Base Shortfall" has the meaning given to that term in Section 5.3.

"Borrowing Limit" mean, at any given time, the lesser of (i) the Total Commitment and (ii) the Borrowing Base Amount.

"Borrowing Notice" has the meaning given to that term in Section 2.3(b).

"Business Combination Transaction" has the meaning given to that term in Section 7.2(e).

"Business Day" means any day other than a Saturday, a Sunday or a statutory holiday observed in the Province of Ontario, or any other day on which the principal banks located in Toronto, Ontario, and are not open for business during normal business hours.

"Cannabis" means:

- (a) any plant or seed, whether live or dead, from any species or subspecies of genus Cannabis, including Cannabis sativa, Cannabis indica and Cannabis ruderalis, Marijuana and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome;
- (b) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (a) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof;
- (c) any organism engineered to biosynthetically produce the material contemplated by clause (b) of

this definition, including any micro-organism engineered for such purpose;

- (d) any biologically or chemically synthesized version of the material contemplated by clause (b) of this definition or any analog thereof, including any product made by any organism contemplated by clause (c) of this definition;
- (e) any other meaning ascribed to the term “cannabis” under Applicable Law in any Approved Jurisdiction, including the Cannabis Act and the Controlled Drugs and Substances Act (Canada); and
- (f) any other meaning ascribed to the term “cannabis” under the Controlled Substances Act (United States).

“Cannabis Act” means the Cannabis Act (Canada), S.C. 2018, c. 16, as amended from time to time.

“Cannabis Regulations” means Cannabis Regulations under the Cannabis Act, as amended from time to time.

“Cannabis Laws” means, collectively, the Cannabis Act and the Cannabis Regulations.

“Cannabis-Related Activities” means any activities, including advertising, marketing or promotional activities, relating to or in connection with the importation, exportation, cultivation, production, purchase, distribution or sale of Cannabis or Cannabis-related products.

“CCAA” means the *Companies’ Creditors Arrangement Act* (Canada), as such legislation now exists or may from time to time hereafter be amended, modified, supplemented or replaced, together with all rules, regulations and interpretations thereunder or related thereto.

“CCAA Plan” means the fourth amended and restated plan of compromise, arrangement and reorganization of the Borrowers dated July 7, 2021 pursuant to the CCAA and the *Business Corporations Act* (Ontario), as such plan may be further amended, restated or replaced from time to time and was implemented on January 4, 2022.

“CCAA Proceedings” means the proceedings pursuant to Ontario Court File No. CV-20-00638930-00CL whereby the Borrowers have sought to restructure pursuant to the CCAA.

“CCAA Sanction Order” means the Order of the Court dated July 16, 2021 that approved and sanctioned the CCAA Plan in the CCAA Proceedings.

“Change of Control” means either (i) any Change of Management; (ii) Equity ceasing to control the Obligors (other than Holdings); (iii) the assignment, sale, transfer or other disposition of (A) all or substantially all of the assets and business of any Obligor, (B) any material business of any Obligor, or (C) a material portion of the Collateral (in each case whether in a single transaction or a series of transactions), or (iv) any transaction or series of transactions whereby any Person or group of Persons, acting jointly or otherwise in concert, acquire the right, by contract or otherwise, to direct the management and activities of any Obligor (other than Holdings); provided that, the CT Equity Investment and Marshall Field Subdebt shall not constitute a Change of Control.

“Change of Management” means that any Key Manager shall cease for any reason, including termination

of employment, death or disability, to substantially perform the functions and services currently being performed by her/him for any Obligor, and such Obligor shall fail, for a period of 120 consecutive days following the earliest date that such individual may be considered disabled or shall have otherwise ceased to perform her/his functions with such Obligor as aforesaid, to replace such individual with an individual or individuals acceptable to the Agent (it being acknowledged for the avoidance of doubt that if any Key Manager shall cease to perform her/his functions with any Obligor as aforesaid, any permanent replacement therefor (excluding for the avoidance of doubt any temporary, interim replacement) shall nevertheless be required to be acceptable to the Agent).

“Closing Date” means the date on which the conditions precedent in Section 4.1 hereof have been satisfied.

“Collateral” means all of the present and after-acquired undertaking, property and assets of each Obligor, and all other property and proceeds therefrom subject to the Agent’s Liens, whether now or hereafter existing, other than the Excluded Collateral.

“Collection Accounts” means, collectively, each of the accounts described in Schedule “I” attached hereto as a Collection Account into which (i) all proceeds of any Collateral included in the Borrowing Base Amount from time to time, and (ii) any proceeds from the disposition of any other Collateral, will be deposited, in each case over which the Agent shall, both prior to and following the occurrence of an Acceleration Event, have dominion and control, pursuant and subject to the terms of a Control Agreement.

“Commitment Fee” has the meaning given to that term in Section 3.4.

“Compliance Certificate” has the meaning given to that term in Section 4.2(g).

“Contaminant” includes any pollutant, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental Law.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, and **“Controlling”** and **“Controlled”** have meanings correlative thereto.

“Control Agreement” means, with respect to each Collection Account and each Deposit Account, an agreement among the Agent, the applicable Obligor and the applicable deposit bank in such bank’s standard form, pursuant to which, following the occurrence of an Event of Default, the Agent will be granted exclusive control over such Collection Account and the cash deposited therein.

“Court” means the Ontario Superior Court of Justice (Commercial List).

“Credit Documents” means (i) this Agreement, the Security Agreements, the Kenzoll Intercreditor Agreement and each other document, agreement, instrument and certificate delivered to the Agent or any Lender by the Obligors or any other Person on the date hereof, and (ii) all present and future security, agreements, documents, certificates and instruments delivered by the Obligors or any other Person to the Agent or any Lender pursuant to, or in respect of the agreements and documents referred to in clause (i); in each case as the same may from time to time be supplemented, amended, restated or amended and restated, and **“Credit Document”** shall mean any one of the Credit Documents.

“Credit Facility” has the meaning given to that term in Section 2.1.

“CT Equity Investment” means the subscription for common shares of Equity by the Subdebt Lenders (or their Affiliates) and certain other investors for aggregate gross proceeds of at least Eleven Million Two Hundred and Thirty-Five Thousand Dollars (\$11,235,000).

“Debt” means, with respect to any Person, (i) indebtedness for borrowed money, (ii) obligations or liabilities, contingent, unmatured or otherwise (including under any indemnities), incurred other than in the ordinary course of business, (iii) any obligation secured by a lien on any property, assets or undertaking owned or acquired, and (iv) any other debt or liability of such Person, excluding obligations or liabilities incurred in the ordinary course of business.

“Debt Securities” means, with respect to any Person, any and all bond, certificate of deposit, debenture or other or other instrument evidencing Debt of such Person owing to the holder of same.

“Debtor Eligibility Criteria” means the criteria set by the Agent through the due diligence stage and from time to time thereafter which identifies and sets any requirements or restrictions for the purpose of determining whether any Account Debtor is an Approved Debtor as it relates to the Credit Facility.

“Debtor Invoice” mean any invoice issued by any Borrower to an Account Debtor from time to time, copies of which shall be provided to the Agent if and when requested by the Agent or otherwise in accordance with this Agreement.

“Default” means any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default.

“Deposit Accounts” means, collectively, each account established by an Obligor that is not a Collection Account, in each case over which the Agent will, following the occurrence of an Acceleration Event, have dominion and control, pursuant and subject to the terms of a Control Agreement.

“Dilution Reserve” means a reserve, in an amount determined by the Agent in its sole discretion, relating to the dilution of any Accounts Receivable due to, among other things, bad debt write-offs, trade discounts, returned goods, invoicing errors and other adjustments.

“DIP Charge” means, during the pendency of the CCAA Proceedings, the first-ranking super-priority DIP financing charge in the Collateral granted to the Agent pursuant to the DIP Order, subject to Permitted Liens.

“DIP Order” means the order of the Court dated April 30, 2021 approving the Credit Facility and related transactions, granting the DIP Charge and providing for the Agent’s first-priority Lien over the Collateral in form and substance satisfactory to the Agent and its counsel.

“EBITDA” means, for the Obligors taken in aggregate, net income plus interest, depreciation, amortization, taxes, fair value (gains) or losses on any assets and share-based compensation, *plus* (a) documented audit, appraisal, legal and professional fees and expenses in the aggregate maximum amount of Three Million Five Hundred Thousand Dollars (\$3,500,000); and (b) any other extraordinary or non-recurring charges, expenses and losses (including, without limitation, arising on account of changes in accounting principles) as reasonably agreed to by the Agent and Borrowers.

“Eligible Inventory” means any Inventory owned by any Borrower which complies with the Inventory Eligibility Criteria.

“Embargoed Person” means any Person subject to sanctions or trade restrictions under United States law that is identified on (i) the “List of Specially Designated Nationals and “Blocked Persons” maintained by OFAC and/or on any other similar list maintained by OFAC pursuant to any authorizing statute including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Order or Applicable Law promulgated thereunder, or (ii) the Executive Order, any related enabling legislation or any other similar Executive Orders.

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

“Environmental Laws” means all Applicable Laws relating to the environment or occupational health and safety, or any Environmental Activity.

“Equipment” means any equipment (as defined in the PPSA) of any Obligor.

“Equipment Eligibility Criteria” means the criteria set by the Agent from time to time used to determine whether such Equipment of the Obligors shall be considered Approved Equipment.

“Equity” means CannTrust Equity Inc.

“equity interests” means, with respect to any Person, any and all shares, units, partnership interests, participations, rights in, or other equivalents (however designated and whether voting and non-voting) of, such Person’s capital, whether outstanding on the date hereof or issued after the date hereof, including any partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, securities, warrants, debt securities, options or other rights exchangeable for or convertible into any of the foregoing.

“Equity Securities” means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and non-voting) of, such Person’s capital, whether outstanding on the date hereof or issued after the date hereof, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, Debt, Debt Securities, options or other rights exchangeable for or convertible into any of the foregoing.

“Event of Default” has the meaning given to that term in Section 9.1.

“Executive Order” means Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as amended from time to time.

“Excluded Collateral” means, collectively, all of the following:

- (a) any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers Trust,

a trust established by the Borrowers for purposes of settling potential director and officer liabilities; provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution shall become Collateral; and

- (b) any reserve accounts maintained by the Borrowers (or any one of them), and all funds on deposit therein (the “**Balfour Cash Collateral**”) not exceeding Two Million Dollars (\$2,000,000) at any time, in connection with the Balfour Tolling Agreement, provided that no Borrowers or any Guarantor will deposit any funds into such reserve accounts covered by this subsection (b) while any amount is outstanding under the Credit Facility except for pre-scheduled payments set forth in a schedule provided by the Borrowers to the Agent.

“**Excluded Taxes**” means, with respect to the Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of a Obligor hereunder or in connection herewith, (i) taxes imposed on or measured by its net income or capital, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or in which it has a permanent establishment or branch (as those phrases are defined in the relevant jurisdictions), (ii) any branch profits taxes or any similar taxes imposed by any jurisdiction in which the Lender is located, (iii) withholding taxes imposed under FATCA, and (iv) any Canadian withholding Taxes that would not have been imposed but for the Agent or applicable Lender (i) not dealing at arm’s length (within the meaning of the Income Tax Act (Canada)) with any Obligor or (ii) being a specified shareholder (as defined in subsection 18(5) of the Income Tax Act (Canada)) of any Obligor or not dealing at arm’s length with such a specified shareholder for purposes of the Income Tax Act (Canada), except where any such non-arm’s length or specified shareholder relationship arises solely as a consequence of the Agent or applicable Lender having executed, delivered, or become a party to, performed its obligations or received payments under, received or perfected a security interest under, sold or assigned an interest in, engaged in any other transaction pursuant to, or enforced, any Credit Documents.

“**Facility Term**” has the meaning given to that term in Section 5.1(b).

“**Facility Term Extension**” has the meaning given to that term in Section 5.1(a).

“**GAAP**”, when used in respect of accounting terms or accounting determinations relating to a Person, means generally accepted accounting principles in effect from time to time in the United States, including, to the extent the same are adopted by such Person, Accounting Standards for Private Enterprises or the International Financial Reporting Standards.

“**Governmental Authority**” means the government of Canada, the United States or any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body (including any self-regulatory body), court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and for greater certainty includes Health Canada.

“**Guarantors**” means any wholly-owned Subsidiary of any Obligor that becomes a guarantor of the Obligations in accordance with the terms of this Agreement, and each of them is a “**Guarantor**”, and for greater certainty, as of the date of this Agreement, include CannTrust Holdings Inc., Elmcliffe Investments [No. 2] Inc. and CannTrust Equity Inc.

“Health Canada Licenses” means, in respect of any Obligor, all Material Permits of such Obligor which are both related to the Cannabis-Related Activities of such Obligor and issued by Health Canada, including Material Permits to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, market, transport and/or distribute cannabis under Applicable Law, including without limitation those listed in Schedule “K”.

“Holdings” means CannTrust Holdings Inc.

“Included Taxes” has the meaning given to that term in Section 5.6(a).

“Indemnified Person” means the Agent, each Lender, their respective Affiliates, agents, representatives, attorneys, and any receiver or receiver and manager appointed by the Agent, and the respective officers, directors and employees of each of the foregoing persons.

“Information” means all information received in connection with this Agreement from any Obligor relating to any Obligor or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Agent or any Lender on a non-confidential basis prior to such receipt.

“Initial Term” has the meaning given to that term in Section 5.1(a).

“Insured Advance Rate” means 90%.

“Insured Approved Debtor Invoice” means any Approved Debtor Invoice that is insured to the satisfaction of the Agent.

“Intellectual Property Collateral” means all of the Obligors’ intellectual property including without limitation: (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of an Obligor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (whether registered or unregistered).

“Interest Expense” means, for any fiscal period, the aggregate cost of advances of credit (including Loan Advances hereunder) outstanding during that period including interest charges, capitalized interest, the interest component of capital leases, fees payable in respect of letters of credit and letters of guarantee and discounts incurred and fees payable in respect of bankers’ acceptances.

“Interest Payment Date” means, with respect to each Loan Advance, the first day of each calendar month.

“Interest Rate” means a rate per annum equal to the greater of (i) 10.00% and, (ii) the Prime Rate, plus 7.55%.

“Inventory” means all of each Borrower’s goods (including all “goods” as defined in the PPSA) acquired or held for sale, re-sale or lease or furnished or to be furnished under contracts of rental or service, raw materials, work in progress, finished goods, returned goods, parts or equipment acquired from third parties for re-sale, and includes all Inventory in transit.

“Inventory Eligibility Criteria” means the criteria set by the Agent through the due diligence stage and from time to time thereafter which identifies and sets any requirements or restrictions for the purpose of determining whether any Inventory owned by the Obligors is Eligible Inventory as it relates to the Credit Facility and includes the following eligibility criteria, which may be amended by the Agent from time to time: (i) such Inventory is not obsolete; (ii) such Inventory was not acquired by any Obligor more than 8 months from any test date; (iii) such Inventory does not have any customer or supplier deposits applied against it; (iv) the supplier of such Inventory does not retain any title in such Inventory; (v) such Inventory is not subject to any recall or safety restrictions in any relevant jurisdiction of sale or operations of any Obligor; (vi) such Inventory is not subject to any Potential Priority Claim; (vii) such Inventory has been paid for in cash by such Obligor; and (viii) such Inventory is relevant to the Obligors’ business at all relevant times.

“Investment” means, with respect to any Person, any direct or indirect investment in or purchase or other acquisition of the Debt Securities, Equity Securities or any equity interest in any other Person, any loan or advance to, or arrangement for the purpose of providing credit, funds or property to (excluding (i) extensions of trade credit in the ordinary course of business in accordance with customary commercial terms and (ii) equipment purchases in the ordinary course of business), or capital contribution to, any other Person, or any purchase or other acquisition of all or substantially all of the property of any other Person.

“Involuntary Bankruptcy Event” means, without the consent or acquiescence of the applicable Person, the entering of an application for an order for relief or approving a petition or court order for relief or reorganization or any other petition or order seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, monitoring or other similar relief under any present or future bankruptcy, insolvency or similar process under Applicable Law, or the filing of any such petition or order against such Person or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, monitor, custodian, inspector, receiver or liquidator of such Person or of all or any substantial part of the undertaking or property of such Person, in each case where such petition or order shall remain unstayed or shall not have been stayed or dismissed within 90 days from entry thereof.

“Kenzoll Intercreditor Agreement” means the intercreditor agreement dated as of February 28, 2022 between, *inter alios*, the Subdebt Agent and the Agent with respect to the indebtedness of certain of the Obligors to the Subdebt Agent and Subdebt Lenders pursuant to the Marshall Fields Subdebt, as amended, restated, supplemented or otherwise modified from time to time.

“Key Manager” means Greg Guyatt.

“Landlord Agreement” means, in respect of any real property leased by an Obligor under which an Obligor is the tenant, an agreement in form and substance satisfactory to the Agent given by the landlord of such leased real property in favour of the Agent, which shall include the following provisions (except to the extent otherwise agreed by the Agent in its discretion): such landlord consents to the granting of a security interest in the lease by such Obligor in favour of the Agent, agrees to give written notice to the Agent in respect of, and a reasonable opportunity to cure, any default before terminating the lease, agrees not to unreasonably withhold its consent to any assignment by the Agent of such Obligor’s rights under the lease, agrees to waive (or subordinate and defer the enforcement of) its rights and remedies and any security it may hold in respect of any assets owned by such Obligor located on or affixed to such leased real property, and agrees to permit the Agent reasonable access to such leased real property in connection with the enforcement of its security against any assets of such Obligor located thereon.

“**Lender**” and “**Lenders**” have the meanings given to those terms in Section 12.19(a).

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

“**Loan Advance**” mean any loan extended to any Borrower pursuant to the terms of this Agreement.

“**Loss**” means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, awards, assessments, fines and any and all fees, disbursements and expenses of counsel, experts and consultants.

“**Marijuana**” has the meaning ascribed to such term (i) under the Applicable Law in any Approved Jurisdiction or (ii) under the *Controlled Substances Act* (United States).

“**Marshall Fields Subdebt**” means the Postponed Debt payable by the Obligors to the Subdebt Agent and the Subdebt Lenders in the aggregate maximum principal amount of Five Million Five Hundred Thousand Dollars (\$5,500,000), together with all interest capitalized thereon, bearing interest at a rate not to exceed ten percent per annum (10%) all of which interest shall be capitalized, as such Subordinated Debt may be amended, modified, extended, refinanced, restated or replaced from time to time in any manner not prohibited by this Agreement or any other Credit Document.

“**Material Adverse Change**” means any event, circumstance or change that could be expected to result, individually or in the aggregate, in a material adverse effect, in any respect, on (i) the legality, validity or enforceability of any of the Credit Documents or any of the Agent’s Liens provided for thereunder, (ii) the right or ability of the Obligors, taken as a whole, to perform any of its obligations under any of the Credit Documents, in each case to which it is a party, or to consummate the transactions contemplated under any of the Credit Documents, (iii) the financial condition, assets or business of the Obligors, taken as a whole, or (iv) the rights or remedies of the Agent under any of the Credit Documents, provided that (x) any change in the financial condition of an Obligor as the date hereof caused by or related to the COVID-19 global pandemic will not constitute a “Material Adverse Change”, (y) the commencement and continuation of the CCAA Proceedings will not constitute a “Material Adverse Change”; and (z) the impacts of the cease trade order dated April 13, 2020 made by the Ontario Securities Commission issued against Holdings will not constitute a “Material Adverse Change”.

“**Material Agreement**” means, collectively, (i) the agreements listed in Schedule “K”, and (ii) any contract or agreement of an Obligor, the loss, termination or non-renewal of which would reasonably be expected to result in a Material Adverse Change, as determined by the Agent, acting reasonably, including without limitation any agreement between an Obligor and any other Person for the supply of Cannabis.

“**Material Permit**” means, collectively, (i) the Health Canada Licenses, licenses and permits listed in Schedule “K”, and (ii) any other Health Canada Licenses, authorization, approval, consent, exemption, license, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person’s property or business and affairs (including any zoning approval, development permit or building permit), the failure of which to be obtained or held would prohibit or reasonably be expected to result in a Material Adverse Change, as determined by the Agent, acting reasonably.

“Maturity Date” has the meaning given to that term in Section 5.1(b).

“Maximum Rate” has the meaning given to that term in Section 3.8(c).

“Obligations” means, at any given time, all advances to, and all present and future indebtedness, liabilities, obligations, covenants and duties of, each Borrower arising under any Credit Document or otherwise with respect to any Outstanding Principal Obligations under the Credit Facility, of any and every kind, nature or description whatsoever (whether direct or indirect, acquired by assumption, joint or several or joint and several, absolute or contingent, matured or unmatured, in any currency and including any interest accrued and unpaid thereon and all future interest that accrues thereon after and includes any interest and fees that accrue after the commence by or against each Borrower or any Affiliate thereof of any proceeding under any debtor relief laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed or allowable claims in such proceeding) and all indemnity obligations to the Agent and/or the Lenders, all as under, in connection with, or with respect to each of the Credit Documents. Without limiting the foregoing, the Obligations include (i) the obligation to pay any and all principal, interest, charges, expenses, fees, indemnities and other amounts payable by each Borrower under any Credit Document, and (ii) the obligation of each Borrower to reimburse any amount in respect of any of the foregoing that the Agent or any Lender, in each case in its sole discretion, may elect to pay or advance on behalf of each Borrower.

“Obligors” means, collectively, the Borrowers and the Guarantors, and each of them is an **“Obligor”**.

“Obligor’s Knowledge” means, in the case of any Obligor, the actual knowledge of any director, manager or officer of such Obligor (or, in the case of any Obligor that is a limited liability company, any director, manager or officer of any member of such Obligor) or anything that such Person who is an individual, absent negligence, reasonably ought to have known.

“Other Taxes” has the meaning given to that term in Section 5.6(b).

“Outstanding Principal Obligations” means at any time the sum of the aggregate principal amount of all Loan Advances outstanding and unpaid at such time.

“Payment” means any repayment of Outstanding Principal Obligations or any payment of accrued and unpaid interest made or required to be made in accordance with the terms of this Agreement, including any prepayment or any mandatory repayment, as applicable.

“Pelham Property” means the property municipally known as 1396 Balfour Street, Pelham, Ontario and more particularly described in PIN 64030-0908 (LT), having a total site area of 65.5 acres of land improved with 8.27 acres of glass and double ply greenhouses and service buildings.

“Permitted Asset Sales” means (A) the sale of all of the Obligors’ right, title and interest in Cannatrek Limited; (B) the sale of all of the Obligors’ right, title and interest in Pathway Health Corp.; and (C) and any sale, transfer, conveyance, lease or other disposition by any Obligor of any of its assets, properties or undertaking: (i) to any third party in the ordinary course of business and on commercially reasonable terms; (ii) comprised of obsolete or otherwise superfluous tangible assets; (iii) comprised of the shares or equity interests of any non-wholly owned Subsidiary of any Obligor and any minority interests held by any Obligor, provided that such proceeds of any such sale or disposal shall be used first to pay Outstanding Principal Obligations; (iv) [Reserved]; (v) Excluded Collateral; (vi) comprised of any Collateral that has a fair market value of One Hundred Thousand Dollars (\$100,000) or less per calendar year in the aggregate;

and (vii) to any other Obligor.

“Permitted Corporate Restructuring” means (i) the amalgamation of CannTrust Holdings Inc. and CannTrust Equity Inc. following the revocation of the cease trade order dated April 13, 2020 by the Ontario Securities Commission and the listing of the entity resulting from the amalgamation of CannTrust Holdings Inc. and CannTrust Equity Inc. for its common shares on a Canadian stock exchange; and (ii) the winding-up, amalgamation or dissolution of CTI Holdings (Osoyoos) Inc. and Elmclyffe Investments (No 2.) Inc., provided that immediately prior to the effectiveness of any winding-up or dissolution, the assets, if any, of such Obligor are acquired or otherwise transferred to another Obligor.

“Permitted Guarantee” means any guarantee, financial assistance or other provision for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any Obligor of any Permitted Indebtedness incurred by another Obligor.

“Permitted Indebtedness” means, collectively, (i) intercompany indebtedness owing by any Obligor to any other Obligor (provided such Obligor is subject to a Security Agreement hereunder), (ii) existing indebtedness which is exclusive to: (A) the BMO GIC issued in favour of the landlord of Unit 1 of 3280 Langstaff Road, Vaughan, Ontario, (B) debt under corporate credit cards and letters of credit in an aggregate amount not to exceed Two Hundred and Fifty Thousand Dollars (\$250,000), (C) equipment leases and (D) guarantees granted in favour of Balfour Energy Corp. under the Balfour Tolling Agreement; (iii) the Marshall Fields Sub Debt; (iv) other indebtedness owing to other third parties where such indebtedness is fully subordinated and postponed to the Agent and the Agent and the Lenders have consented to such indebtedness; and (v) debt under future capital leases and equipment leases so long as the amount of debt thereunder does not exceed Two Million Five Hundred Thousand Dollars (\$2,500,000) in the aggregate at any time.

“Permitted Investments” means, collectively, (i) Investments made by one Obligor in another Obligor (provided such Obligor is subject to a Security Agreement hereunder), (ii) Investments made by an Obligor to Holdings after the Closing Date in an aggregate amount not to exceed One Million Dollars (\$1,000,000) in any fiscal year (inclusive of the basket provided for in clause (ii) of “Permitted Payments”), provided that the proceeds of such Investments are used by Holdings solely to fund shareholder meeting costs, audit fees, transfer fees, legal fees and the fees and expenses associated with other similar corporate proceedings; (iii) other Investments not to exceed Two Million Five Hundred Thousand Dollars (\$2,500,000), and (iv) such other Investments as may be approved by the Agent from time to time.

“Permitted Liens” means, collectively, (i) Liens granted in favour of the Agent pursuant to the Credit Documents and the DIP Charge, (ii) Liens granted in favour of the Subdebt Agent and the Subdebt Lenders pursuant to the Marshall Fields Subdebt; (iii) Subordinated Liens (including Liens granted in favour of Holdings and/or any other Obligor), (iii) Liens granted in favor of a lessor of vehicles, provided that such Liens attach only to such leased vehicles and the proceeds thereof and do not attach to any other Collateral and such Lien covered in this clause (iii) has been expressly approved and consented to by the Agent; (iv) existing equipment leases and related arrangements; (v) Liens for taxes, rates, assessments or other governmental charges or levies not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or if due, the validity of which is being contested diligently and in good faith by appropriate proceedings by that Person; (vi) undetermined or inchoate liens, rights of distress and charges incidental to current operations that have not at such time been filed or exercised and of which none of the Agent has been given notice, or that relate to obligations not due or payable, or if due, the validity of which is being contested diligently and in good faith by appropriate

proceedings by that Person; (vii) reservations, limitations, provisos and conditions expressed in any original grant from the Crown or other grants of real or immovable property, or interests therein, that do not materially affect the use of the affected land for the purpose for which it is used by that Person; (viii) licences, easements, rights of way and rights in the nature of easements (including licences, easements, rights of way and rights in the nature of easements for railways, sidewalks, public ways, sewers, drains, gas, steam and water mains or electric light and power, or telephone and telegraph conduits, poles, wires and cables) that do not materially impair the use of the affected land for the purpose for which it is used by that Person; (ix) title defects, irregularities or other matters relating to title that are of a minor nature and that in the aggregate do not materially impair the use of the affected property for the purpose for which it is used by that Person; (x) the right reserved to or vested in any Governmental Authority by the terms of any lease, licence, franchise, grant or permit acquired by that Person or by any statutory provision to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof; (xi) security given to a public utility or any Governmental Authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of its business; (xii) a Lien created by a judgment of a court of competent jurisdiction, as long as the judgment is being contested diligently and in good faith by appropriate proceedings by that Person and does not result in an Event of Default; (xiii) the Lien in favour of Bank of Montreal to secure indebtedness under the BMO GIC, letters of credit, corporate credit cards and/or other cash management; (xiv) Liens over the Balfour Cash Collateral granted in favour of Balfour Energy Corp, provided that the amount of the Balfour Cash Collateral does not exceed Two Million Dollars (\$2,000,000) at any time; and (xv) Liens in respect of purchase money security interests, capital leases and equipment financing, so long as the amount secured by such Liens does not exceed Two Million Five Hundred Thousand Dollars (\$2,500,000) in the aggregate at any time.

“Permitted Payments” means (i) any Restricted Payment made by one Obligor to another Obligor, (ii) payments made by an Obligor to Holdings after the Closing Date in an aggregate amount not to exceed One Million Dollars (\$1,000,000) in any fiscal year (inclusive of the basket provided for in clause (ii) of “Permitted Investments”), provided that the proceeds of such payments are used by Holdings solely to fund shareholder meeting costs, audit fees, transfer fees, legal fees and the fees and expenses associated with other similar corporate proceedings; (iii) payments on intercompany indebtedness owing by any Obligor to any other Obligor (provided such Obligor is subject to a Security Agreement hereunder), (iv) any Restricted Payment approved by the Agent, and (v) payments pursuant to the Subdebt Credit Agreement provided that such payments are made or satisfied in accordance with the Kennoll Intercreditor Agreement.

“Person” means an individual, a corporation, a limited partnership, a general partnership, a trust, a joint stock company, a joint venture, an association, a syndicate, a bank, a trust company, a Governmental Authority and any other legal or business entity.

“Postponed Debt” means indebtedness that is fully postponed (with respect to payment) and subordinated (with respect to any Liens and enforcement), both as to principal and interest to the Obligations hereunder, on terms satisfactory to the Agent.

“Potential Priority Claims” means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Agent’s security or otherwise in priority to any claim by the Agent for repayment of any amounts owing under this Agreement or any other Credit Document and includes any amount due and payable at such time by an Obligor that is secured by a Lien (whether choate or

inchoate) or a statutory right in favour of a Governmental Authority, that encumbers any Collateral and that ranks, or is capable of ranking prior to or *pari passu* with any Lien on such Collateral granted in favour of the Agent, including amounts due deducted or withheld, as applicable, and not yet paid, contributed or remitted, as applicable, by any Obligor in respect of any amounts owing by such Obligor to any Governmental Authority.

“**PPSA**” means the *Personal Property Security Act* (Ontario) or other personal property security legislation of the applicable Canadian province or provinces or territory or territories (including the Civil Code of Quebec and the regulations respecting the register of personal and movable real rights thereunder), as all such legislation now exists or may from time to time hereafter be amended, modified, supplemented or replaced, together with all rules, regulations and interpretations thereunder or related thereto.

“**Prime Rate**” means the floating annual rate of interest established from time to time by The Toronto-Dominion Bank as the reference rate it will use to determine rates of interest payable to The Toronto-Dominion Bank by commercial borrowers from it of Canadian dollar loans in Canada and designated by it as its “prime rate”.

“**Priority Lien**” means any Lien that is not a Subordinated Lien.

“**Receiving Party**” has the meaning given to that term in Section 12.19(a).

“**Real Estate Advance Rate**” means 55%.

“**Real Estate Collateral**” means a freehold or leasehold interest in real property, and includes all buildings and other improvements situated thereon and all fixtures attached thereto, and for greater certainty, as of the date of this Agreement, includes the Pelham Property.

“**Register**” has the meaning given to that term in Section 12.19(b).

“**Release**” includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning.

“**Repayment Notice**” means a written notice by the Agent to the applicable Borrower, substantially in the form attached as Schedule “C”, requiring repayment of all or a portion of the Obligation.

“**Responsible Person**” means: (i) an officer or director of any Obligor; or (ii) any other Person required to hold a security clearance pursuant to Cannabis Laws.

“**Restricted Cash**” means cash (i) in the amount of approximately Six Million Dollars (\$6,000,000) that the Borrowers deposited in a trust to settle potential directors and officers liabilities; and (ii) in the amount of approximately Two Hundred and Fifty Thousand Dollars (\$250,000) that is pledged as cash collateral to Bank of Montreal for use of the Borrowers’ line of credit, corporate credit cards, letters of credit and other cash management.

“**Restricted Payment**” means any amount paid to or on behalf of the directors, officers, shareholders, partners or unitholders of any Obligor, or to any Person, by way of bonus, commission, management fees, directors’ fees, dividends, redemption of shares, distribution of profits or otherwise, and whether payments are made to such Persons in their capacity as shareholders, partners, unitholders, directors, officers, employees, owners or creditors of any Obligor or otherwise, or any other direct or indirect

payment in respect of the earnings or capital of any Obligor.

“Sanctioned Person” means an individual or entity that is, or is 50% or more owned (individually or in the aggregate, directly or indirectly) or controlled by Persons that are, (i) the subject of any Sanctions, or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (to the extent being so located, organized or resident violates any applicable Sanctions), including, without limitation, currently, the Crimea Region, Cuba, Iran, North Korea, Sudan and Syria.

“Sanctions” means any sanctions administered or enforced by the US Department of the Treasury’s Office of Foreign Assets Control, the US Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury or the Hong Kong Monetary Authority.

“Schedules” means the schedules attached to this Agreement and which are more particularly described in Section 1.3.

“Security Agreements” means, collectively, (i) general security and pledge agreements (or hypothecs) delivered by each of the Obligors to the Agent; (ii) the debentures and mortgages given by the Obligors to the Agent, as applicable, in respect of the Real Estate Collateral owned by them; (iii) security agreements in respect of Intellectual Property Collateral delivered by each of the Obligors to the Agent, as applicable; (iv) a subordination agreement from each creditor in respect of a Postponed Debt; (v) all guarantees given by any Obligor to the Agent, (vi) any Blocked Account Agreement; and (vii) assignments of insurance delivered by the Obligors in favour of the Agent, as applicable, in each case, as such agreements may be amended, amended and restated or replaced in its entirety from time to time, and includes all of the documents described in Article 8.00.

“set-off” means any legal or equitable set-off, off-set, rescission, counterclaim, reduction, deduction or defense under Applicable Law.

“Solvent”, when used with respect to a Person, means that (i) such Person is not for any reason unable to meet its obligations as they generally become due, (ii) such Person has not ceased paying its current obligations in the ordinary course of business as they generally become due and (iii) the aggregate property of such Person is, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would be sufficient, to enable payment of all its obligations, due and accruing due.

“Subdebt Agent” means Marshall Fields International B.V., in its capacity as administrative agent for the Subdebt Lenders.

“Subdebt Credit Agreement” means the credit agreement dated as of the date hereof between, *inter alios*, Equity, CannTrust Inc., Elmcliffe and CTI Holdings (Osoyoos) Inc., as borrowers, the Subdebt Agent, as administrative agent and the Subdebt Lenders, as lenders, as amended, restated, supplemented or otherwise modified from time to time.

“Subdebt Lenders” means (a) Marshall Fields International B.V. or any of its designated affiliates or subsidiaries, (b) Andrew Peppin, an individual residing in Mississauga, Ontario, or his holding corporation, Andrew Peppin Medicine Professional Corporation; (c) Dan Koehn, an individual residing in San Francisco, California; and (d) the other lenders from time to time party to the Subdebt Credit Agreement.

“Subordinated Lien” means any Lien for which the holder thereof has agreed, pursuant to a subordination agreement in form satisfactory to the Agent, that such Lien shall at all times be subordinated and

postponed in favour of the Liens granted in favour of the Agent.

“Subordinated Supplier Lien” means any Supplier Lien that is a Subordinated Lien.

“Subsidiary” means any Person (other than a natural person) which is Controlled, directly or indirectly, by another Person (other than a natural person), and, for greater certainty, includes any future Subsidiary or any future Subsidiary of a Subsidiary and any Subsidiary formed as a wholly-owned special purpose or single purpose vehicle.

“Supplier Lien” means any Lien granted in favour of a supplier or distributor of tangible goods to any Obligor, provided that such Lien attaches only to such tangible goods supplied or distributed and the proceeds thereof and do not attach to any other Collateral.

“Tangible Net Worth” means, as it relates to the Obligors on a consolidated basis, the dollar value which remains after subtracting the following from the Obligors’ total assets at any point in time:

- (a) the book value of all liabilities of the Obligors, other than (A) all liabilities of the Obligors which are expressly subordinated to the Agent; (B) all unsecured liabilities of the Obligors; and (C) all lease liabilities of the Obligors;
- (b) the value of all funds held in trust for any party other than the Agent and the Lenders;
- (c) the value of prepaid expenses of the Obligors;
- (d) the book value of loans receivable from any related parties other than the Obligors;
- (e) the book value of loans which the Obligors have extended which are in default; and
- (f) the market value of all public equity securities, public warrants or other substantially similar securities listed on a publicly listed stock exchange held by the Obligors.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by an Governmental Authority, including any interest, additions to tax or penalties applicable to them.

“Termination Date” means the earliest to occur of (i) the Maturity Date, (ii) the date on which an Acceleration Event has occurred and is continuing and the Agent has terminated the Credit Facility pursuant to Section 5.1(d), (iii) unless waived or otherwise consented to by the Agent and other than in connection with the implementation of the CCAA Plan or an internal reorganization in which the Agent retains its Lien over the resulting entities from such reorganization, the date on which any Change of Control occurs; and (iv) the date on which this Agreement is terminated by the Agent in accordance with the terms of this Agreement or any other Credit Document.

“Termination Fee” means an amount equal to 3.00% of the Total Commitment.

“Total Commitment” means Twenty-Two Million Five Hundred Thousand Dollars (\$22,500,000).

“Uninsured Advance Rate” means 85%.

“Uninsured Approved Debtor Invoice” means any Approved Debtor Invoice that is not an Insured

Approved Debtor Invoice.

“Unrestricted Cash” means the aggregate value of all cash held by the Borrowers in accounts which have a full or springing block in favour of the Agent and is not Restricted Cash.

“Unutilized Portion” means, at the relevant time, the Total Commitment less the Outstanding Principal Obligations.

“Utilization Fee” has the meaning given to the term in Section 3.6.

“Utilization Fee Rate” means 5.00% per annum.

“Voluntary Bankruptcy Event” means (a) an admission in writing by a Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors, (b) the filing of any assignment, petition or consent thereto or answer by such Person seeking to adjudicate itself as bankrupt or insolvent, or seeking for itself any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of such Person or its debts under any present or future bankruptcy, insolvency or similar Applicable Law, or seeking, consenting to or acquiescing in the entry of an order for relief in any case under any such Applicable Law, or the appointment of or taking possession by a trustee, monitor, custodian, inspector, receiver or liquidator of such Person or for any substantial part of such Person’s property, or (c) corporate or other action taken by such Person to authorize any of the actions set forth above.

SCHEDULE "B"
BORROWING NOTICE

[Date]

CORTLAND CREDIT LENDING CORPORATION, as Agent
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3230
Toronto, Ontario M5J 2J2

Attention: Sean Register, CEO

Dear Sir:

We refer to the Credit Agreement entered into as of March 11, 2022, by and among **CANNTRUST INC., ELMCLIFFE INVESTMENTS INC., AND CTI HOLDINGS (OSOYOOS) INC.** (collectively, the "**Borrowers**" and each a "**Borrower**"), Cortland Credit Lending Corporation (as Agent for and on behalf of the Lenders), the Lenders named therein, and the Guarantors described therein (the "**Credit Facility**") (that agreement as amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"). Capitalized terms used and not defined herein have the meanings given to them in the Credit Agreement.

We hereby confirm our request for a Loan Advance under the Credit Facility in the amount of \$[] (the "**Drawdown**"), which we require to be made by no later than [], 20[].

The undersigned hereby irrevocably authorizes and directs you to pay the proceeds by wire transfer of the Drawdown as follows, and this shall be your good and sufficient authority for so doing:

[Note to draft: Insert the wire instruction for such advance here]

Yours truly,

**CANNTRUST INC., as Borrower and on behalf of all
Borrowers**

Per: _____
Name:
Title:

SCHEDULE "C"

REPAYMENT NOTICE

[Date]

**CANNTRUST INC., ELMCLIFFE INVESTMENTS INC.,
and CTI HOLDINGS (OSOYOOS) INC.**
3280 Langstaff Rd. Unit #1
Vaughan, Ontario

Attention: Greg Guyatt/David Blair

Dear Sirs/Mesdames:

We refer to the Credit Agreement entered into as of March 11, 2022, by and among **CANNTRUST INC., ELMCLIFFE INVESTMENTS INC., AND CTI HOLDINGS (OSOYOOS) INC.** (collectively, the "**Borrowers**" and each a "**Borrower**"), Cortland Credit Lending Corporation (as Agent for and on behalf of the Lenders), the Lenders named therein, and the Guarantors described therein (the "**Credit Facility**") (that agreement as amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"). Capitalized terms used and not defined herein have the meanings given to them in the Credit Agreement.

We hereby require and demand that you make repayment of **[all Obligations] [a portion of the Obligations in an amount of _____]** owing under the Credit Agreement by no later than [____], 20[____]. Failure to make such payment in a timely fashion will entitle the Agent to exercise any and all remedies available to it under the Credit Documents or at law.

Yours truly,

CORTLAND CREDIT LENDING CORPORATION, as
Agent

Per: _____
Name:
Title:

SCHEDULE "D"

COMPLIANCE CERTIFICATE

TO: Cortland Credit Lending Corporation, as agent (the "**Agent**")

RE: Credit Agreement dated March 11, 2022 between **CANNTRUST INC., ELMCLIFFE INVESTMENTS INC., AND CTI HOLDINGS (OSOYOOS) INC.** (collectively, the "**Borrowers**" and each a "**Borrower**") and the Agent (the "**Credit Agreement**")

DATE: []

THE UNDERSIGNED, IN HIS/HER CAPACITY AS AN OFFICER OF CANNTRUST INC. (AND NOT IN ANY PERSONAL CAPACITY), HEREBY CERTIFIES THAT:

1. I am the duly appointed _____ of CannTrust Inc.
2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrowers and have made such inquiries of other officers and senior persons as are sufficient to enable me to make an informed statement herein.
3. Each Obligor has observed and performed all of the covenants and other agreements, and satisfied every condition, to be observed, performed or satisfied by it, contained in the Credit Agreement and the other Credit Documents to which it is a party **[except as has been previously notified to the Lender in writing or as described in Schedule [NUMBER] to this Certificate]**.
4. No Event of Default (or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default) has occurred and is continuing on the date hereof.
5. The representations and warranties of the Borrowers and, to the best of the undersigned's knowledge, each Obligor, pursuant to Article 6.1 of the Credit Agreement are true and correct in all material respects as of the date hereof (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).
6. **[include on fiscal quarter reporting]** As at the end of the most recent fiscal quarter, the Tangible Net Worth of the Obligors was \$_____ (note: not to be less than Twenty Million Dollars (\$20,000,000)).
7. **[include on monthly reporting]** On a consolidated basis, EBITDA of the Obligors was \$[_____].
8. Attached hereto as Appendix A and set forth in reasonable detail are the calculations used to determine the calculations contained in section 6 or 7 above, as applicable. The foregoing calculations and all information in the calculations attached hereto are true, accurate, correct and complete as of **[date of financial statements]**.

9. Since the date of the most recent financial statements of the Obligors provided to the Agent, there has been no Material Adverse Change.
10. Attached hereto as Appendix B are all supplements to schedules to the Credit Agreement to update such schedules that were delivered on the effective date of the Credit Agreement or pursuant to a subsequent Compliance Certificate.

IN WITNESS WHEREOF, this undersigned has executed this Compliance Certificate as Borrower and on behalf of all the Borrowers as of the date first noted above.

CANNTRUST INC.

Per: _____

Name:

Title:

APPENDIX A TO COMPLIANCE CERTIFICATE

Financial Calculations

APPENDIX B TO COMPLIANCE CERTIFICATE

Supplements to Disclosure Schedules in the Credit Agreement

SCHEDULE E
BUSINESS LOCATIONS

Name	Jurisdiction of Incorporation / Governing Jurisdiction	Chief Executive Office	Registered Office	Principal Place of Business
CannTrust Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
CannTrust Equity Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
CannTrust Holdings Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
Elmcliffe Investments Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
Elmcliffe Investments [No. 2] Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
CTI Holdings (Osoyoos) Inc.	British Columbia	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, British Columbia, V7X 1M5	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, British Columbia, V7X 1M5	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, British Columbia, V7X 1M5

SCHEDULE F
LITIGATION

None.

SCHEDULE G
ENVIRONMENTAL LAWS

(i)

None.

(ii)

None.

(iii)

None.

(iv)

None.

(v)

None.

(vi)

None.

SCHEDULE H
EXISTING DEBT OF THE OBLIGORS

1. BMO GIC.
2. Balfour Tolling Agreement.
3. \$22,500,000 senior secured revolving credit facility (the “**Cortland Credit Facility**”) established by Cortland Credit Lending Corporation in favour of CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. pursuant to a credit agreement made as of March 11, 2022 between, among others, Cortland Credit Lending Corporation, as administrative agent for the lenders thereunder, CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc., as borrowers, CannTrust Holdings Inc., CannTrust Equity Inc. and Elmcliffe Investments [No. 2] Inc., as guarantors. As of February 28, 2022, the total principal amount outstanding under the Cortland Credit Facility is \$18,493,223.
4. \$5,500,000 second ranking secured non-revolving term facility (the “**Marshall Credit Facility**”) established by Marshall Fields International B.V., Daniel Koehn and Andrew Peppin Medicine Professional Corporation in favour of CannTrust Equity Inc., CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. pursuant to a credit agreement made as of March 11, 2022 between, among others, Marshall Fields International B.V., as administrative agent for the lenders thereunder, CannTrust Equity Inc., CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc., as borrowers, CannTrust Holdings Inc., and Elmcliffe Investments [No. 2] Inc., as guarantors. As of March 10, 2022, the total principal amount drawn and outstanding under the Marshall Credit Facility is \$2,500,000 and there remains \$3,000,000 available under the Marshall Credit Facility to be drawn by the borrowers thereunder.
5. Lease obligations totalling \$36,815,818 as at December 31, 2022 as follows:

\$561,443	N.H.D. Developments Ltd	Langstaff property lease
\$41,359	I.T.S. Electronics Inc.	Sublease for Langstaff warehouse space
\$17,684	Enterprise	Vehicles
\$36,195,333	Invest Corp	Cogeneration agreement

SCHEDULE I
COLLECTION ACCOUNTS AND DEPOSIT ACCOUNTS

Account No.	Account Name	Location	Currency
0002-1652-534	CannTrust Equity Inc.	Ontario	CAD
0002-1672-973	CannTrust Inc.	Ontario	CAD
0002-8730-582	CannTrust Holdings Inc.	Ontario	CAD
3997-1044-936	CannTrust Inc.	Ontario	CAD
3997-1988-806	Elmcliffe Investments Inc.	Ontario	CAD
3997-1993-015	CannTrust Holdings Inc.	Ontario	CAD
3997-8979-056	CannTrust Inc.	Ontario	CAD
0002-1750-935	Balfour Tolling Reserve Account ¹	Ontario	CAD

¹ This account is classified as “Excluded Collateral” pursuant to subclause (b) of the definition of Excluded Collateral.

SCHEDULE J
SECURITIES/EQUITY INTERESTS

<u>Holder</u>	<u>Issuer</u>	<u>Number and Class of Equity Interest(s)</u>	<u>Certificate No(s).</u>
CannTrust Holdings Inc.	CannTrust Equity Inc.	141,487,196 Common Shares	C-1, C-2, C-3, C-4
CannTrust Equity Inc.	Cannabis Coffee and Tea Pod Company Ltd.	50 Common Shares	Com-4
CannTrust Equity Inc.	CannTrust Inc.	7,175,001 Class A Preference Shares	PREF-A18
CannTrust Equity Inc.	CannTrust Inc.	38,427,625 Common Shares	COM-86
CannTrust Inc.	Elmcliffe Investments Inc.	100 Common Shares	Com-1
CannTrust Inc.	Elmcliffe Investments [No. 2] Inc.	100 Common Shares	Com-1
CannTrust Inc.	CTI Holdings (Osoyoos) Inc.	100 Common Shares	2
CannTrust Inc.	Pathway Health Corp.	375,000 Common Shares	Uncertificated
CannTrust Inc.	Cannatrek Limited	32,778,992 Common Shares	Uncertificated

SCHEDULE K
MATERIAL AGREEMENTS AND MATERIAL PERMITS

Material Agreements:

- Balfour Tolling Agreement
- Brokerage agreement with Kindred Partners Inc.
- Various distribution agreements with Canadian provincial cannabis wholesalers

Material Permits:

- Health Canada Licences held by CannTrust Inc.:
 - Licence No. LIC-AH5CK3VVSL-2021
 - Licence No. LIC-PLA64PLVY-2020-1
 - Licence No. LIC-24I6PVMTDG-2020
 - Licence No. LIC-Z1XZP77KF0-2020
 - Licence No. LIC-U4MNQYF25L-2021

FIRST AMENDING AGREEMENT TO CREDIT AGREEMENT

THIS FIRST AMENDING AGREEMENT (this “**Agreement**”) is dated as of May 2, 2022 among, *inter alios*, CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (collectively, the “**Borrowers**” and each a “**Borrower**”), as borrowers, CannTrust Holdings Inc., CannTrust Equity Inc. and Elmcliffe Investments [No. 2] Inc. (collectively, the “**Guarantors**” and each a “**Guarantor**”), as guarantors and Cortland Credit Lending Corporation, as agent for and on behalf of the Lenders (in such capacity, together with its successor and assigns in such capacity, the “**Agent**”).

RECITALS:

WHEREAS a revolving credit facility has been made available by the Agent, on behalf of the Lenders, to the Borrowers pursuant to a credit agreement dated as of March 11, 2022 (as amended, restated, supplemented, replaced or otherwise modified prior to the date hereof, collectively, the “**Credit Agreement**”) among the Agent, the Borrowers and the Guarantors;

AND WHEREAS a non-revolving term facility has been made available by Marshall Fields International B.V. (the “**Subdebt Agent**”), on behalf of the certain lenders, to CannTrust Equity Inc., CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc., as borrowers, pursuant to a credit agreement dated as of March 11, 2022 (as amended, restated, supplemented, replaced or otherwise modified from time to time, collectively, the “**Subdebt Credit Agreement**”);

AND WHEREAS the Agent and the Subdebt Agent, among others, have entered into an intercreditor agreement dated as of February 28, 2022 (as amended, restated, supplemented, replaced or otherwise modified prior to the date hereof, collectively, the “**Intercreditor Agreement**”) with respect to the obligations owing pursuant the Credit Agreement and the Subdebt Credit Agreement;

AND WHEREAS pursuant to Section 3.7(vii) of the Intercreditor Agreement, the Subdebt Agent shall not amend or modify the provisions of the Subdebt Credit Agreement in any manner which is more onerous without the prior written consent of the Agent;

AND WHEREAS pursuant to Section 7.2(h) of the Credit Agreement, the Borrowers are prohibited from incurring any Debt other than Permitted Indebtedness;

AND WHEREAS pursuant to the Credit Agreement, the maximum aggregate principal amount of the non-revolving term facility permitted under the Subdebt Credit Agreement is Five Million Five Hundred Thousand Dollars (\$5,500,000), together with all interest capitalized thereon;

AND WHEREAS the Borrowers have requested that the Agent, on its own behalf and on behalf of the Lenders, consent to an increase in the total commitment under the Subdebt Credit Agreement to an aggregate maximum principal amount of Six Million Dollars (\$6,000,000) (the “**Subdebt Increase**”);

AND WHEREAS the parties hereto wish to amend the terms of the Credit Agreement in accordance with the terms and conditions set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

Section 1 INTERPRETATION.

- (a) Defined Terms. Capitalized terms used in this Agreement (including in the recitals) and not otherwise defined herein shall have the meanings specified in the Credit Agreement.
- (b) Headings; Extended Meanings. The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, words importing the singular shall include the plural and *vice versa* and words importing any gender shall include all genders.
- (c) References. All references to Articles, Sections and Schedules, unless otherwise specified, are to Articles, Sections and Schedules of the Credit Agreement.
- (d) To be Read with Credit Agreement. This Agreement is an amendment to the Credit Agreement. Unless the context of this Agreement otherwise requires, the Credit Agreement and this Agreement shall be read together and shall have effect as if the provisions of the Credit Agreement and this Agreement were contained in one agreement as of the date hereof. The term "Agreement" when used in the Credit Agreement means the Credit Agreement as amended, supplemented or modified from time to time (including as amended by this Agreement).

Section 2 CONSENT TO THE SUBDEBT INCREASE.

The Agent, on its own behalf and on behalf of the Lenders, consents to the Subdebt Increase.

Section 3 AMENDMENTS TO THE CREDIT AGREEMENT.

As of the date hereof, the Credit Agreement is hereby amended as follows:

- (a) Section 7.4(a)(ii)(B) of the Credit Agreement is hereby amended by deleting the reference to "ten (10) days" and replacing such reference with "30 days";
- (b) Section 7.4(a)(ii)(C) of the Credit Agreement is hereby amended by deleting the reference to "two (2) Business Days" and replacing such reference with "30 days";
- (c) Schedule "A" of the Credit Agreement (*Defined Terms*) is amended by deleting the reference to "Five Million Five Hundred Thousand Dollars (\$5,500,000)" in the definition of "Marshall Fields Subdebt" and replacing such reference with "Six Million Dollars (\$6,000,000)";
- (d) Schedule "A" of the Credit Agreement (*Defined Terms*) is amended by (i) deleting "and" immediately before (xv) in the definition of "Permitted Liens", and (ii) deleting the period at the end of (xv) in the definition of "Permitted Liens" and replacing such period with "; and (xvi) Liens of carriers, warehousemen, mechanics, landlords, materialmen, repairmen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Equipment or Inventory and which are not delinquent or remain payable without penalty or which are being

contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto.”; and

- (e) Schedule “E” of the Credit Agreement (*Business Locations*) is deleted in its entirety and replaced with Schedule “E” hereto.

Section 4 REPRESENTATIONS AND WARRANTIES.

To induce the Agent and the Lenders to enter into this Agreement, each Obligor represents, warrants and covenants to the Agent and the Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

- (a) each of the representations and warranties contained in Article 6.1 of the Credit Agreement in all material respects as if made on and as of the date of such requested Loan Advance (unless expressly stated in Section 6.1 to apply only as at a specific earlier date);
- (b) no Default or Event of Default has occurred and is continuing; and
- (c) no Material Adverse Change has occurred since the date of the last financial statements provided by the Obligors to the Agent.

Section 5 CONDITIONS PRECEDENT.

This Agreement shall become effective upon the following conditions precedent being satisfied:

- (a) this Agreement shall have been executed and delivered by all parties hereto;
- (b) the representations and warranties of the Obligors in this Agreement shall be true and correct on the date hereof; and
- (c) no Default or Event of Default shall have occurred and be continuing.

Section 6 NO OTHER AMENDMENTS, WAIVERS OR CONSENTS.

Each Obligor acknowledges and agrees that, except as expressly provided herein, this Agreement shall not constitute an amendment, waiver, consent or release with respect to any provision of the Credit Documents, a waiver of any breach of representation and warranty, breach of covenant, or any Default or Event of Default thereunder, or a waiver or release of the Agent’s or any Lender’s rights or remedies, all of which are expressly reserved, and no delay on the part of the Agent or any Lender in exercising any such rights or remedies, shall be construed as a waiver of any such rights or remedies.

Section 7 CREDIT DOCUMENT.

This Agreement constitutes a Credit Document for purposes of the Credit Agreement.

Section 8 CONTINUANCE OF CREDIT DOCUMENTS AND SECURITY.

- (a) The Credit Agreement, as changed, altered, amended or modified by this Agreement, and each of the other Credit Documents, shall be and continue in full force and effect and is

hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein.

- (b) Each Obligor acknowledges, confirms and agrees that, notwithstanding this Agreement, (i) all Security Agreements granted by it continues in full force and effect, enforceable in accordance with its terms, and secures payment and performance by it of the Obligations, (ii) each of the Security Agreements to which it is a party constitutes a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other laws of general application limiting the enforcement of creditor's rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies, and (iii) each of the Security Agreements to which it is a party is hereby ratified and confirmed.

Section 9 GOVERNING LAW.

This Agreement shall be governed and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 10 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

AGENT:

CORTLAND CREDIT LENDING CORPORATION

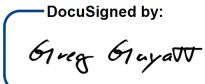
By:  376EEEE2EE6A46C
Name: Sean Rogister
Title: CEO

BORROWERS:

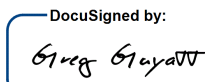
CANTRUST INC.

By:  DE6FB667606447A...
Name Greg Guyatt
Title Chief Executive Officer

ELMCLIFFE INVESTMENTS INC.

By:  DE6FB667606447A...
Name Greg Guyatt
Title President, Secretary and Treasurer

CTI HOLDINGS (OSOYOOS) INC.

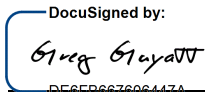
By:  DE6FB667606447A...
Name: Greg Guyatt
Title: President and Treasurer

GUARANTORS:

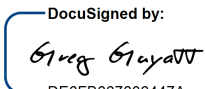
CANTRUST HOLDINGS INC.

By:  DE6FB667606447A...
Name: Greg Guyatt
Title: Chief Executive Officer

ELMCLIFFE INVESTMENTS [NO.2] INC.

By:  DE6FB667606447A...
Name: Greg Guyatt
Title: President, Secretary and Treasurer

CANTRUST EQUITY INC.

By:  DE6FB667606447A...
Name: Greg Guyatt
Title: President

SCHEDULE E
BUSINESS LOCATIONS

Name	Jurisdiction of Incorporation / Governing Jurisdiction	Chief Executive Office	Registered Office	Principal Place of Business
CannTrust Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
CannTrust Equity Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
CannTrust Holdings Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
Elmcliffe Investments Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
Elmcliffe Investments [No. 2] Inc.	Ontario	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8	3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8
CTI Holdings (Osoyoos) Inc.	British Columbia	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, British Columbia, V7X 1M5	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, British Columbia, V7X 1M5	1100 One Bentall Centre, 505 Burrard Street, Box 11, Vancouver, British Columbia, V7X 1M5

Other locations with tangible Collateral:

- 1396 Balfour Street, Pelham, Ontario L0S 1C0¹
- 1401 Creditstone Rd, Vaughan, Ontario L4K 4N7
- 85 Basaltic Rd Concord, ON L4K 1G4

¹Owned property; all other locations are leased

SECOND AMENDING AGREEMENT TO CREDIT AGREEMENT

THIS SECOND AMENDING AGREEMENT (this “**Agreement**”) is dated as of October 18, 2022 among, *inter alios*, Phoena Inc. (formerly known as CannTrust Inc.), Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (collectively, the “**Borrowers**” and each a “**Borrower**”), as borrowers, Phoena Holdings Inc. (formerly known as CannTrust Equity Inc., “**Phoena Holdings**”) and Elmcliffe Investments [No. 2] Inc. (collectively, the “**Guarantors**” and each a “**Guarantor**”), as guarantors, CannTrust Holdings Inc. (“**CannTrust Holdings**”) and Cortland Credit Lending Corporation, as agent for and on behalf of the Lenders (in such capacity, together with its successor and assigns in such capacity, the “**Agent**”).

RECITALS:

WHEREAS a revolving credit facility has been made available by the Agent, on behalf of the Lenders, to the Borrowers pursuant to a credit agreement dated as of March 11, 2022 (as amended by a first amending agreement dated as of May 2, 2022 and as further amended, restated, supplemented, replaced or otherwise modified prior to the date hereof, collectively, the “**Credit Agreement**”) among the Agent, the Borrowers and the Guarantors;

AND WHEREAS CannTrust Holdings, which is a Guarantor and an Obligor under the Credit Agreement and entered into various Security Agreements in favour of the Agent, is proposing to file and seek to implement a proposal under the *Bankruptcy and Insolvency Act* (Canada) in the form attached hereto as Schedule “A” (the “**BIA Proposal**”) that would enable CannTrust Holdings to implement the following transactions (collectively, the “**BIA Proposal Transactions**”): (i) distributions by CannTrust Holdings to unsecured creditors of CannTrust Holdings under or as contemplated by the BIA Proposal; (ii) distribution by CannTrust Holdings of all of the equity interests of Phoena Holdings that are held by CannTrust Holdings to the shareholders of CannTrust Holdings under or as contemplated by the BIA Proposal; (iii) transfer all of CannTrust Holdings’ other residual assets to Phoena Holdings in satisfaction of all Debt that CannTrust Holdings owes to Phoena Holdings and the other Obligors under or as contemplated by the BIA Proposal; and (iv) the dissolution of CannTrust Holdings under or as contemplated by the BIA Proposal;

AND WHEREAS CannTrust Holdings has requested that the Agent and the Lenders: (i) consent to the BIA Proposal and the BIA Proposal Transactions; and (ii) waive any Event of Default arising as a result of the BIA Proposal and the implementation of the BIA Proposal Transactions;

AND WHEREAS as a condition to the implementation of the BIA Proposal Transactions, CannTrust Holdings has requested that the Agent and the Lenders release Holdings from all of its obligations under each of the Credit Documents (including the guarantee made as of March 11, 2022 granted by CannTrust Holdings in favour of the Agent) and release and discharge all of the Agent’s Liens over all of the property and assets of CannTrust Holdings (including under the Security Agreements to which CannTrust Holdings is a party);

AND WHEREAS the Agent and the Lenders are agreeable to provide the requested consents and waivers and release CannTrust Holdings as a Guarantor and Obligor under the Credit Documents in accordance with the terms and conditions of this Agreement;

AND WHEREAS a non-revolving term facility has been made available by Marshall Fields International B.V. (the “**Subdebt Agent**”), on behalf of the certain lenders, to Phoena Holdings Inc., Phoena Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc., as borrowers, pursuant to a credit

agreement dated as of March 11, 2022 (as amended by a first amending agreement dated as of May 2, 2022 and as further amended, restated, supplemented, replaced or otherwise modified from time to time, collectively, the “**Subdebt Credit Agreement**”), among the Subdebt Agent, the lenders party thereto, the borrowers party thereto and the guarantors party thereto;

AND WHEREAS the Agent and the Subdebt Agent, among others, have entered into an intercreditor agreement dated as of February 28, 2022 (as amended, restated, supplemented, replaced or otherwise modified prior to the date hereof, collectively, the “**Intercreditor Agreement**”) with respect to the obligations owing pursuant the Credit Agreement and the Subdebt Credit Agreement;

AND WHEREAS pursuant to Section 3.7(vii) of the Intercreditor Agreement, the Subdebt Agent shall not amend or modify the provisions of the Subdebt Credit Agreement in any manner which is more onerous without the prior written consent of the Agent;

AND WHEREAS pursuant to Section 7.2(h) of the Credit Agreement, the Borrowers are prohibited from incurring any Debt other than Permitted Indebtedness;

AND WHEREAS pursuant to the Credit Agreement, the maximum aggregate principal amount of the non-revolving term facility permitted under the Subdebt Credit Agreement is Six Million Dollars (\$6,000,000), together with all interest capitalized thereon;

AND WHEREAS the Borrowers have requested that the Agent, on its own behalf and on behalf of the Lenders, consent to an increase in the total commitment under the Subdebt Credit Agreement to an aggregate maximum principal amount of Seven Million and Five Hundred Thousand Dollars (\$7,500,000) (the “**Subdebt Increase**”);

AND WHEREAS the parties hereto wish to amend the terms of the Credit Agreement in accordance with the terms and conditions set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the foregoing and the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

Section 1 **INTERPRETATION.**

- (a) Defined Terms. Capitalized terms used in this Agreement (including in the recitals) and not otherwise defined herein shall have the meanings specified in the Credit Agreement.
- (b) Headings; Extended Meanings. The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, words importing the singular shall include the plural and *vice versa* and words importing any gender shall include all genders.
- (c) References. All references to Articles, Sections and Schedules, unless otherwise specified, are to Articles, Sections and Schedules of the Credit Agreement.
- (d) To be Read with Credit Agreement. This Agreement is an amendment to the Credit Agreement. Unless the context of this Agreement otherwise requires, the Credit

Agreement and this Agreement shall be read together and shall have effect as if the provisions of the Credit Agreement and this Agreement were contained in one agreement as of the date of this Agreement. The term "Agreement" when used in the Credit Agreement means the Credit Agreement as amended, supplemented or modified from time to time (including as amended by this Agreement).

Section 2 CONSENTS, WAIVERS AND AGREEMENTS OF THE AGENT AND THE LENDERS.

The Agent, on its own behalf and on behalf of the Lenders, hereby:

- (a) consents to the Subdebt Increase;
- (b) consents to the BIA Proposal and the implementation of BIA Proposal Transactions;
- (c) agrees that the BIA Proposal and the implementation of the BIA Proposal Transactions shall not constitute an Acceleration Event, a Bankruptcy Event or a Change of Control; and
- (d) waives any Event of Default caused by the BIA Proposal and the implementation of the BIA Proposal Transactions;

subject, in each case, to the Obligors complying with the following conditions:

- (i) the Obligors shall not amend the BIA Proposal in any manner, without prior written consent of the Agent;
- (ii) the Proposal Funds (as defined in the BIA Proposal) shall not exceed Three Hundred and Fifty Thousand Dollars (\$350,000) and shall be part of, and not in addition to, the Subdebt Increase; and
- (iii) the Effective Date (as defined in the BIA Proposal) shall have occurred on or before November 30, 2022 (or such later date as agreed to by the Agent).

Section 3 RELEASE OF CANNTRUST HOLDINGS.

Effective immediately prior to the implementation of the BIA Proposal Transactions, the Agent, on its own behalf and on behalf of the Lenders, hereby:

- (a) releases and discharges (i) CannTrust Holdings from all of its obligations under each of the Credit Documents; and (ii) all of the Agent's Liens now held by or in favour of the Agent and the Lenders against CannTrust Holdings and all of its assets;
- (b) agrees, at the expense of the Borrowers, to promptly (i) deliver to CannTrust Holdings, the Obligors or their counsel, all original share certificates of any Obligor issued in the name of CannTrust Holdings currently in the possession of the Agent (or its counsel), together with all original stock transfer powers of attorney relating to such share certificates, including, without limitation, the share certificates listed on Schedule "B"; and (ii) execute and deliver to the Obligors and CannTrust Holdings, as they may reasonably request, (A) registrable discharges and releases of any and all Liens now held

by or in favour of the Agent or any financing statement, financing change statement or notice in respect thereof held by or in favour of the Agent as direct or indirect security for the obligations of CannTrust Holdings under the Credit Documents; and (B) a notice of termination with respect to the blocked account agreement dated as of June 1, 2021 between CannTrust Holdings, Bank of Montreal and the Agent. Further, the Agent specifically authorizes and directs McCarthy Tétrault LLP, counsel to the Obligors, to discharge the registrations of the Security Agreements listed in Schedule "B" hereto as well as all other registrations of the Agent's Liens made in favour of the Agent against CannTrust Holdings; and

- (c) acknowledges, confirms and agrees that CannTrust Holdings shall cease to be a Guarantor and an Obligor for all purposes of the Credit Documents.

Section 4 AMENDMENTS TO THE CREDIT AGREEMENT.

Schedule "A" of the Credit Agreement (*Defined Terms*) is amended by deleting the reference to "Six Million Dollars (\$6,000,000)" in the definition of "Marshall Fields Subdebt" and replacing such reference with "Seven Million and Five Hundred Thousand Dollars (\$7,500,000)";

Section 5 REPRESENTATIONS AND WARRANTIES.

To induce the Agent and the Lenders to enter into this Agreement, each Obligor represents, warrants and covenants to the Agent and the Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

- (a) each of the representations and warranties contained in Article 6.1 of the Credit Agreement in all material respects as if made on and as of the date of such requested Loan Advance (unless expressly stated in Section 6.1 to apply only as at a specific earlier date);
- (b) after giving effect to this Agreement, no Default or Event of Default has occurred and is continuing; and
- (c) no Material Adverse Change has occurred since the date of the last financial statements provided by the Obligors to the Agent.

Section 6 CONDITIONS PRECEDENT.

This Agreement shall become effective upon the following conditions precedent being satisfied:

- (a) this Agreement shall have been executed and delivered by all parties hereto;
- (b) the representations and warranties of the Obligors in this Agreement shall be true and correct on the date hereof; and
- (c) after giving effect to this Agreement, no Default or Event of Default shall have occurred and be continuing.

Section 7 NO OTHER AMENDMENTS, WAIVERS OR CONSENTS.

Each Obligor acknowledges and agrees that, except as expressly provided herein, this Agreement shall not constitute an amendment, waiver, consent or release with respect to any provision of the Credit Documents, a waiver of any breach of representation and warranty, breach of covenant, or any Default or Event of Default thereunder, or a waiver or release of the Agent's or any Lender's rights or remedies, all of which are expressly reserved, and no delay on the part of the Agent or any Lender in exercising any such rights or remedies, shall be construed as a waiver of any such rights or remedies.

Section 8 CREDIT DOCUMENT.

This Agreement constitutes a Credit Document for purposes of the Credit Agreement.

Section 9 CONTINUANCE OF CREDIT DOCUMENTS AND SECURITY.

- (a) The Credit Agreement, as changed, altered, amended or modified by this Agreement, and each of the other Credit Documents, shall be and continue in full force and effect and is hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein.
- (b) Each Obligor acknowledges, confirms and agrees that, notwithstanding this Agreement,
 - (i) all Security Agreements granted by it continues in full force and effect, enforceable in accordance with its terms, and secures payment and performance by it of the Obligations,
 - (ii) each of the Security Agreements to which it is a party constitutes a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other laws of general application limiting the enforcement of creditor's rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies, and
 - (iii) each of the Security Agreements to which it is a party is hereby ratified and confirmed.

Section 10 GOVERNING LAW.

This Agreement shall be governed and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 11 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

AGENT:

CORTLAND CREDIT LENDING CORPORATION

By:  DocuSigned by:
376FEFF2EF6A46C...
Name: Sean Register
Title: CEO

BORROWERS:

PHOENA INC.

By: David Blair
Name David Blair
Title Interim CFO

ELMCLIFFE INVESTMENTS INC.

By: David Blair
Name David Blair
Title Secretary

CTI HOLDINGS (OSOYOOS) INC.

By: David Blair
Name: David Blair
Title: Secretary

GUARANTORS:

ELMCLIFFE INVESTMENTS [NO.2] INC.

By: David Blair
Name: David Blair
Title: Secretary

PHOENA HOLDINGS INC.

By: David Blair
Name: David Blair
Title: Vice President

RELEASED GUARANTOR:

CANNTRUST HOLDINGS INC.

By: David Blair
Name: David Blair
Title: Interim CFO and Secretary

SCHEDULE "A"

BIA PROPOSAL

See Attached

Court File No:
Estate No:

**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/cantrust>;
- (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.

SCHEDULE "B"

A. SHARE CERTIFICATES TO BE RETURNED BY THE AGENT

<u>Issuer</u>	<u>Shareholder</u>	<u>Number of Shares</u>	<u>Share Certificate No.</u>
Phoena Holdings Inc. (formerly known as CannTrust Equity Inc.)	CannTrust Holdings Inc.	1 Common Share	C-1
Phoena Holdings Inc. (formerly known as CannTrust Equity Inc.)	CannTrust Holdings Inc.	141,487,193 Common Shares	C-2
Phoena Holdings Inc. (formerly known as CannTrust Equity Inc.)	CannTrust Holdings Inc.	100 Common Shares	C-3
Phoena Holdings Inc. (formerly known as CannTrust Equity Inc.)	CannTrust Holdings Inc.	1 Common Share	C-4

B. PPSA REGISTRATIONS TO BE DISCHARGED

<u>Jurisdiction</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Reference File Number / Registration Number</u>
Ontario	CannTrust Holdings Inc. CannTrust Holdings Inc. CannTrust Holdings Inc./CannTrust Holdings Inc. CannTrust Holdings Inc./CannTrust Holdings Inc.	Cortland Credit Lending Corporation, as Agent	781010244 / 20220310 1726 1590 2198

THIRD AMENDMENT
dated as of December 21, 2022
to
CREDIT AGREEMENT
dated as of March 11, 2022

THIS THIRD AMENDMENT (this “**Amendment**”) dated as of December 21, 2022 is entered into among Phoena Inc. (formerly known as CannTrust Inc.), Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (collectively, the “**Borrowers**” and each a “**Borrower**”), as borrowers, Phoena Holdings Inc. (formerly known as CannTrust Equity Inc., “**Phoena Holdings**”) and Elmcliffe Investments [No. 2] Inc. (collectively, the “**Guarantors**” and each a “**Guarantor**”), as guarantors and Cortland Credit Lending Corporation, as agent (in such capacity, together with its successor and assigns in such capacity, the “**Agent**”) for and on behalf of the lenders from time to time party to the Credit Agreement (as hereinafter defined).

RECITALS

WHEREAS the Borrowers and the Agent are parties to a credit agreement dated March 11, 2022, as amended by a first amendment dated May 2, 2022 and a second amendment dated October 28, 2022 (as it may be further amended, extended supplemented or otherwise modified from time to time, collectively, the “**Credit Agreement**”);

AND WHEREAS the Borrowers and the Agent have agreed to extend the Facility Term by a period of three (3) months and to amend section 5.1(a) of the Credit Agreement, in each case, from and after the Amendment Effective Date (as hereinafter defined), on the terms and condition more particularly described herein;

NOW THEREFORE, in consideration of the premises and mutual agreements contained herein and in the Credit Agreement, the parties hereto agree as follows:

Article 1– Definitions

All capitalized terms not otherwise defined herein (including the recitals above) are used as defined in the Credit Agreement.

Article 2– Amendments

As of the Amendment Effective Date, the Credit Agreement is hereby amended as follows:

- 2.1 Section 5.1(a) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“The initial term of this Agreement commenced on March 11, 2022 and continued until June 30, 2022 (the “**Initial Term**”) after which the Facility Term (as hereinafter defined) was extended to December 30, 2022. As of the Amendment No. 3 Effective Date, the Facility Term shall be extended to March 31, 2023 and may be extended for one (1) additional period of three (3) months thereafter (the “**Facility Term Extension**”) upon written request from the Borrowers, and with the mutual agreement of the Borrowers and the Agent, no later than March 1, 2023; provided that the Facility Term Extension shall be conditional upon receipt by the Agent of evidence satisfactory to it that the maturity dates under the Subdebt Credit

Agreement and the Marshall Fields Subdebt have each been extended to dates which are not less than thirty (30) days following the then current Maturity Date (as defined below)."

2.2 The following definitions are hereby added to Schedule "A" of the Credit Agreement in alphabetical order:

"Amendment No. 3" means the third amendment to this Agreement dated December 21, 2022.

"Amendment No. 3 Effective Date" means the date upon which all of the conditions precedent to the effectiveness of Amendment No. 3 shall have been satisfied."

Article 3– Acknowledgement of Extension of Maturity Date

As of the Amendment Effective Date, the Agent, the Borrowers and the Guarantors hereby acknowledge and confirm that: (i) the Borrowers have requested, and the Agent has agreed to an extension to the Facility Term for one period of three (3) months such that the new Maturity Date is **March 31, 2023**; and (ii) the Borrowers have one Facility Term Extension available pursuant to Section 5.1(a) of the Credit Agreement for a period of three (3) months.

Article 4– Confirmation of Guarantee and Security

Each of the Obligors hereby confirms to the Agent that all guarantees and Security Agreements previously executed by each of them, respectively, continue in full force and effect.

Article 5– Representations and Warranties

5.1 Each Obligor hereby represents and warrants that:

- (a) it has full power, authority and capacity to enter into and to perform all its obligations contemplated by this Agreement;
- (b) the execution, delivery and performance by it of this Agreement: (i) has been duly authorized by all necessary action; and (ii) will not conflict with, result in a breach of, or constitute a default under, its charter documents;
- (c) this Agreement constitutes a legal, binding and valid obligation enforceable against it in accordance with the terms subject to (i) the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights generally; and (ii) the extent that equitable principles may limit the availability of certain remedies including remedies of specific performance and injunctive relief, which equitable remedies may only be granted in the discretion of a court;
- (d) the representations and warranties made by it in the Credit Agreement, other than those expressly stated to be made as of a specific date, are true and correct in all material respects as of the date hereof with the same effect as if such representations and warranties had been made on and as of the date hereof; and
- (e) except for the breach of section 7.3(b) of the Credit Agreement which the Borrower disclosed to the Agent on or around September 2022, which the Borrower is diligently working to remedy, no Default or Event of Default has occurred or is continuing.

Article 6– Miscellaneous

- 6.1 Effectiveness. Article 2 of this Amendment shall become effective as of the date upon which the following conditions have been satisfied (the “Amendment Effective Date”):
- (a) each of the parties hereto shall have received duly executed counterparts of this Amendment; and
 - (b) the Agent shall have received:
 - (i) evidence satisfactory to it that the maturity dates under the Subdebt Credit Agreement and the Marshall Fields Subdebt have each been extended to dates which are not less than thirty (30) days after March 31, 2023;
 - (ii) certificates of good standing in respect of each of the Obligor from the applicable jurisdiction of organization; and
 - (iii) such other documents and information which the Agent may reasonably request.
- 6.2 References to Credit Agreement. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import shall mean and be a reference to the Credit Agreement as amended by this Amendment, and each reference to the Credit Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Amendment.
- 6.3 Effect on Credit Agreement. The Credit Agreement, as amended and modified hereby, and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.
- 6.4 No Waiver. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any party under the Credit Agreement or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.
- 6.5 Governing Law. This Agreement, including the rights and duties of the parties hereto, shall be governed by, and construed in accordance with, the laws of the Province of Ontario (without giving effect to the conflict of laws principles thereof).
- 6.6 Successors and Assigns. This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and assigns.
- 6.7 Headings. The section headings in this Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.
- 6.8 Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. Delivery by facsimile or email of an executed signature page of this Agreement shall be as effective as delivery of an original executed counterpart thereof.

(The remainder of this page is intentionally blank; signature page follows.)

IN WITNESS WHEREOF the parties have executed this Agreement.

PHOENA INC. (formerly known as CannTrust Inc.), as a Borrower

DocuSigned by:
David Blair
Per: _____
3D40B812BCE44AB
Name: David Blair
Title: Chief Financial Officer

ELMCLIFFE INVESTMENTS INC., as a Borrower

DocuSigned by:
David Blair
Per: _____
3D40B812BCE44AB
Name: David Blair
Title: Secretary

CTI HOLDINGS (OSOYOOS) INC., as a Borrower

DocuSigned by:
David Blair
Per: _____
3D40B812BCE44AB
Name: David Blair
Title: Secretary

PHOENA HOLDINGS INC. (formerly known as CannTrust Equity Inc.), as a Guarantor

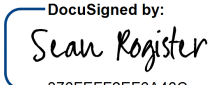
DocuSigned by:
David Blair
Per: _____
3D40B812BCE44AB
Name: David Blair
Title: Chief Financial Officer

ELMCLIFFE INVESTMENTS [NO. 2] INC., as a Guarantor

DocuSigned by:
David Blair
Per: _____
3D40B812BCE44AB
Name: David Blair
Title: Secretary

AGENT:

CORTLAND CREDIT LENDING CORPORATION, as Agent

Per:  _____
Name: Sean Register
Title: CEO

Per: _____
Name: _____
Title: _____
I/we have the authority to bind the Agent.

**This is Exhibit "1" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to read 'Alina Stoica', is positioned above a horizontal line.

A COMMISSIONER FOR TAKING AFFIDAVIT

ALINA STOICA

DEBENTURE

NOTICE: THIS DEBENTURE CONTAINS PROHIBITIONS AGAINST THE CREATION OF MORTGAGES, LIENS, SECURITY INTERESTS OR ENCUMBRANCES AGAINST THE PROPERTY, ASSETS AND UNDERTAKING OF THE DEBTOR CHARGED HEREIN.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees with the Agent as follows:

1. Defined Terms

Unless otherwise defined, terms used in this Debenture as defined terms shall have the respective meanings ascribed thereto in the Credit Agreement (as hereinafter defined). In addition, the following terms shall have the respective meanings set forth below:

"**Acceleration Date**" means the earlier of (i) the occurrence of a Bankruptcy Event; and (ii) the delivery by the Agent to the Debtor of a written notice that the Obligations are immediately due and payable, following the occurrence of an Event of Default that is continuing other than a Bankruptcy Event.

"**Agent**" means Cortland Credit Lending Corporation, in its capacity as administrative agent for the Lenders, and its successors and assigns in such capacity.

"**Collateral**" means all property, assets and undertaking of the Debtor granted, mortgaged, charged, transferred, assigned or subjected to a security interest by this Debenture, including, the Owned Real Properties, Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities, Documents, Undertaking and Proceeds (as such terms are defined herein); and any reference in this Debenture to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires.

"**Credit Agreement**" means the credit agreement between CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osyooos) Inc., as borrowers (the "**Borrowers**"), CannTrust Holdings Inc. Elmcliffe Investments (No. 2) Inc., and Canntrust Equity Inc., as guarantors, the Agent and the Lenders dated on or about the date hereof, as such agreement may be amended, supplemented, replaced or restated from time to time.

"**Debenture**" means this debenture as it may be amended, supplemented, replaced or restated from time to time.

"**Debtor**" means Elmcliffe Investments Inc., a corporation subsisting under the laws of the Province of Ontario.

"**Event of Default**" has the meaning ascribed thereto in the Credit Agreement.

"**Lenders**" means those lenders from time to time party to the Credit Agreement and their respective successors and assigns.

"Obligations" means (i) all present and future, direct and indirect, contingent and absolute obligations of the Debtor to the Agent and the Lenders from time to time arising under or in connection with the Credit Agreement and any other Credit Document; and (ii) all other obligations of the Debtor to the Agent and the Lenders which the Debtor may from time to time acknowledge in writing are secured hereby.

"Owned Real Properties" means, collectively, all distinct legal parcels of Real Property owned in fee simple by the Debtor from time to time, specifically including but not limited to those listed in Schedule "A" attached hereto as such schedule may be amended, supplemented, replaced or restated from time to time.

"Real Property" means freehold property including all buildings, plant, machinery and improvements located thereon or affixed thereto, fences, heating, plumbing, antennae, signage, elevators, escalators, radiators, air-conditioning, ventilating, fire alarm and protective systems, lighting and lighting fixtures, furnaces, boilers, oil burners, stokers, water heating equipment, cooking and refrigeration equipment, window blinds, floor coverings, storm windows and doors, window and door screens, shutters and awnings, and all other apparatus and equipment appurtenant thereto, and all other fixtures, accessions and accretions of any kind or nature).

"Security Interest" means the grants, mortgages, charges, transfers, assignments and security interests herein created.

2. Acknowledgement of Debt and Obligations

For value received, the Debtor hereby acknowledges itself indebted to and promises to pay to or to the order of the Agent at 200 Bay Street, Suite 3230, Toronto, Ontario, M5J 2J2 or at such other place as the Agent may designate by notice in writing to the Debtor, on the Acceleration Date, the amount of the Obligations up to Twenty-Five Million, Seven Hundred Thousand (\$25,700,000) Dollars (the **"Principal Sum"**), plus applicable interest, fees or costs set out herein. The Debtor also promises to pay interest on such amount from the Acceleration Date at the rate of interest which is the lesser of (i) 25% per annum; and (ii) the rate of interest which is applicable to the Obligations from time to time as provided in the Credit Agreement; which interest shall be calculated and payable monthly not in advance, both before and after demand and before and after default, judgment and execution until payment in full of all amounts owing hereunder.

3. Creation of Security Interest

As continuing security for the payment and performance of the Obligations, but subject to Sections 5 and 8 herein, the Debtor hereby grants, mortgages, charges, transfers and assigns to the Agent and creates to and in favour of the Agent, a security interest in the following:

Owned Real Properties

- (a) by way of a fixed and specific mortgage and charge, all right, title, estate and interest of the Debtor in the Owned Real Properties; in each case together with all and any easements, privileges, benefits, immunities and rights connected therewith and/or pertaining thereto; all right, title, estate and interest of the Debtor in all present and after-acquired drawings, specifications, plans and manuals relating thereto; all right, title, estate and interest of the Debtor in and all benefits arising under all approvals,

licenses, permits and consents now or hereafter held relating thereto; and all right, title, estate and interest of the Debtor in and all benefits arising under all present and after-acquired agreements in effect from time to time between the Debtor and third parties relating thereto including, without limitation, leases, guarantees, property management agreements, development agreements, construction agreements, and maintenance agreements;

Equipment

- (b) all present and after-acquired goods of the Debtor consisting of equipment, including all machinery, fixtures, plant, tools, furniture, vehicles of any kind or description, all spare parts, accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto ("**Equipment**");

Inventory

- (c) all present and after-acquired goods of the Debtor consisting of inventory, including all raw materials, materials used or consumed in the business of the Debtor, work-in-progress, finished goods, goods used for packing, materials used in the business of the Debtor not intended for sale, and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service ("**Inventory**");

Accounts

- (d) all present and after-acquired debts, demands and amounts due or accruing due to the Debtor whether or not earned by performance, including without limitation its book debts, accounts receivable, and claims under policies of insurance; and all contracts, security interests and other rights and benefits in respect thereof and all other present and after-acquired accounts receivable and amounts due or accruing due to the Debtor evidenced by any deposit receipts, term deposits, guaranteed investment certificates or other evidence of debt obligations issued by a bank, trust company or other financial institution, and all replacements, renewals and substitutions therefor ("**Accounts**");

Intangibles

- (e) all present and future intangible personal property of the Debtor, including all contract rights, goodwill, and Intellectual Property (as hereinafter defined), and all other choses in action of the Debtor of every kind, whether due at the present time or hereafter to become due or owing ("**Intangibles**"); as used herein, "**Intellectual Property**" means all of the Debtor's present and future intellectual property including without limitation, (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format, including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of the Debtor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (whether registered or unregistered) including without limitation the intellectual property described in any schedule attached hereto;

Documents of Title

- (f) all present and after-acquired documents of title of the Debtor, whether negotiable or otherwise including all warehouse receipts and bills of lading ("**Documents of Title**");

Chattel Paper

- (g) all present and after-acquired agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods ("**Chattel Paper**");

Instruments

- (h) all present and after-acquired bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act* (Canada)), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment ("**Instruments**");

Money

- (i) all present and after-acquired money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency ("**Money**");

Securities

- (j) all present and after-acquired securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures, financial assets (as defined in the *Securities Transfer Act, 2006* (Ontario)) and investment property (as defined in the *Personal Property Security Act* (Ontario)) and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefor and dividends and income derived therefrom, specifically including the Securities listed in any schedule attached hereto ("**Securities**");

Documents

- (k) all books, accounts, invoices, letters, papers, documents and other records in any form evidencing or relating to collateral subject to the Security Interest ("**Documents**");

Undertaking

- (l) all present and after-acquired real and personal property, business, and undertaking of the Debtor not being Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities or Documents ("**Undertaking**"); and

Proceeds

- (m) all personal property in any form derived directly or indirectly from any dealing with collateral subject to the Security Interest or the proceeds therefrom, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto or the proceeds therefrom ("**Proceeds**").

4. Assignment of Rents

As additional and separate security for payment and performance of the Obligations the Debtor hereby assigns, transfers and sets over to the Agent, all the Debtor 's rights and interests in all existing and future leases, tenancy agreements, offers to lease and other similar agreements with respect to all or part of the Owned Real Properties and all rents, royalties, incomes, profits and other amounts now or hereafter arising therefrom or any building, improvement, fixture or part thereof, and the following provisions shall apply with respect thereto:

- (a) *Separate Assignments.* The assignment of each of the foregoing and of each of the rents, royalties, incomes, profits and other amounts by the Debtor to the Agent herein contained in this Section 4 shall be deemed to be a separate assignment so that the Agent in its discretion may exercise its rights in respect of any or all of such leases, offers to lease, tenancy agreements or other similar agreements or the rents, royalties, incomes, profits or other amounts paid or payable thereunder.
- (b) *Collection by Debtor before Acceleration Date.* Until the Acceleration Date, the Debtor may collect, retain and apply all rents, royalties, incomes, profits and other amounts and deal with all leases, offers to lease, tenancy agreements and other similar agreements from time to time.
- (c) *No Liability of Mortgagee and Indemnity by Debtor.* Nothing herein shall obligate the Agent to assume or perform (and nothing herein shall impose on the Agent) any liability or obligation of the Debtor to any tenant or other person pursuant to or in respect of any lease, offer to lease, tenancy agreement, other similar agreement or otherwise, and the Debtor hereby indemnifies and saves harmless the Agent from any and all claims with respect thereto, provided that the Agent may, at its sole option, assume or perform any such obligations as it considers necessary or desirable.
- (d) *Re-assignment.* The Agent may, at any time without further request or agreement by the Debtor, reassign to the Debtor or its successors or assigns, any or all of the collateral referred to in this Section 4.
- (e) *Application by Agent.* The Agent's obligations with respect to any amount collected by the Agent shall be discharged by the application of such amount to reduce the Obligations.
- (f) *Not Mortgagee in Possession.* Nothing contained herein shall have the effect of making the Agent a mortgagee in possession of all or any portion of the Owned Real Properties.

5. Further Description of Collateral

Without limiting the generality of the description of Collateral as set out in Section 3, for greater certainty the Collateral shall include all present and after-acquired Real Property and personal property in which the Debtor may have an interest which may be specifically described in any schedule which may be attached hereto. The Debtor agrees to execute and deliver at its own expense from time to time amendments to this Debenture or additional security agreements as may be reasonably required by the Agent in order that the Security Interest shall attach to such Real Property and personal property.

6. Attachment

The parties acknowledge that value has been given, the parties have not agreed to postpone the time for attachment of the Security Interest and the Debtor has rights in the Collateral which exists as at the date of this Debenture. In respect of Collateral in which the Debtor obtains an interest after the execution and delivery of this Debenture, the Security Interest shall attach thereto immediately upon the Debtor obtaining such rights.

7. Dealings with Collateral

Unless otherwise prohibited under the Credit Agreement, until the Acceleration Date, the Debtor shall be entitled to deal with the Collateral in the ordinary course of business and enforce all of the benefits, powers and advantages in respect thereof as if this Debenture had not been made, subject to compliance with the restrictions contained herein and in the Credit Agreement. All Accounts collected by the Debtor shall be deposited into accounts maintained by the Debtor with the Agent. After the Acceleration Date, whether or not the Agent shall have taken any steps to enforce the Security Interest, all Accounts collected by the Debtor shall be held by the Debtor as agent and in trust for the Agent and shall be paid to the Agent immediately upon receipt.

8. Exception re Leasehold Interests, Contractual Rights, Reserve Accounts and Consumer Goods

(a) The last day of the term of any lease, sublease or agreement therefor is specifically excluded from the Security Interest, but the Debtor agrees to stand possessed of such last day in trust for any Person acquiring such interest of the Debtor.

(b) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, the Excluded Collateral or any agreement, right, franchise, licence or permit to which the Debtor is a party or in respect of which the Debtor has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any Person to terminate, such contractual rights (collectively, the “**excluded contractual rights**”), including any excluded contractual rights that are not assignable under Applicable Laws. To the maximum extent permitted by Applicable Laws, the Debtor agrees to (i) hold its interest in all excluded contractual rights in trust for the Agent (for the benefit of the Lenders) and (ii) assign such excluded contractual rights to the Agent (for the benefit of the Lenders) forthwith upon obtaining the consent of each other party thereto whose consent is required, and (iii) upon the request of the Agent, use all commercially reasonable efforts to obtain any consent required to permit any excluded contractual rights to be subjected to the Security Interest hereunder.

(c) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers

Trust, a trust established by the Borrowers by a trust indenture dated December 17, 2019 among CannTrust Holdings Inc., and William E. Aziz, for purposes of settling potential director and officer liabilities (provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution will become Collateral).

(d) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any reserve accounts maintained by the Debtor, and all funds on deposit therein, in connection with a tolling agreement made as of January 31, 2018 among Balfour Energy Corp., CannTrust Inc. and Elmcliffe Investments Inc., provided that no Borrowers and neither of CannTrust Equity Inc. and Elmcliffe Investments [No. 2] Inc. will deposit any funds into such reserve accounts while any amount is outstanding under the Credit Agreement except for pre-scheduled payments as advised by the Borrowers to the Agent.

(e) The Security Interest granted hereby does not extend to consumer goods.

9. Registration of Securities; Voting and other Rights

Until requested in writing by the Agent, the certificates representing the Securities may remain registered in the name of the Debtor, and the Debtor shall at the option of the Agent either duly endorse such certificates in blank for transfer or execute stock powers of attorney in respect thereof and with all documentation being in form and substance satisfactory to the Agent and the transfer agent (if any) appointed from time to time in respect of the Securities (including signature guarantees on such endorsements or stock powers of attorney if required by such transfer agent and if requested by the Agent). At any time and from time to time upon request by the Agent after the Acceleration Date, the Debtor shall cause any or all of the Securities to be registered in the name of the Agent or its nominee, and the Agent is hereby appointed, effective as at such time, the irrevocable attorney of the Debtor with full power of substitution to cause any or all of the Securities to be registered in the name of the Agent or its nominee. Until the Acceleration Date:

- (a) the Debtor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would have the effect of imposing any restriction on the transferability of any of the Securities; and
- (b) the Debtor shall be entitled to receive all dividends, interest, distributions and other income in respect of the Securities, to the extent that such payments are made by the issuer of the Securities in compliance with any restrictions on such payments contained in the Credit Agreement.

All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon the Acceleration Date.

10. Representations and Warranties

The Debtor hereby represents and warrants as follows to the Agent and acknowledges that the Agent is relying thereon:

- (a) the Debtor has the corporate capacity, power, legal right and authority to borrow from the Lenders, perform its obligations under this Debenture and create the Security Interest; and the execution and delivery of this Debenture and the performance of the Debtor's obligations herein have been duly authorized by all necessary corporate action;
- (b) the Debtor owns and possesses the Collateral free and clear of any and all Liens except Permitted Liens; and
- (c) the Collateral does not include any goods which are used or acquired by the Debtor primarily for personal, family or household purposes.

11. Covenants of Debtor

The Debtor covenants and agrees as follows:

- (a) to prevent the Collateral from becoming an accession to any personal property not subject to the Security Interest;
- (b) if requested by Agent, to deliver to the Agent from time to time all items of Collateral comprising Chattel Paper, Instruments, Securities and those Documents of Title which are negotiable;
- (c) to do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be reasonably required by the Agent to establish in favour of the Agent the Security Interest intended to be created hereby and to accomplish the intention of this Debenture;
- (d) to pay all reasonable expenses, including reasonable solicitors' and receivers' fees and disbursements, incurred by the Agent or its agents (including any Receiver, as hereinafter defined) in connection with the preparation, perfection, preservation, and enforcement of this Debenture; including all reasonable expenses incurred by the Agent or such agents in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable promptly upon demand and shall form part of the Obligations; and
- (e) not to sell or otherwise dispose of any of the Owned Real Properties or any interest of the Debtor therein by conveyance, transfer, lease (other than in the ordinary course of business), declaration of trust or otherwise, and not to mortgage, charge, assign, create a security interest in or otherwise directly or indirectly encumber any of them in any way, except to the extent as may be permitted in the Credit Agreement.

12. Enforcement

The Obligations shall be due and payable and the Security Interest shall become enforceable on the Acceleration Date.

13. Remedies

From and after the Acceleration Date, in addition to exercising any other remedies available at law or equity or contained in any other agreement between the Debtor and the Agent, all of which remedies shall be independent and cumulative, the Agent may:

- (a) enter upon the Owned Real Properties or any other premises where Collateral may be located;
- (b) manage, operate and repair all or any of the Owned Real Properties;
- (c) take possession of Collateral by any method permitted by law;
- (d) occupy and use all or any of the Owned Real Properties and any other premises occupied by the Debtor and the Collateral located thereon;
- (e) take such steps and expend such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including payments on account of other security interests affecting the Collateral; provided that the Agent shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Agent shall be added to the Obligations and shall be secured hereby;
- (f) sell, lease or otherwise dispose of Collateral in whole or in part;
- (g) collect, sell or otherwise deal with Accounts, including notifying any person obligated to the Debtor in respect of an Account, Chattel Paper or an Instrument to make payment to the Agent of all such present and after-acquired amounts due thereon;
- (h) collect any rents, royalties, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business; and the collection of such amounts from the tenants or other persons responsible for the payment thereof shall not constitute the Agent a mortgagee-in-possession unless the Agent provides written notice to the said tenants or other persons that it has determined to take possession;
- (i) exercise all voting rights attached to the Securities (whether or not registered in the name of the Agent or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;
- (j) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Securities, and in connection therewith, to deposit and deliver any of the Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as

it may determine, all without liability except to account for property actually received by it;

- (k) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Securities as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other Governmental Authority and the Debtor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Agent be liable or accountable to the Debtor for any discount in the sale price of the Securities which may be given by reason of the fact that such Securities are sold in compliance with any such limitation or restriction;
- (l) carry on the business of the Debtor or any portion thereof;
- (m) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor;
- (n) borrow money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest, as security for the money so borrowed;
- (o) appoint by instrument in writing a receiver, or a receiver and manager (each of which is herein called a "**Receiver**") in respect of the Collateral or any portion thereof;
- (p) apply to any court of competent jurisdiction for the appointment of a Receiver in respect of the Collateral or any portion thereof;
- (q) accept the Collateral in satisfaction of the Obligations; and
- (r) file proofs of claim and other documents in order to have the claims of the Lenders and the Agent lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

14. Receiver

Any Receiver appointed by the Agent may be any person or persons, and the Agent may remove any Receiver so appointed and appoint another or others instead. The Receiver may exercise all powers of the Agent as provided in this Debenture. The Receiver shall act as agent for the Agent for the purposes of taking possession of the Collateral, and (except as provided below) as agent for the Debtor for all other purposes, including without limitation the occupation of any premises of the Debtor and in carrying on the Debtor's business. For the purposes of realizing upon the Security Interest, the Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Agent as it may determine in its discretion. The Debtor agrees to ratify and confirm all actions of the Receiver acting as agent for the Debtor taken in accordance with the powers contained herein, and to release and

indemnify the Receiver in respect of all such actions, except that such ratification, confirmation, release and indemnity shall not apply to any gross negligence or wilful misconduct on the part of such Receiver.

15. Standards of Sale

From and after the Acceleration Date, the Debtor agrees that it shall be commercially reasonable for the Agent to dispose of Collateral by private sale or public sale. From and after the Acceleration Date, Collateral may be disposed of in whole or in part, for cash or credit, or part cash and part credit. The purchaser or lessee of such Collateral may be a customer of the Agent or any Lender. No purchaser shall be bound to enquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder. From and after the Acceleration Date, the Agent may sell any Collateral without taking actual possession of any part thereof, and while in possession the Agent shall only be accountable for monies actually received by it. The Agent may commence and continue any sale proceedings notwithstanding that other sale proceedings by other persons have been taken or are then pending.

16. Failure of Agent to Exercise Remedies

The Agent shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

17. Application of Payments

From and after the Acceleration Date all payments made in respect of the Obligations and all monies received by the Agent or any Receiver appointed by the Agent in respect of the enforcement of the Security Interest may be held as security for the Obligations or applied in such manner as set out in the Credit Agreement.

18. Dealings by Agent; No Obligation to Marshal

Until the Obligations have been satisfied in full, the Agent may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Agent may see fit, without prejudice to the Obligations and the rights of the Agent to hold and realize upon the Security Interest. The Agent has no obligation to keep Collateral identifiable, or to preserve rights against prior secured creditors in respect of any Collateral which includes Chattel Paper or Instruments. To the full extent that it may lawfully do so, the Debtor hereby waives and disclaims any benefit of, and shall not have or assert any right under any statute or rule of law pertaining to, discussion and division, the marshalling of assets or any other matter whatsoever, to defeat, reduce or affect the rights of the Agent under the terms of this Debenture to a sale of the Collateral or any part thereof or for the collection of all amounts secured hereby.

19. Payment of Liens, etc.

The Agent may pay and satisfy the whole or any part of any Liens and royalties now or hereafter existing in respect of any of the Collateral, and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations. In the event of the Agent satisfying any such Lien, it shall be entitled to all the equities and

securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

20. Release and Reassignment

After the Obligations have been paid and satisfied in full and the Agent and the Lenders have no further obligation to extend credit to the Debtor, the Agent shall at the request and expense of the Debtor execute such releases and reassignments of this Debenture, the Security Interest and any registrations made in respect thereof, and other documents or instruments as shall be reasonably required by the Debtor to give effect to the foregoing.

21. Notice

Without prejudice to any other method of giving notice, all communications provided for or permitted hereunder shall be in writing and delivered to the addressee by prepaid private courier or sent by facsimile, electronic mail or by other means of instantaneous transmission that produces a permanent copy, to the applicable address and to the attention of the officer of the addressee as follows:

to the Debtor:

Elmcliffe Investments Inc.
3280 Langstaff Road, Unit 1
Vaughan, Ontario
L4K 5B6

Attn: President
Email: gguyatt@cantrust.ca

to the Agent:

Cortland Credit Lending Corporation
c/o Cortland Credit Group Inc.
200 Bay Street, Suite 3230
Toronto, Ontario
M5J 2J2

Attn: Sean Rogister
Email: srogister@cortlandcredit.ca

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given or delivered on the Business Day after which it is submitted for delivery. Any communication transmitted by facsimile, electronic mail or by other means of instantaneous transmission that produces a permanent copy shall be deemed to have been validly and effectively given or delivered on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. Any party may change its address for service by notice given in the foregoing manner.

22. Separate Security

This Debenture and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Agent or the Lenders in respect of the Debtor, the Obligations or the Collateral.

23. Obligations May Revolve

This Debenture is a continuing security and shall secure up to the amount specified in section 2 of this Debenture notwithstanding that the Obligations may be repaid and satisfied by the Debtor in whole or in part from time to time and further Obligations may be incurred by the Debtor from time to time.

24. Lenders Not Obligated to Advance

Nothing in this Debenture shall obligate the Lenders to make any loan or accommodation to the Debtor, or extend the time for payment or satisfaction of any Obligations.

25. Exclusion of Statutory Covenants

The doctrine of consolidation shall apply to this Debenture notwithstanding Section 31 of the *Property Law Act* (Ontario) or any similar statutory provision in force from time to time.

26. Severability

If any provision of this Debenture shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

27. Time of Essence

Time shall be of the essence of this Debenture.

28. Grammatical Changes

This Debenture is to be read as if all changes in grammar, number and gender rendered necessary by the context had been made.

29. Inconsistencies with Credit Agreement

To the extent that there is any inconsistency between a provision of this Debenture and a provision of the Credit Agreement, the said provision of the Credit Agreement shall govern.

30. Entire Agreement

This Debenture, the Credit Agreement and the other Credit Documents executed by the Debtor constitute the entire agreement between the Debtor and the Agent relating to the subject-matter thereof, and no amendments thereto shall be effective unless made in writing. Possession of an executed copy of this Debenture by the Agent constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

31. Governing Law; Attornment

This Debenture shall be interpreted in accordance with the laws of the Province of Ontario, and without prejudice to the ability of the Agent to enforce this Debenture in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

32. Power of Attorney

The Debtor hereby constitutes and appoints the Agent or any officer thereof as its true, lawful and irrevocable attorney with full power of substitution, on the Acceleration Date and at any time thereafter, to execute all documents and take all actions as may be necessary or desirable to perform any obligations of the Debtor arising pursuant to this Debenture, and in executing such documents and taking such actions, to use the name of the Debtor whenever and wherever it may be considered necessary or expedient.

33. Successors and Assigns

This Debenture is binding upon the Debtor and its successors and permitted assigns, and shall enure to the benefit of the Agent and its successors and assigns.

34. Additional Copies for Registration

Additional copies of this Debenture may be executed by the Debtor for registration purposes, which said copies may contain different dates and different schedules attached thereto. Notwithstanding the foregoing, all such original executed copies shall constitute one and the same Debenture; and the Security Interest herein created shall attach to all Collateral, specifically including all Collateral described in such schedules.

35. Charging Clause

And for better securing to the Agent the repayment in the manner set out above of the Principal Sum and interest (and other amounts hereby secured), the Debtor hereby mortgages to the Agent all of its estate and interest in the real property described in Section 3 above.

36. Execution by Fax, PDF or Other Electronic Means

This Debenture may be executed by facsimile, pdf or other electronic means and any such signature shall be deemed to be equivalent to an original signature for all purposes.

37. Copy of Debenture

The Debtor acknowledges receipt of an executed copy of this Debenture, and waives all rights to receive from the Agent a copy of any financing statement, financing change statement, security notice or similar document filed, or any verification statement received, at any time in respect of this Debenture.

[Remainder of page intentionally blank; signature page follows.]

IN WITNESS WHEREOF, this Debenture has been executed and delivered by the Debtor this 11th day of March 2022.

ELMCLIFFE INVESTMENTS INC.

By:  _____

Name: Greg Guyatt

Title: President, Secretary and Treasurer

I have authority to bind the corporation.

Schedule "A"

Legal Description of Owned Real Properties

1396 Balfour Street, Pelham, Ontario

PIN 64030-0908 (LT)

PART OF LOT 14 CONCESSION 8 PELHAM BEING FIRSTLY: PART 1 PLAN 59R8668; SECONDLY: PARTS 1 & 2 PLAN 59R4462; THIRDLY: PART 1 PLAN 59R647 SAVE AND EXCEPT RO385535; FOURTHLY: AS IN PE16925; FIFTHLY: AS IN RO257496; TOWN OF PELHAM

**This is Exhibit "J" referred to in the affidavit
of CORNELIS PIETER MELISSEN, SWORN BEFORE
ME this 3RD day of APRIL 2023**

A handwritten signature in blue ink, appearing to be 'Alina Stoica', written in a cursive style.

A COMMISSIONER FOR TAKING AFFIDAVIT

ALINA STOICA

GENERAL SECURITY AGREEMENT

This Agreement is made this 11th day of March, 2022

BETWEEN:

CANNTRUST INC.
(the “**Debtor**”)

- and -

CORTLAND CREDIT LENDING CORPORATION, as Administrative Agent
(the “**Agent**”)

WHEREAS CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (the “**Borrowers**”) are indebted to Cortland Credit Lending Corporation, in its capacity as administrative agent (the “**Agent**”) for certain lenders (the “**Lenders**”) pursuant to a credit agreement dated the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”) among the Borrowers, the Agent, the Lenders and the guarantors from time to time party thereto;

AND WHEREAS the Debtor has entered into a guarantee in favour of the Agent, for its benefit and the benefit of the Lenders, pursuant to which the Debtor has guaranteed payment and performance of the obligations of the Borrowers (other than the Debtor);

AND WHEREAS the Debtor has agreed to grant a security interest in the Collateral (as defined herein) to secure the performance of its obligations;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees with the Agent as follows:

Interpretation

1. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined herein shall have the meanings provided in the Credit Agreement.
2. **Creation of Security Interest; Obligations Secured**

As continuing security for the payment and performance of all present and future, direct and indirect, contingent and absolute obligations and liabilities of the Debtor to the Agent, specifically including for greater certainty all obligations of the Debtor to the Agent arising under or in connection with all guarantees provided by the Debtor from time to time in respect of the indebtedness and liabilities of the Borrowers to the Agent under or in connection with the Credit Agreement and any other Credit Document (collectively, the “**Obligations**”), the Debtor hereby grants to and in favour of the Agent, a security interest in, and hereby mortgages, charges and assigns to and in favour of the Agent, all present and after-acquired real and personal property of the Debtor, including the following:

Equipment

- (a) all present and after-acquired equipment of the Debtor, including all machinery, fixtures, plant, tools, furniture, vehicles of any kind or description, all spare parts, accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto ("**Equipment**");

Inventory

- (b) all present and after-acquired inventory of the Debtor, including all raw materials, materials used or consumed in the business of the Debtor, work-in-progress, finished goods, goods used for packing, materials used in the business of the Debtor not intended for sale, and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service ("**Inventory**");

Accounts

- (c) all present and after-acquired debts, demands and amounts due or accruing due to the Debtor whether or not earned by performance, including without limitation its book debts, accounts receivable, and claims under policies of insurance; and all contracts, security interests and other rights and benefits in respect thereof and all other present and after-acquired accounts receivable and amounts due or accruing due to the Debtor evidenced by any deposit receipts, term deposits, guaranteed investment certificates or other evidence of debt obligations issued by a bank, trust company or other financial institution, and all replacements, renewals and substitutions therefor ("**Accounts**");

Intangibles

- (d) all present and future intangible personal property of the Debtor, including all contract rights, goodwill, and Intellectual Property (as hereinafter defined), and all other choses in action of the Debtor of every kind, whether due at the present time or hereafter to become due or owing ("**Intangibles**"); as used herein, "**Intellectual Property**" means all of the Debtor's present and future intellectual property including without limitation, (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format, including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of the Debtor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (whether registered or unregistered) including without limitation the intellectual property described in any schedule attached hereto;

Documents of Title

- (e) all present and after-acquired documents of title of the Debtor, whether negotiable or otherwise including all warehouse receipts and bills of lading ("**Documents of Title**");

Chattel Paper

- (f) all present and after-acquired agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods ("**Chattel Paper**");

Instruments

- (g) all present and after-acquired bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act* (Canada)), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment ("**Instruments**");

Money

- (h) all present and after-acquired money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency ("**Money**");

Securities

- (i) all present and after-acquired securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures, financial assets (as defined in the *Securities Transfer Act, 2006* (Ontario)) and investment property (as defined in the *Personal Property Security Act* (Ontario)) and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefor and dividends and income derived therefrom ("**Securities**"); and for greater certainty, specifically including the Securities listed in Schedule "A" attached hereto or otherwise acknowledged in writing by the Debtor as comprising part of the Collateral;

Documents

- (j) all books, accounts, invoices, letters, papers, documents and other records in any form evidencing or relating to collateral subject to the Security Interest ("**Documents**");

Undertaking

- (k) all present and after-acquired real and personal property, business, and undertaking of the Debtor not being Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities or Documents ("**Undertaking**"); and

Proceeds

- (l) all personal property in any form derived directly or indirectly from any dealing with collateral subject to the Security Interest or the proceeds therefrom, including insurance

proceeds and any other payment representing indemnity or compensation for loss of or damage thereto or the proceeds therefrom ("**Proceeds**").

The present and after-acquired real and personal property of the Debtor and all Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities, Documents, Undertaking and Proceeds, other than Excluded Collateral, are collectively called the "**Collateral**". Any reference in this Agreement to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires.

The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively called the "**Security Interest**".

3. **Further Description of Collateral**

Without limiting the generality of the description of Collateral as set out in Section 2, for greater certainty the Collateral shall include all present and after-acquired real and personal property in which the Debtor may have an interest which may be specifically described in any schedule which may be attached hereto. The Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Agent in order that the Security Interest shall attach to such real and personal property.

4. **Attachment**

The Debtor acknowledges that value has been given, the parties have not agreed to postpone the time for attachment of the Security Interest and the Debtor has rights in the Collateral which exists as at the date of this Agreement. In respect of Collateral in which the Debtor obtains an interest after the execution and delivery of this Agreement, the Security Interest shall attach thereto immediately upon the Debtor obtaining such rights.

5. **Dealings with Collateral**

The Debtor may sell Inventory and collect Accounts in the ordinary course of its business until otherwise advised in writing by the Agent at any time following the occurrence of an Event of Default that is continuing. Upon receipt by the Debtor of such written notice its entitlement to sell Inventory and collect Accounts shall cease, and any Accounts thereafter collected by the Debtor shall be held by in trust for the Agent and shall be paid to the Agent immediately upon receipt.

6. **Exception re Leasehold Interests, Contractual Rights, Reserve Accounts and Consumer Goods**

- (a) The last day of the term of any lease, sublease or agreement therefor is specifically excluded from the Security Interest, but the Debtor agrees to stand possessed of such last day in trust for any Person acquiring such interest of the Debtor.
- (b) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any agreement, right, franchise, licence or permit to which the Debtor is a party or in respect of which the Debtor has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any Person to terminate, such contractual rights (collectively, the "**excluded contractual rights**"), including any excluded contractual rights that are not assignable under

Applicable Laws. To the maximum extent permitted by Applicable Laws, the Debtor agrees to (i) hold its interest in all excluded contractual rights in trust for the Agent (for the benefit of the Lenders) and (ii) assign such excluded contractual rights to the Agent (for the benefit of the Lenders) forthwith upon obtaining the consent of each other party thereto whose consent is required, and (iii) upon the request of the Agent, use all commercially reasonable efforts to obtain any consent required to permit any excluded contractual rights to be subjected to the Security Interest hereunder.

- (c) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers Trust, a trust established by the Borrowers by a trust indenture dated December 17, 2019 for purposes of settling potential director and officer liabilities (provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution will become Collateral).
- (d) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any reserve accounts maintained by the Borrowers (or any one of them), and all funds on deposit therein (the “**Balfour Cash Collateral**”), in connection with the Balfour Tolling Agreement, provided that no Borrowers or any Guarantor will deposit any funds into such reserve accounts covered by this subsection (d) while any amount is outstanding under the Credit Facility except for pre-scheduled payments set forth in a schedule provided by the Borrowers to the Agent.
- (e) The Security Interest granted hereby does not extend to consumer goods.

7. **Additional Provisions re Securities**

The Debtor shall duly endorse for transfer all certificates evidencing the Securities, or execute stock transfer powers of attorney in respect thereof, in either case with signatures guaranteed if so requested by the Agent. Upon written notice by the Agent at any time after the occurrence and during the continuation of an Event of Default, the Debtor shall cause any or all of the Securities to be registered in the name of the Agent or its nominee, and the Agent is hereby appointed the irrevocable attorney of the Debtor with full power of substitution to cause any or all of the Securities to be registered in the name of the Agent or its nominee. Until otherwise advised in writing by the Agent at any time following the occurrence and during the continuation of an Event of Default:

- (a) the Debtor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would impose any restriction on the transferability of the Securities or otherwise adversely affect the Security Interest or impair the value of the Securities; and
- (b) the Debtor shall not exercise its voting rights attached to the Securities in connection with any matter which would result in a contravention of any Credit Document.

All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt of such written notice by the Agent.

8. Representations and Warranties

The Debtor hereby represents and warrants as follows to the Agent and the Lenders, and acknowledges that the Agent and the Lenders are relying thereon:

- (a) the Debtor has the corporate power and authority to create the Security Interest and perform its obligations under this Agreement;
- (b) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder has been duly authorized by all necessary corporate action;
- (c) except as otherwise provided herein or disclosed in a schedule hereto, the Collateral is owned by the Debtor free from all Liens other than Permitted Liens; and
- (d) the chief executive office of the Debtor is located at 3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8.

9. Covenants

The Debtor covenants and agrees as follows:

- (a) not to grant or suffer to exist any Lien in respect of the Collateral, other than Permitted Liens;
- (b) to prevent the Collateral from becoming an accession to any personal property not subject to this Agreement, or becoming affixed to any real property other than real property which is subject to a first-ranking security interest in favour of the Agent or a landlord agreement in favour of the Agent;
- (c) to deliver to the Agent from time to time upon request all items of Collateral comprising Chattel Paper, Instruments, Securities and those Documents of Title which are negotiable;
- (d) to do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be reasonably required by the Agent to establish in favour of the Agent the Security Interest intended to be created hereby and to accomplish the intention of this Agreement; and
- (e) to pay all reasonable and documented expenses, including reasonable and documented solicitors' and receivers' fees and disbursements, incurred by the Agent or its agents (including any Receiver, as hereinafter defined) in connection with the preparation, perfection, preservation, and enforcement of this Agreement; including all reasonable and documented expenses incurred by the Agent or such agents in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable promptly upon demand and shall form part of the Obligations.

10. Enforcement

Upon the occurrence of an Event of Default that is continuing, in addition to exercising any other remedies available at law or equity or contained in any other Credit Document between the Debtor and the Agent, all of which remedies shall be independent and cumulative, the Agent may:

- (a) enter any premises where Collateral may be located;
- (b) take possession of Collateral by any method permitted by law;
- (c) occupy and use any premises occupied by the Debtor and use all or any of such premises and the Equipment and other Collateral located thereon;
- (d) take such steps and expend such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including payments on account of other security interests affecting the Collateral; provided that the Agent shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Agent shall comprise part of the Obligations and shall be secured hereby;
- (e) sell, lease, license or otherwise dispose of Collateral;
- (f) collect, sell or otherwise deal with Accounts, including notifying any person obligated to the Debtor in respect of an Account, Chattel Paper or an Instrument to make payment to the Agent of all such present and future amounts due thereon;
- (g) collect any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business;
- (h) exercise all voting rights attached to the Securities (whether or not registered in the name of the Agent or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;
- (i) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Securities, and in connection therewith, to deposit and deliver any of the Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it;
- (j) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Securities as may be necessary in order to comply with Applicable Laws and regulations, and policies imposed by any stock exchange, securities commission or other Governmental Authority, and the Debtor further agrees that such

compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Agent be liable or accountable to the Debtor for any discount in the sale price of the Securities which may be given by reason of the fact that such Securities are sold in compliance with any such limitation or restriction;

- (k) carry on the business of the Debtor or any portion thereof;
- (l) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor;
- (m) borrow money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest, as security for the money so borrowed;
- (n) apply to any court of competent jurisdiction for the appointment of a receiver or a receiver and manager in respect of the Debtor and/or the Collateral or any portion thereof;
- (o) appoint a receiver or a receiver and manager by private appointment (each of which together is herein called a “**Receiver**”) in respect of the Debtor and/or the Collateral or any portion thereof;
- (p) accept the Collateral in satisfaction of the Obligations; and
- (q) file proofs of claim and other documents in order to have the claims of the Agent and the Lenders lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

11. **Receiver**

Any Receiver appointed by the Agent may be any person or persons, and the Agent may remove any Receiver so appointed and appoint another or others instead. The Receiver may exercise all powers of the Agent as provided in this Agreement. The Receiver shall act as agent for the Agent for the purposes of taking possession of the Collateral, and (except as provided below) as agent for the Debtor for all other purposes, including without limitation the occupation of any premises of the Debtor and in carrying on the Debtor's business. For the purposes of realizing upon the Security Interest, the Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Agent as it may determine in its discretion, acting reasonably. The Debtor agrees to ratify and confirm all actions of the Receiver acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions, except that such ratification, confirmation, release and indemnity shall not apply to any gross negligence or wilful misconduct on the part of the Receiver.

12. **Standards of Sale**

The Debtor agrees that it shall be commercially reasonable for the Agent to dispose of Collateral by private sale or public sale, in the Agent's reasonable discretion. If Collateral is disposed of by public sale, the sale may be held following one advertisement in a newspaper having general circulation in the location of the Collateral to be sold at least seven days prior to such sale, and the Agent may establish a reserve bid in respect of all or any portion of the Collateral. Collateral may be disposed of in whole or in part, for cash or credit, or part cash and part credit. The purchaser or lessee of such Collateral may be a customer of the Agent or any Lender. No purchaser shall be bound to enquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder. The Agent may sell any Collateral without entering into or taking actual possession of any part thereof, and while in possession the Agent shall only be accountable for monies actually received by it. The Agent may commence and continue any sale proceedings notwithstanding that other sale proceedings by other persons have been taken or are then pending.

13. Failure of Agent to Exercise Remedies

The Agent shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

14. Application of Payments

All payments made in respect of the Obligations and all monies received by the Agent or any Receiver appointed by the Agent in respect of the enforcement of the Security Interest (including the receipt of any Money) may be held as security for the Obligations or applied in such manner as may be determined in the discretion of the Agent or the Receiver, as the case may be, and the Agent may at any time apply or change any such appropriation of such payments or monies to such part or parts of the Obligations as the Agent may determine in its discretion. The Debtor shall remain liable to the Agent for any deficiency; and any surplus funds realized after the satisfaction of all Obligations shall be paid in accordance with Applicable Law.

15. Dealings by Agent

The Agent may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Agent may see fit, without prejudice to the Obligations and the rights of the Agent to hold and realize upon the Security Interest. The Agent has no obligation to keep Collateral identifiable, or to preserve rights against prior secured creditors in respect of any Collateral which includes Chattel Paper or Instruments.

16. Payment of Liens

The Agent may pay and satisfy the whole or any part of any Liens now or hereafter existing in respect of any of the Collateral, and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations. In the event of the Agent satisfying any such Lien, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

17. Notice

Without prejudice to any other method of giving notice, any notice by the Agent to the Debtor pursuant to this Agreement shall be effective if made in writing and given to the Debtor at the following address:

CannTrust Inc.
3280 Langstaff Road, Unit 1
Vaughan, Ontario
L4K 4Z8

Attn: Chief Executive Officer
Email: gguyatt@cantrust.ca

18. Separate Security

This Agreement and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Agent or the Lenders in respect of the Debtor, the Obligations or the Collateral.

19. Lenders Not Obligated to Extend Credit

Nothing in this Agreement shall obligate the Lenders to make any loan or other extension of credit to the Borrower, or extend the time for payment or satisfaction of any Obligations.

20. Severability

If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

21. Time of Essence

Time shall be of the essence of this Agreement.

22. Inconsistencies with Credit Agreement

To the extent that there is any inconsistency between any provision, representation, covenant or other obligation of the Debtor contained in this Agreement and any provision, representation, covenant or other obligation of the Debtor contained in the Credit Agreement, the latter shall govern. Except as aforesaid, this Agreement and any other documents or instruments contemplated hereby shall constitute the entire agreement and understanding between the Debtor and the Agent relating to the subject-matter hereof. No provision of this Agreement, or any other document or instrument in existence among the parties may be modified, waived or terminated except by an instrument in writing executed by the party against whom such modification, waiver or termination is sought to be enforced. There are no representations, warranties or collateral agreements in effect between the Debtor and the Agent relating to the subject-matter hereof; and possession of an executed copy of this Agreement by the Agent constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

23. Grammatical Changes

This Agreement is to be read as if all changes in grammar, number and gender rendered necessary by the context had been made, specifically including a reference to a person as a corporation and vice-versa.

24. Governing Law; Submission to Jurisdiction

This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the Agent to enforce this Agreement in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the jurisdiction of the courts of the Province of Ontario.

25. Power of Attorney

The Debtor hereby constitutes and appoints the Agent or any officer thereof, at any time and from time to time after the occurrence of an Event of Default that is continuing, as its true, lawful and irrevocable attorney, with full power of substitution, to execute all documents and take all actions as may be necessary or desirable to perform any obligations of the Debtor arising pursuant to this Agreement, and in executing such documents and taking such actions, to use the name of the Debtor whenever and wherever it may be considered necessary or expedient. The foregoing power of attorney is coupled with an interest and is irrevocable.

26. Successors and Assigns

This Agreement is binding upon the parties hereto, and their respective successors and permitted assigns, in each case in accordance with the Credit Agreement.

27. Amalgamation of Debtor

If the Debtor amalgamates with any other corporation or corporations, this Agreement shall continue in full force and effect and shall be binding upon the amalgamated corporation, and for greater certainty:

- (a) the Security Interest shall: (i) continue to secure the Obligations; (ii) secure all obligations of each other amalgamating corporation to the Agent and the Lenders (which obligations shall constitute Obligations of the amalgamated corporation); and (iii) secure all obligations of the amalgamated corporation to the Agent and the Lenders arising after the amalgamation; and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;
- (b) the Security Interest shall: (i) continue to attach to all property and assets of the Debtor; (ii) attach to all property and assets of each other amalgamating corporation (which property and assets shall be the property and assets of the amalgamated corporation); and (iii) attach to all property and assets of the amalgamated corporation acquired after the amalgamation; and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this Agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the amalgamated corporation shall execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

28. Execution by Facsimile or PDF; Execution in Counterparts

This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement. This Agreement may be executed by facsimile, electronic transmission of a printable image in 'pdf' or other file format of a signature or signatures applied to this Agreement, and any such signature or signatures shall be treated as original for all purposes.

29. Release of Security Interest

When the Obligations have been paid and satisfied in full, and the Agent and the Lenders have no further liability to advance money or credit to, or incur any liability on behalf of, any Borrower, the Agent shall at the request and expense of the Debtor execute and deliver a release and discharge of this Agreement.

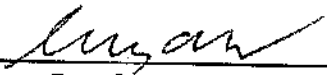
30. Copy of Agreement

The Debtor acknowledges receipt of an executed copy of this Agreement.

[Remainder of page intentionally blank; signature page follows.]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the Debtor under the hands of its duly authorized officer.

CANNTRUST INC.

By: 
Name: Greg Guyatt
Title: Chief Executive Officer

SCHEDULE "A"

SECURITIES

NAME OF ISSUER	NUMBER AND CLASS OF PLEDGED SECURITIES	CERTIFICATE NO.
Elmcliffe Investments Inc.	100 Common Shares	Com-1
Elmcliffe Investments [No. 2] Inc.	100 Common Shares	Com-1
CTI Holdings (Osoyoos) Inc.	100 Common Shares	2

GENERAL SECURITY AGREEMENT

This Agreement is made this 11th day of March, 2022

BETWEEN:

CTI HOLDINGS (OSOYOOS) INC.
(the “**Debtor**”)

- and -

CORTLAND CREDIT LENDING CORPORATION, as Administrative Agent
(the “**Agent**”)

WHEREAS CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (the “**Borrowers**”) are indebted to Cortland Credit Lending Corporation, in its capacity as administrative agent (the “**Agent**”) for certain lenders (the “**Lenders**”) pursuant to a credit agreement dated the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”) among the Borrowers, the Agent, the Lenders and the guarantors from time to time party thereto;

AND WHEREAS the Debtor has entered into a guarantee in favour of the Agent, for its benefit and the benefit of the Lenders, pursuant to which the Debtor has guaranteed payment and performance of the obligations of the Borrowers (other than the Debtor);

AND WHEREAS the Debtor has agreed to grant a security interest in the Collateral (as defined herein) to secure the performance of its obligations;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees with the Agent as follows:

Interpretation

1. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined herein shall have the meanings provided in the Credit Agreement.

2. Creation of Security Interest; Obligations Secured

As continuing security for the payment and performance of all present and future, direct and indirect, contingent and absolute obligations and liabilities of the Debtor to the Agent, specifically including for greater certainty all obligations of the Debtor to the Agent arising under or in connection with all guarantees provided by the Debtor from time to time in respect of the indebtedness and liabilities of the Borrowers to the Agent under or in connection with the Credit Agreement and any other Credit Document (collectively, the “**Obligations**”), the Debtor hereby grants to and in favour of the Agent, a security interest in, and hereby mortgages, charges and assigns to and in favour of the Agent, all present and after-acquired real and personal property of the Debtor, including the following:

Equipment

- (a) all present and after-acquired equipment of the Debtor, including all machinery, fixtures, plant, tools, furniture, vehicles of any kind or description, all spare parts, accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto ("**Equipment**");

Inventory

- (b) all present and after-acquired inventory of the Debtor, including all raw materials, materials used or consumed in the business of the Debtor, work-in-progress, finished goods, goods used for packing, materials used in the business of the Debtor not intended for sale, and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service ("**Inventory**");

Accounts

- (c) all present and after-acquired debts, demands and amounts due or accruing due to the Debtor whether or not earned by performance, including without limitation its book debts, accounts receivable, and claims under policies of insurance; and all contracts, security interests and other rights and benefits in respect thereof and all other present and after-acquired accounts receivable and amounts due or accruing due to the Debtor evidenced by any deposit receipts, term deposits, guaranteed investment certificates or other evidence of debt obligations issued by a bank, trust company or other financial institution, and all replacements, renewals and substitutions therefor ("**Accounts**");

Intangibles

- (d) all present and future intangible personal property of the Debtor, including all contract rights, goodwill, and Intellectual Property (as hereinafter defined), and all other choses in action of the Debtor of every kind, whether due at the present time or hereafter to become due or owing ("**Intangibles**"); as used herein, "**Intellectual Property**" means all of the Debtor's present and future intellectual property including without limitation, (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format, including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of the Debtor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (whether registered or unregistered) including without limitation the intellectual property described in any schedule attached hereto;

Documents of Title

- (e) all present and after-acquired documents of title of the Debtor, whether negotiable or otherwise including all warehouse receipts and bills of lading ("**Documents of Title**");

Chattel Paper

- (f) all present and after-acquired agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods ("**Chattel Paper**");

Instruments

- (g) all present and after-acquired bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act* (Canada)), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment ("**Instruments**");

Money

- (h) all present and after-acquired money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency ("**Money**");

Securities

- (i) all present and after-acquired securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures, financial assets (as defined in the *Securities Transfer Act, 2006* (Ontario)) and investment property (as defined in the *Personal Property Security Act* (Ontario)) and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefor and dividends and income derived therefrom ("**Securities**"); and for greater certainty, specifically including the Securities listed in Schedule "A" attached hereto or otherwise acknowledged in writing by the Debtor as comprising part of the Collateral;

Documents

- (j) all books, accounts, invoices, letters, papers, documents and other records in any form evidencing or relating to collateral subject to the Security Interest ("**Documents**");

Undertaking

- (k) all present and after-acquired real and personal property, business, and undertaking of the Debtor not being Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities or Documents ("**Undertaking**"); and

Proceeds

- (l) all personal property in any form derived directly or indirectly from any dealing with collateral subject to the Security Interest or the proceeds therefrom, including insurance

proceeds and any other payment representing indemnity or compensation for loss of or damage thereto or the proceeds therefrom ("**Proceeds**").

The present and after-acquired real and personal property of the Debtor and all Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities, Documents, Undertaking and Proceeds, other than Excluded Collateral, are collectively called the "**Collateral**". Any reference in this Agreement to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires.

The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively called the "**Security Interest**".

3. **Further Description of Collateral**

Without limiting the generality of the description of Collateral as set out in Section 2, for greater certainty the Collateral shall include all present and after-acquired real and personal property in which the Debtor may have an interest which may be specifically described in any schedule which may be attached hereto. The Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Agent in order that the Security Interest shall attach to such real and personal property.

4. **Attachment**

The Debtor acknowledges that value has been given, the parties have not agreed to postpone the time for attachment of the Security Interest and the Debtor has rights in the Collateral which exists as at the date of this Agreement. In respect of Collateral in which the Debtor obtains an interest after the execution and delivery of this Agreement, the Security Interest shall attach thereto immediately upon the Debtor obtaining such rights.

5. **Dealings with Collateral**

The Debtor may sell Inventory and collect Accounts in the ordinary course of its business until otherwise advised in writing by the Agent at any time following the occurrence of an Event of Default that is continuing. Upon receipt by the Debtor of such written notice its entitlement to sell Inventory and collect Accounts shall cease, and any Accounts thereafter collected by the Debtor shall be held by in trust for the Agent and shall be paid to the Agent immediately upon receipt.

6. **Exception re Leasehold Interests, Contractual Rights, Reserve Accounts and Consumer Goods**

- (a) The last day of the term of any lease, sublease or agreement therefor is specifically excluded from the Security Interest, but the Debtor agrees to stand possessed of such last day in trust for any Person acquiring such interest of the Debtor.
- (b) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any agreement, right, franchise, licence or permit to which the Debtor is a party or in respect of which the Debtor has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any Person to terminate, such contractual rights (collectively, the "**excluded contractual rights**"), including any excluded contractual rights that are not assignable under

Applicable Laws. To the maximum extent permitted by Applicable Laws, the Debtor agrees to (i) hold its interest in all excluded contractual rights in trust for the Agent (for the benefit of the Lenders) and (ii) assign such excluded contractual rights to the Agent (for the benefit of the Lenders) forthwith upon obtaining the consent of each other party thereto whose consent is required, and (iii) upon the request of the Agent, use all commercially reasonable efforts to obtain any consent required to permit any excluded contractual rights to be subjected to the Security Interest hereunder.

- (c) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers Trust, a trust established by the Borrowers by a trust indenture dated December 17, 2019 for purposes of settling potential director and officer liabilities (provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution will become Collateral).
- (d) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any reserve accounts maintained by the Borrowers (or any one of them), and all funds on deposit therein (the “**Balfour Cash Collateral**”), in connection with the Balfour Tolling Agreement, provided that no Borrowers or any Guarantor will deposit any funds into such reserve accounts covered by this subsection (d) while any amount is outstanding under the Credit Facility except for pre-scheduled payments set forth in a schedule provided by the Borrowers to the Agent.
- (e) The Security Interest granted hereby does not extend to consumer goods.

7. **Additional Provisions re Securities**

The Debtor shall duly endorse for transfer all certificates evidencing the Securities, or execute stock transfer powers of attorney in respect thereof, in either case with signatures guaranteed if so requested by the Agent. Upon written notice by the Agent at any time after the occurrence and during the continuation of an Event of Default, the Debtor shall cause any or all of the Securities to be registered in the name of the Agent or its nominee, and the Agent is hereby appointed the irrevocable attorney of the Debtor with full power of substitution to cause any or all of the Securities to be registered in the name of the Agent or its nominee. Until otherwise advised in writing by the Agent at any time following the occurrence and during the continuation of an Event of Default:

- (a) the Debtor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would impose any restriction on the transferability of the Securities or otherwise adversely affect the Security Interest or impair the value of the Securities; and
- (b) the Debtor shall not exercise its voting rights attached to the Securities in connection with any matter which would result in a contravention of any Credit Document.

All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt of such written notice by the Agent.

8. Representations and Warranties

The Debtor hereby represents and warrants as follows to the Agent and the Lenders, and acknowledges that the Agent and the Lenders are relying thereon:

- (a) the Debtor has the corporate power and authority to create the Security Interest and perform its obligations under this Agreement;
- (b) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder has been duly authorized by all necessary corporate action;
- (c) except as otherwise provided herein or disclosed in a schedule hereto, the Collateral is owned by the Debtor free from all Liens other than Permitted Liens; and
- (d) the chief executive office of the Debtor is located at 3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8.

9. Covenants

The Debtor covenants and agrees as follows:

- (a) not to grant or suffer to exist any Lien in respect of the Collateral, other than Permitted Liens;
- (b) to prevent the Collateral from becoming an accession to any personal property not subject to this Agreement, or becoming affixed to any real property other than real property which is subject to a first-ranking security interest in favour of the Agent or a landlord agreement in favour of the Agent;
- (c) to deliver to the Agent from time to time upon request all items of Collateral comprising Chattel Paper, Instruments, Securities and those Documents of Title which are negotiable;
- (d) to do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be reasonably required by the Agent to establish in favour of the Agent the Security Interest intended to be created hereby and to accomplish the intention of this Agreement; and
- (e) to pay all reasonable and documented expenses, including reasonable and documented solicitors' and receivers' fees and disbursements, incurred by the Agent or its agents (including any Receiver, as hereinafter defined) in connection with the preparation, perfection, preservation, and enforcement of this Agreement; including all reasonable and documented expenses incurred by the Agent or such agents in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable promptly upon demand and shall form part of the Obligations.

10. Enforcement

Upon the occurrence of an Event of Default that is continuing, in addition to exercising any other remedies available at law or equity or contained in any other Credit Document between the Debtor and the Agent, all of which remedies shall be independent and cumulative, the Agent may:

- (a) enter any premises where Collateral may be located;
- (b) take possession of Collateral by any method permitted by law;
- (c) occupy and use any premises occupied by the Debtor and use all or any of such premises and the Equipment and other Collateral located thereon;
- (d) take such steps and expend such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including payments on account of other security interests affecting the Collateral; provided that the Agent shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Agent shall comprise part of the Obligations and shall be secured hereby;
- (e) sell, lease, license or otherwise dispose of Collateral;
- (f) collect, sell or otherwise deal with Accounts, including notifying any person obligated to the Debtor in respect of an Account, Chattel Paper or an Instrument to make payment to the Agent of all such present and future amounts due thereon;
- (g) collect any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business;
- (h) exercise all voting rights attached to the Securities (whether or not registered in the name of the Agent or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;
- (i) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Securities, and in connection therewith, to deposit and deliver any of the Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it;
- (j) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Securities as may be necessary in order to comply with Applicable Laws and regulations, and policies imposed by any stock exchange, securities commission or other Governmental Authority, and the Debtor further agrees that such

compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Agent be liable or accountable to the Debtor for any discount in the sale price of the Securities which may be given by reason of the fact that such Securities are sold in compliance with any such limitation or restriction;

- (k) carry on the business of the Debtor or any portion thereof;
- (l) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor;
- (m) borrow money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest, as security for the money so borrowed;
- (n) apply to any court of competent jurisdiction for the appointment of a receiver or a receiver and manager in respect of the Debtor and/or the Collateral or any portion thereof;
- (o) appoint a receiver or a receiver and manager by private appointment (each of which together is herein called a “**Receiver**”) in respect of the Debtor and/or the Collateral or any portion thereof;
- (p) accept the Collateral in satisfaction of the Obligations; and
- (q) file proofs of claim and other documents in order to have the claims of the Agent and the Lenders lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

11. **Receiver**

Any Receiver appointed by the Agent may be any person or persons, and the Agent may remove any Receiver so appointed and appoint another or others instead. The Receiver may exercise all powers of the Agent as provided in this Agreement. The Receiver shall act as agent for the Agent for the purposes of taking possession of the Collateral, and (except as provided below) as agent for the Debtor for all other purposes, including without limitation the occupation of any premises of the Debtor and in carrying on the Debtor's business. For the purposes of realizing upon the Security Interest, the Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Agent as it may determine in its discretion, acting reasonably. The Debtor agrees to ratify and confirm all actions of the Receiver acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions, except that such ratification, confirmation, release and indemnity shall not apply to any gross negligence or wilful misconduct on the part of the Receiver.

12. Standards of Sale

The Debtor agrees that it shall be commercially reasonable for the Agent to dispose of Collateral by private sale or public sale, in the Agent's reasonable discretion. If Collateral is disposed of by public sale, the sale may be held following one advertisement in a newspaper having general circulation in the location of the Collateral to be sold at least seven days prior to such sale, and the Agent may establish a reserve bid in respect of all or any portion of the Collateral. Collateral may be disposed of in whole or in part, for cash or credit, or part cash and part credit. The purchaser or lessee of such Collateral may be a customer of the Agent or any Lender. No purchaser shall be bound to enquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder. The Agent may sell any Collateral without entering into or taking actual possession of any part thereof, and while in possession the Agent shall only be accountable for monies actually received by it. The Agent may commence and continue any sale proceedings notwithstanding that other sale proceedings by other persons have been taken or are then pending.

13. Failure of Agent to Exercise Remedies

The Agent shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

14. Application of Payments

All payments made in respect of the Obligations and all monies received by the Agent or any Receiver appointed by the Agent in respect of the enforcement of the Security Interest (including the receipt of any Money) may be held as security for the Obligations or applied in such manner as may be determined in the discretion of the Agent or the Receiver, as the case may be, and the Agent may at any time apply or change any such appropriation of such payments or monies to such part or parts of the Obligations as the Agent may determine in its discretion. The Debtor shall remain liable to the Agent for any deficiency; and any surplus funds realized after the satisfaction of all Obligations shall be paid in accordance with Applicable Law.

15. Dealings by Agent

The Agent may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Agent may see fit, without prejudice to the Obligations and the rights of the Agent to hold and realize upon the Security Interest. The Agent has no obligation to keep Collateral identifiable, or to preserve rights against prior secured creditors in respect of any Collateral which includes Chattel Paper or Instruments.

16. Payment of Liens

The Agent may pay and satisfy the whole or any part of any Liens now or hereafter existing in respect of any of the Collateral, and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations. In the event of the Agent satisfying any such Lien, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

17. Notice

Without prejudice to any other method of giving notice, any notice by the Agent to the Debtor pursuant to this Agreement shall be effective if made in writing and given to the Debtor at the following address:

CTI Holdings (Osoyoos) Inc.
3280 Langstaff Road, Unit 1
Vaughan, Ontario
L4K 4Z8

Attn: President and Treasurer
Email: gguyatt@cantrust.ca

18. Separate Security

This Agreement and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Agent or the Lenders in respect of the Debtor, the Obligations or the Collateral.

19. Lenders Not Obligated to Extend Credit

Nothing in this Agreement shall obligate the Lenders to make any loan or other extension of credit to the Borrower, or extend the time for payment or satisfaction of any Obligations.

20. Severability

If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

21. Time of Essence

Time shall be of the essence of this Agreement.

22. Inconsistencies with Credit Agreement

To the extent that there is any inconsistency between any provision, representation, covenant or other obligation of the Debtor contained in this Agreement and any provision, representation, covenant or other obligation of the Debtor contained in the Credit Agreement, the latter shall govern. Except as aforesaid, this Agreement and any other documents or instruments contemplated hereby shall constitute the entire agreement and understanding between the Debtor and the Agent relating to the subject-matter hereof. No provision of this Agreement, or any other document or instrument in existence among the parties may be modified, waived or terminated except by an instrument in writing executed by the party against whom such modification, waiver or termination is sought to be enforced. There are no representations, warranties or collateral agreements in effect between the Debtor and the Agent relating to the subject-matter hereof; and possession of an executed copy of this Agreement by the Agent constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

23. Grammatical Changes

This Agreement is to be read as if all changes in grammar, number and gender rendered necessary by the context had been made, specifically including a reference to a person as a corporation and vice-versa.

24. Governing Law; Submission to Jurisdiction

This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the Agent to enforce this Agreement in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the jurisdiction of the courts of the Province of Ontario.

25. Power of Attorney

The Debtor hereby constitutes and appoints the Agent or any officer thereof, at any time and from time to time after the occurrence of an Event of Default that is continuing, as its true, lawful and irrevocable attorney, with full power of substitution, to execute all documents and take all actions as may be necessary or desirable to perform any obligations of the Debtor arising pursuant to this Agreement, and in executing such documents and taking such actions, to use the name of the Debtor whenever and wherever it may be considered necessary or expedient. The foregoing power of attorney is coupled with an interest and is irrevocable.

26. Successors and Assigns

This Agreement is binding upon the parties hereto, and their respective successors and permitted assigns, in each case in accordance with the Credit Agreement.

27. Amalgamation of Debtor

If the Debtor amalgamates with any other corporation or corporations, this Agreement shall continue in full force and effect and shall be binding upon the amalgamated corporation, and for greater certainty:

- (a) the Security Interest shall: (i) continue to secure the Obligations; (ii) secure all obligations of each other amalgamating corporation to the Agent and the Lenders (which obligations shall constitute Obligations of the amalgamated corporation); and (iii) secure all obligations of the amalgamated corporation to the Agent and the Lenders arising after the amalgamation; and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;
- (b) the Security Interest shall: (i) continue to attach to all property and assets of the Debtor; (ii) attach to all property and assets of each other amalgamating corporation (which property and assets shall be the property and assets of the amalgamated corporation); and (iii) attach to all property and assets of the amalgamated corporation acquired after the amalgamation; and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this Agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the amalgamated corporation shall execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

28. Execution by Facsimile or PDF; Execution in Counterparts

This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement. This Agreement may be executed by facsimile, electronic transmission of a printable image in 'pdf' or other file format of a signature or signatures applied to this Agreement, and any such signature or signatures shall be treated as original for all purposes.

29. Release of Security Interest

When the Obligations have been paid and satisfied in full, and the Agent and the Lenders have no further liability to advance money or credit to, or incur any liability on behalf of, any Borrower, the Agent shall at the request and expense of the Debtor execute and deliver a release and discharge of this Agreement.

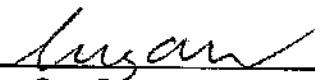
30. Copy of Agreement

The Debtor acknowledges receipt of an executed copy of this Agreement.

[Remainder of page intentionally blank; signature page follows.]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the Debtor under the hands of its duly authorized officer.

CTI HOLDINGS (OSOYOODS) INC..

By: 

Name: Greg Guyatt

Title: President and Treasurer

SCHEDULE "A"

SECURITIES

Nil.

GENERAL SECURITY AGREEMENT

This Agreement is made this 11th day of March, 2022

BETWEEN:

ELMCLIFFE INVESTMENTS [NO. 2] INC.
(the “**Debtor**”)

- and -

CORTLAND CREDIT LENDING CORPORATION, as Administrative Agent
(the “**Agent**”)

WHEREAS CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (the “**Borrowers**”) are indebted to Cortland Credit Lending Corporation, in its capacity as administrative agent (the “**Agent**”) for certain lenders (the “**Lenders**”) pursuant to a credit agreement dated the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”) among the Borrowers, the Agent, the Lenders and the guarantors from time to time party thereto;

AND WHEREAS the Debtor has entered into a guarantee in favour of the Agent, for its benefit and the benefit of the Lenders, pursuant to which the Debtor has guaranteed payment and performance of the obligations of the Borrowers;

AND WHEREAS the Debtor has agreed to grant a security interest in the Collateral (as defined herein) to secure the performance of its obligations;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees with the Agent as follows:

Interpretation

1. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined herein shall have the meanings provided in the Credit Agreement.

2. Creation of Security Interest; Obligations Secured

As continuing security for the payment and performance of all present and future, direct and indirect, contingent and absolute obligations and liabilities of the Debtor to the Agent, specifically including for greater certainty all obligations of the Debtor to the Agent arising under or in connection with all guarantees provided by the Debtor from time to time in respect of the indebtedness and liabilities of the Borrowers to the Agent under or in connection with the Credit Agreement and any other Credit Document (collectively, the “**Obligations**”), the Debtor hereby grants to and in favour of the Agent, a security interest in, and hereby mortgages, charges and assigns to and in favour of the Agent, all present and after-acquired real and personal property of the Debtor, including the following:

Equipment

- (a) all present and after-acquired equipment of the Debtor, including all machinery, fixtures, plant, tools, furniture, vehicles of any kind or description, all spare parts, accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto ("**Equipment**");

Inventory

- (b) all present and after-acquired inventory of the Debtor, including all raw materials, materials used or consumed in the business of the Debtor, work-in-progress, finished goods, goods used for packing, materials used in the business of the Debtor not intended for sale, and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service ("**Inventory**");

Accounts

- (c) all present and after-acquired debts, demands and amounts due or accruing due to the Debtor whether or not earned by performance, including without limitation its book debts, accounts receivable, and claims under policies of insurance; and all contracts, security interests and other rights and benefits in respect thereof and all other present and after-acquired accounts receivable and amounts due or accruing due to the Debtor evidenced by any deposit receipts, term deposits, guaranteed investment certificates or other evidence of debt obligations issued by a bank, trust company or other financial institution, and all replacements, renewals and substitutions therefor ("**Accounts**");

Intangibles

- (d) all present and future intangible personal property of the Debtor, including all contract rights, goodwill, and Intellectual Property (as hereinafter defined), and all other choses in action of the Debtor of every kind, whether due at the present time or hereafter to become due or owing ("**Intangibles**"); as used herein, "**Intellectual Property**" means all of the Debtor's present and future intellectual property including without limitation, (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format, including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of the Debtor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (whether registered or unregistered) including without limitation the intellectual property described in any schedule attached hereto;

Documents of Title

- (e) all present and after-acquired documents of title of the Debtor, whether negotiable or otherwise including all warehouse receipts and bills of lading ("**Documents of Title**");

Chattel Paper

- (f) all present and after-acquired agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods ("**Chattel Paper**");

Instruments

- (g) all present and after-acquired bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act* (Canada)), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment ("**Instruments**");

Money

- (h) all present and after-acquired money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency ("**Money**");

Securities

- (i) all present and after-acquired securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures, financial assets (as defined in the *Securities Transfer Act, 2006* (Ontario)) and investment property (as defined in the *Personal Property Security Act* (Ontario)) and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefor and dividends and income derived therefrom ("**Securities**"); and for greater certainty, specifically including the Securities listed in Schedule "A" attached hereto or otherwise acknowledged in writing by the Debtor as comprising part of the Collateral;

Documents

- (j) all books, accounts, invoices, letters, papers, documents and other records in any form evidencing or relating to collateral subject to the Security Interest ("**Documents**");

Undertaking

- (k) all present and after-acquired real and personal property, business, and undertaking of the Debtor not being Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities or Documents ("**Undertaking**"); and

Proceeds

- (l) all personal property in any form derived directly or indirectly from any dealing with collateral subject to the Security Interest or the proceeds therefrom, including insurance

proceeds and any other payment representing indemnity or compensation for loss of or damage thereto or the proceeds therefrom ("**Proceeds**").

The present and after-acquired real and personal property of the Debtor and all Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities, Documents, Undertaking and Proceeds, other than Excluded Collateral, are collectively called the "**Collateral**". Any reference in this Agreement to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires.

The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively called the "**Security Interest**".

3. **Further Description of Collateral**

Without limiting the generality of the description of Collateral as set out in Section 2, for greater certainty the Collateral shall include all present and after-acquired real and personal property in which the Debtor may have an interest which may be specifically described in any schedule which may be attached hereto. The Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Agent in order that the Security Interest shall attach to such real and personal property.

4. **Attachment**

The Debtor acknowledges that value has been given, the parties have not agreed to postpone the time for attachment of the Security Interest and the Debtor has rights in the Collateral which exists as at the date of this Agreement. In respect of Collateral in which the Debtor obtains an interest after the execution and delivery of this Agreement, the Security Interest shall attach thereto immediately upon the Debtor obtaining such rights.

5. **Dealings with Collateral**

The Debtor may sell Inventory and collect Accounts in the ordinary course of its business until otherwise advised in writing by the Agent at any time following the occurrence of an Event of Default that is continuing. Upon receipt by the Debtor of such written notice its entitlement to sell Inventory and collect Accounts shall cease, and any Accounts thereafter collected by the Debtor shall be held by in trust for the Agent and shall be paid to the Agent immediately upon receipt.

6. **Exception re Leasehold Interests, Contractual Rights, Reserve Accounts and Consumer Goods**

- (a) The last day of the term of any lease, sublease or agreement therefor is specifically excluded from the Security Interest, but the Debtor agrees to stand possessed of such last day in trust for any Person acquiring such interest of the Debtor.
- (b) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any agreement, right, franchise, licence or permit to which the Debtor is a party or in respect of which the Debtor has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any Person to terminate, such contractual rights (collectively, the "**excluded contractual rights**"), including any excluded contractual rights that are not assignable under

Applicable Laws. To the maximum extent permitted by Applicable Laws, the Debtor agrees to (i) hold its interest in all excluded contractual rights in trust for the Agent (for the benefit of the Lenders) and (ii) assign such excluded contractual rights to the Agent (for the benefit of the Lenders) forthwith upon obtaining the consent of each other party thereto whose consent is required, and (iii) upon the request of the Agent, use all commercially reasonable efforts to obtain any consent required to permit any excluded contractual rights to be subjected to the Security Interest hereunder.

- (c) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers Trust, a trust established by the Borrowers by a trust indenture dated December 17, 2019 for purposes of settling potential director and officer liabilities (provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution will become Collateral).
- (d) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any reserve accounts maintained by the Borrowers (or any one of them), and all funds on deposit therein (the “**Balfour Cash Collateral**”), in connection with the Balfour Tolling Agreement, provided that no Borrowers or any Guarantor will deposit any funds into such reserve accounts covered by this subsection (d) while any amount is outstanding under the Credit Facility except for pre-scheduled payments set forth in a schedule provided by the Borrowers to the Agent.
- (e) The Security Interest granted hereby does not extend to consumer goods.

7. **Additional Provisions re Securities**

The Debtor shall duly endorse for transfer all certificates evidencing the Securities, or execute stock transfer powers of attorney in respect thereof, in either case with signatures guaranteed if so requested by the Agent. Upon written notice by the Agent at any time after the occurrence and during the continuation of an Event of Default, the Debtor shall cause any or all of the Securities to be registered in the name of the Agent or its nominee, and the Agent is hereby appointed the irrevocable attorney of the Debtor with full power of substitution to cause any or all of the Securities to be registered in the name of the Agent or its nominee. Until otherwise advised in writing by the Agent at any time following the occurrence and during the continuation of an Event of Default:

- (a) the Debtor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would impose any restriction on the transferability of the Securities or otherwise adversely affect the Security Interest or impair the value of the Securities; and
- (b) the Debtor shall not exercise its voting rights attached to the Securities in connection with any matter which would result in a contravention of any Credit Document.

All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt of such written notice by the Agent.

8. Representations and Warranties

The Debtor hereby represents and warrants as follows to the Agent and the Lenders, and acknowledges that the Agent and the Lenders are relying thereon:

- (a) the Debtor has the corporate power and authority to create the Security Interest and perform its obligations under this Agreement;
- (b) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder has been duly authorized by all necessary corporate action;
- (c) except as otherwise provided herein or disclosed in a schedule hereto, the Collateral is owned by the Debtor free from all Liens other than Permitted Liens; and
- (d) the chief executive office of the Debtor is located at 3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8.

9. Covenants

The Debtor covenants and agrees as follows:

- (a) not to grant or suffer to exist any Lien in respect of the Collateral, other than Permitted Liens;
- (b) to prevent the Collateral from becoming an accession to any personal property not subject to this Agreement, or becoming affixed to any real property other than real property which is subject to a first-ranking security interest in favour of the Agent or a landlord agreement in favour of the Agent;
- (c) to deliver to the Agent from time to time upon request all items of Collateral comprising Chattel Paper, Instruments, Securities and those Documents of Title which are negotiable;
- (d) to do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be reasonably required by the Agent to establish in favour of the Agent the Security Interest intended to be created hereby and to accomplish the intention of this Agreement; and
- (e) to pay all reasonable and documented expenses, including reasonable and documented solicitors' and receivers' fees and disbursements, incurred by the Agent or its agents (including any Receiver, as hereinafter defined) in connection with the preparation, perfection, preservation, and enforcement of this Agreement; including all reasonable and documented expenses incurred by the Agent or such agents in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable promptly upon demand and shall form part of the Obligations.

10. Enforcement

Upon the occurrence of an Event of Default that is continuing, in addition to exercising any other remedies available at law or equity or contained in any other Credit Document between the Debtor and the Agent, all of which remedies shall be independent and cumulative, the Agent may:

- (a) enter any premises where Collateral may be located;
- (b) take possession of Collateral by any method permitted by law;
- (c) occupy and use any premises occupied by the Debtor and use all or any of such premises and the Equipment and other Collateral located thereon;
- (d) take such steps and expend such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including payments on account of other security interests affecting the Collateral; provided that the Agent shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Agent shall comprise part of the Obligations and shall be secured hereby;
- (e) sell, lease, license or otherwise dispose of Collateral;
- (f) collect, sell or otherwise deal with Accounts, including notifying any person obligated to the Debtor in respect of an Account, Chattel Paper or an Instrument to make payment to the Agent of all such present and future amounts due thereon;
- (g) collect any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business;
- (h) exercise all voting rights attached to the Securities (whether or not registered in the name of the Agent or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;
- (i) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Securities, and in connection therewith, to deposit and deliver any of the Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it;
- (j) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Securities as may be necessary in order to comply with Applicable Laws and regulations, and policies imposed by any stock exchange, securities commission or other Governmental Authority, and the Debtor further agrees that such

compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Agent be liable or accountable to the Debtor for any discount in the sale price of the Securities which may be given by reason of the fact that such Securities are sold in compliance with any such limitation or restriction;

- (k) carry on the business of the Debtor or any portion thereof;
- (l) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor;
- (m) borrow money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest, as security for the money so borrowed;
- (n) apply to any court of competent jurisdiction for the appointment of a receiver or a receiver and manager in respect of the Debtor and/or the Collateral or any portion thereof;
- (o) appoint a receiver or a receiver and manager by private appointment (each of which together is herein called a “**Receiver**”) in respect of the Debtor and/or the Collateral or any portion thereof;
- (p) accept the Collateral in satisfaction of the Obligations; and
- (q) file proofs of claim and other documents in order to have the claims of the Agent and the Lenders lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

11. **Receiver**

Any Receiver appointed by the Agent may be any person or persons, and the Agent may remove any Receiver so appointed and appoint another or others instead. The Receiver may exercise all powers of the Agent as provided in this Agreement. The Receiver shall act as agent for the Agent for the purposes of taking possession of the Collateral, and (except as provided below) as agent for the Debtor for all other purposes, including without limitation the occupation of any premises of the Debtor and in carrying on the Debtor's business. For the purposes of realizing upon the Security Interest, the Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Agent as it may determine in its discretion, acting reasonably. The Debtor agrees to ratify and confirm all actions of the Receiver acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions, except that such ratification, confirmation, release and indemnity shall not apply to any gross negligence or wilful misconduct on the part of the Receiver.

12. **Standards of Sale**

The Debtor agrees that it shall be commercially reasonable for the Agent to dispose of Collateral by private sale or public sale, in the Agent's reasonable discretion. If Collateral is disposed of by public sale, the sale may be held following one advertisement in a newspaper having general circulation in the location of the Collateral to be sold at least seven days prior to such sale, and the Agent may establish a reserve bid in respect of all or any portion of the Collateral. Collateral may be disposed of in whole or in part, for cash or credit, or part cash and part credit. The purchaser or lessee of such Collateral may be a customer of the Agent or any Lender. No purchaser shall be bound to enquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder. The Agent may sell any Collateral without entering into or taking actual possession of any part thereof, and while in possession the Agent shall only be accountable for monies actually received by it. The Agent may commence and continue any sale proceedings notwithstanding that other sale proceedings by other persons have been taken or are then pending.

13. Failure of Agent to Exercise Remedies

The Agent shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

14. Application of Payments

All payments made in respect of the Obligations and all monies received by the Agent or any Receiver appointed by the Agent in respect of the enforcement of the Security Interest (including the receipt of any Money) may be held as security for the Obligations or applied in such manner as may be determined in the discretion of the Agent or the Receiver, as the case may be, and the Agent may at any time apply or change any such appropriation of such payments or monies to such part or parts of the Obligations as the Agent may determine in its discretion. The Debtor shall remain liable to the Agent for any deficiency; and any surplus funds realized after the satisfaction of all Obligations shall be paid in accordance with Applicable Law.

15. Dealings by Agent

The Agent may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Agent may see fit, without prejudice to the Obligations and the rights of the Agent to hold and realize upon the Security Interest. The Agent has no obligation to keep Collateral identifiable, or to preserve rights against prior secured creditors in respect of any Collateral which includes Chattel Paper or Instruments.

16. Payment of Liens

The Agent may pay and satisfy the whole or any part of any Liens now or hereafter existing in respect of any of the Collateral, and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations. In the event of the Agent satisfying any such Lien, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

17. Notice

Without prejudice to any other method of giving notice, any notice by the Agent to the Debtor pursuant to this Agreement shall be effective if made in writing and given to the Debtor at the following address:

Elmcliffe Investments [No. 2] Inc.
3280 Langstaff Road, Unit 1
Vaughan, Ontario
L4K 4Z8

Attn: President, Secretary and Treasurer
Email: gguyatt@cantrust.ca

18. Separate Security

This Agreement and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Agent or the Lenders in respect of the Debtor, the Obligations or the Collateral.

19. Lenders Not Obligated to Extend Credit

Nothing in this Agreement shall obligate the Lenders to make any loan or other extension of credit to the Borrower, or extend the time for payment or satisfaction of any Obligations.

20. Severability

If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

21. Time of Essence

Time shall be of the essence of this Agreement.

22. Inconsistencies with Credit Agreement

To the extent that there is any inconsistency between any provision, representation, covenant or other obligation of the Debtor contained in this Agreement and any provision, representation, covenant or other obligation of the Debtor contained in the Credit Agreement, the latter shall govern. Except as aforesaid, this Agreement and any other documents or instruments contemplated hereby shall constitute the entire agreement and understanding between the Debtor and the Agent relating to the subject-matter hereof. No provision of this Agreement, or any other document or instrument in existence among the parties may be modified, waived or terminated except by an instrument in writing executed by the party against whom such modification, waiver or termination is sought to be enforced. There are no representations, warranties or collateral agreements in effect between the Debtor and the Agent relating to the subject-matter hereof; and possession of an executed copy of this Agreement by the Agent constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

23. Grammatical Changes

This Agreement is to be read as if all changes in grammar, number and gender rendered necessary by the context had been made, specifically including a reference to a person as a corporation and vice-versa.

24. Governing Law; Submission to Jurisdiction

This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the Agent to enforce this Agreement in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the jurisdiction of the courts of the Province of Ontario.

25. Power of Attorney

The Debtor hereby constitutes and appoints the Agent or any officer thereof, at any time and from time to time after the occurrence of an Event of Default that is continuing, as its true, lawful and irrevocable attorney, with full power of substitution, to execute all documents and take all actions as may be necessary or desirable to perform any obligations of the Debtor arising pursuant to this Agreement, and in executing such documents and taking such actions, to use the name of the Debtor whenever and wherever it may be considered necessary or expedient. The foregoing power of attorney is coupled with an interest and is irrevocable.

26. Successors and Assigns

This Agreement is binding upon the parties hereto, and their respective successors and permitted assigns, in each case in accordance with the Credit Agreement.

27. Amalgamation of Debtor

If the Debtor amalgamates with any other corporation or corporations, this Agreement shall continue in full force and effect and shall be binding upon the amalgamated corporation, and for greater certainty:

- (a) the Security Interest shall: (i) continue to secure the Obligations; (ii) secure all obligations of each other amalgamating corporation to the Agent and the Lenders (which obligations shall constitute Obligations of the amalgamated corporation); and (iii) secure all obligations of the amalgamated corporation to the Agent and the Lenders arising after the amalgamation; and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;
- (b) the Security Interest shall: (i) continue to attach to all property and assets of the Debtor; (ii) attach to all property and assets of each other amalgamating corporation (which property and assets shall be the property and assets of the amalgamated corporation); and (iii) attach to all property and assets of the amalgamated corporation acquired after the amalgamation; and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this Agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the amalgamated corporation shall execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

28. Execution by Facsimile or PDF; Execution in Counterparts

This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement. This Agreement may be executed by facsimile, electronic transmission of a printable image in 'pdf' or other file format of a signature or signatures applied to this Agreement, and any such signature or signatures shall be treated as original for all purposes.

29. Release of Security Interest

When the Obligations have been paid and satisfied in full, and the Agent and the Lenders have no further liability to advance money or credit to, or incur any liability on behalf of, any Borrower, the Agent shall at the request and expense of the Debtor execute and deliver a release and discharge of this Agreement.

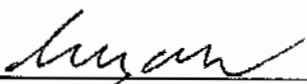
30. Copy of Agreement

The Debtor acknowledges receipt of an executed copy of this Agreement.

[Remainder of page intentionally blank; signature page follows.]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the Debtor under the hands of its duly authorized officer.

ELMCLIFFE INVESTMENTS [NO. 2] INC.

By: 

Name: Greg Guyatt

Title: President, Secretary and Treasurer

SCHEDULE "A"

SECURITIES

Nil.

GENERAL SECURITY AGREEMENT

This Agreement is made this 11th day of March, 2022

BETWEEN:

ELMCLIFFE INVESTMENTS INC.
(the “**Debtor**”)

- and -

CORTLAND CREDIT LENDING CORPORATION, as Administrative Agent
(the “**Agent**”)

WHEREAS CannTrust Inc., Elmcliffe Investments Inc. and CTI Holdings (Osoyoos) Inc. (the “**Borrowers**”) are indebted to Cortland Credit Lending Corporation, in its capacity as administrative agent (the “**Agent**”) for certain lenders (the “**Lenders**”) pursuant to a credit agreement dated the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”) among the Borrowers, the Agent, the Lenders and the guarantors from time to time party thereto;

AND WHEREAS the Debtor has entered into a guarantee in favour of the Agent, for its benefit and the benefit of the Lenders, pursuant to which the Debtor has guaranteed payment and performance of the obligations of the Borrowers (other than the Debtor);

AND WHEREAS the Debtor has agreed to grant a security interest in the Collateral (as defined herein) to secure the performance of its obligations;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees with the Agent as follows:

Interpretation

1. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein which are not otherwise defined herein shall have the meanings provided in the Credit Agreement.

2. Creation of Security Interest; Obligations Secured

As continuing security for the payment and performance of all present and future, direct and indirect, contingent and absolute obligations and liabilities of the Debtor to the Agent, specifically including for greater certainty all obligations of the Debtor to the Agent arising under or in connection with all guarantees provided by the Debtor from time to time in respect of the indebtedness and liabilities of the Borrowers to the Agent under or in connection with the Credit Agreement and any other Credit Document (collectively, the “**Obligations**”), the Debtor hereby grants to and in favour of the Agent, a security interest in, and hereby mortgages, charges and assigns to and in favour of the Agent, all present and after-acquired real and personal property of the Debtor, including the following:

Equipment

- (a) all present and after-acquired equipment of the Debtor, including all machinery, fixtures, plant, tools, furniture, vehicles of any kind or description, all spare parts, accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto ("**Equipment**");

Inventory

- (b) all present and after-acquired inventory of the Debtor, including all raw materials, materials used or consumed in the business of the Debtor, work-in-progress, finished goods, goods used for packing, materials used in the business of the Debtor not intended for sale, and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service ("**Inventory**");

Accounts

- (c) all present and after-acquired debts, demands and amounts due or accruing due to the Debtor whether or not earned by performance, including without limitation its book debts, accounts receivable, and claims under policies of insurance; and all contracts, security interests and other rights and benefits in respect thereof and all other present and after-acquired accounts receivable and amounts due or accruing due to the Debtor evidenced by any deposit receipts, term deposits, guaranteed investment certificates or other evidence of debt obligations issued by a bank, trust company or other financial institution, and all replacements, renewals and substitutions therefor ("**Accounts**");

Intangibles

- (d) all present and future intangible personal property of the Debtor, including all contract rights, goodwill, and Intellectual Property (as hereinafter defined), and all other choses in action of the Debtor of every kind, whether due at the present time or hereafter to become due or owing ("**Intangibles**"); as used herein, "**Intellectual Property**" means all of the Debtor's present and future intellectual property including without limitation, (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format, including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of the Debtor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (whether registered or unregistered) including without limitation the intellectual property described in any schedule attached hereto;

Documents of Title

- (e) all present and after-acquired documents of title of the Debtor, whether negotiable or otherwise including all warehouse receipts and bills of lading ("**Documents of Title**");

Chattel Paper

- (f) all present and after-acquired agreements made between the Debtor as secured party and others which evidence both a monetary obligation and a security interest in or a lease of specific goods ("**Chattel Paper**");

Instruments

- (g) all present and after-acquired bills, notes and cheques (as such are defined pursuant to the *Bills of Exchange Act* (Canada)), and all other writings that evidence a right to the payment of money and are of a type that in the ordinary course of business are transferred by delivery without any necessary endorsement or assignment ("**Instruments**");

Money

- (h) all present and after-acquired money of the Debtor, whether authorized or adopted by the Parliament of Canada as part of its currency or any foreign government as part of its currency ("**Money**");

Securities

- (i) all present and after-acquired securities held by the Debtor, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures, financial assets (as defined in the *Securities Transfer Act, 2006* (Ontario)) and investment property (as defined in the *Personal Property Security Act* (Ontario)) and all other documents which constitute evidence of a share, participation or other interest of the Debtor in property or in an enterprise or which constitute evidence of an obligation of the issuer; and all substitutions therefor and dividends and income derived therefrom ("**Securities**"); and for greater certainty, specifically including the Securities listed in Schedule "A" attached hereto or otherwise acknowledged in writing by the Debtor as comprising part of the Collateral;

Documents

- (j) all books, accounts, invoices, letters, papers, documents and other records in any form evidencing or relating to collateral subject to the Security Interest ("**Documents**");

Undertaking

- (k) all present and after-acquired real and personal property, business, and undertaking of the Debtor not being Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities or Documents ("**Undertaking**"); and

Proceeds

- (l) all personal property in any form derived directly or indirectly from any dealing with collateral subject to the Security Interest or the proceeds therefrom, including insurance

proceeds and any other payment representing indemnity or compensation for loss of or damage thereto or the proceeds therefrom ("**Proceeds**").

The present and after-acquired real and personal property of the Debtor and all Inventory, Equipment, Accounts, Intangibles, Documents of Title, Chattel Paper, Instruments, Money, Securities, Documents, Undertaking and Proceeds, other than Excluded Collateral, are collectively called the "**Collateral**". Any reference in this Agreement to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires.

The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively called the "**Security Interest**".

3. **Further Description of Collateral**

Without limiting the generality of the description of Collateral as set out in Section 2, for greater certainty the Collateral shall include all present and after-acquired real and personal property in which the Debtor may have an interest which may be specifically described in any schedule which may be attached hereto. The Debtor agrees to execute and deliver at its own expense from time to time amendments to this Agreement or additional security agreements as may be reasonably required by the Agent in order that the Security Interest shall attach to such real and personal property.

4. **Attachment**

The Debtor acknowledges that value has been given, the parties have not agreed to postpone the time for attachment of the Security Interest and the Debtor has rights in the Collateral which exists as at the date of this Agreement. In respect of Collateral in which the Debtor obtains an interest after the execution and delivery of this Agreement, the Security Interest shall attach thereto immediately upon the Debtor obtaining such rights.

5. **Dealings with Collateral**

The Debtor may sell Inventory and collect Accounts in the ordinary course of its business until otherwise advised in writing by the Agent at any time following the occurrence of an Event of Default that is continuing. Upon receipt by the Debtor of such written notice its entitlement to sell Inventory and collect Accounts shall cease, and any Accounts thereafter collected by the Debtor shall be held by in trust for the Agent and shall be paid to the Agent immediately upon receipt.

6. **Exception re Leasehold Interests, Contractual Rights, Reserve Accounts and Consumer Goods**

- (a) The last day of the term of any lease, sublease or agreement therefor is specifically excluded from the Security Interest, but the Debtor agrees to stand possessed of such last day in trust for any Person acquiring such interest of the Debtor.
- (b) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any agreement, right, franchise, licence or permit to which the Debtor is a party or in respect of which the Debtor has the benefit, to the extent that the creation of the Security Interest herein would constitute a breach of the terms of, or permit any Person to terminate, such contractual rights (collectively, the "**excluded contractual rights**"), including any excluded contractual rights that are not assignable under

Applicable Laws. To the maximum extent permitted by Applicable Laws, the Debtor agrees to (i) hold its interest in all excluded contractual rights in trust for the Agent (for the benefit of the Lenders) and (ii) assign such excluded contractual rights to the Agent (for the benefit of the Lenders) forthwith upon obtaining the consent of each other party thereto whose consent is required, and (iii) upon the request of the Agent, use all commercially reasonable efforts to obtain any consent required to permit any excluded contractual rights to be subjected to the Security Interest hereunder.

- (c) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any residual beneficial interest that the Borrowers have in CannTrust Directors and Officers Trust, a trust established by the Borrowers by a trust indenture dated December 17, 2019 for purposes of settling potential director and officer liabilities (provided that, for greater certainty, if the Borrowers receive any distribution from the trust upon its termination, the proceeds of the distribution will become Collateral).
- (d) The Security Interest granted hereby does not and will not extend to, and Collateral will not include, any reserve accounts maintained by the Borrowers (or any one of them), and all funds on deposit therein (the “**Balfour Cash Collateral**”), in connection with the Balfour Tolling Agreement, provided that no Borrowers or any Guarantor will deposit any funds into such reserve accounts covered by this subsection (d) while any amount is outstanding under the Credit Facility except for pre-scheduled payments set forth in a schedule provided by the Borrowers to the Agent.
- (e) The Security Interest granted hereby does not extend to consumer goods.

7. **Additional Provisions re Securities**

The Debtor shall duly endorse for transfer all certificates evidencing the Securities, or execute stock transfer powers of attorney in respect thereof, in either case with signatures guaranteed if so requested by the Agent. Upon written notice by the Agent at any time after the occurrence and during the continuation of an Event of Default, the Debtor shall cause any or all of the Securities to be registered in the name of the Agent or its nominee, and the Agent is hereby appointed the irrevocable attorney of the Debtor with full power of substitution to cause any or all of the Securities to be registered in the name of the Agent or its nominee. Until otherwise advised in writing by the Agent at any time following the occurrence and during the continuation of an Event of Default:

- (a) the Debtor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would impose any restriction on the transferability of the Securities or otherwise adversely affect the Security Interest or impair the value of the Securities; and
- (b) the Debtor shall not exercise its voting rights attached to the Securities in connection with any matter which would result in a contravention of any Credit Document.

All such rights of the Debtor to vote and give consents, waivers and ratifications shall cease immediately upon receipt of such written notice by the Agent.

8. Representations and Warranties

The Debtor hereby represents and warrants as follows to the Agent and the Lenders, and acknowledges that the Agent and the Lenders are relying thereon:

- (a) the Debtor has the corporate power and authority to create the Security Interest and perform its obligations under this Agreement;
- (b) the execution and delivery of this Agreement and the performance by the Debtor of its obligations hereunder has been duly authorized by all necessary corporate action;
- (c) except as otherwise provided herein or disclosed in a schedule hereto, the Collateral is owned by the Debtor free from all Liens other than Permitted Liens; and
- (d) the chief executive office of the Debtor is located at 3280 Langstaff Road, Unit 1, Vaughan, Ontario, L4K 4Z8.

9. Covenants

The Debtor covenants and agrees as follows:

- (a) not to grant or suffer to exist any Lien in respect of the Collateral, other than Permitted Liens;
- (b) to prevent the Collateral from becoming an accession to any personal property not subject to this Agreement, or becoming affixed to any real property other than real property which is subject to a first-ranking security interest in favour of the Agent or a landlord agreement in favour of the Agent;
- (c) to deliver to the Agent from time to time upon request all items of Collateral comprising Chattel Paper, Instruments, Securities and those Documents of Title which are negotiable;
- (d) to do, make, execute and deliver such further and other assignments, transfers, deeds, security agreements and other documents as may be reasonably required by the Agent to establish in favour of the Agent the Security Interest intended to be created hereby and to accomplish the intention of this Agreement; and
- (e) to pay all reasonable and documented expenses, including reasonable and documented solicitors' and receivers' fees and disbursements, incurred by the Agent or its agents (including any Receiver, as hereinafter defined) in connection with the preparation, perfection, preservation, and enforcement of this Agreement; including all reasonable and documented expenses incurred by the Agent or such agents in dealing with other creditors of the Debtor in connection with the establishment and confirmation of the priority of the Security Interest; all of which expenses shall be payable promptly upon demand and shall form part of the Obligations.

10. Enforcement

Upon the occurrence of an Event of Default that is continuing, in addition to exercising any other remedies available at law or equity or contained in any other Credit Document between the Debtor and the Agent, all of which remedies shall be independent and cumulative, the Agent may:

- (a) enter any premises where Collateral may be located;
- (b) take possession of Collateral by any method permitted by law;
- (c) occupy and use any premises occupied by the Debtor and use all or any of such premises and the Equipment and other Collateral located thereon;
- (d) take such steps and expend such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including payments on account of other security interests affecting the Collateral; provided that the Agent shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Agent shall comprise part of the Obligations and shall be secured hereby;
- (e) sell, lease, license or otherwise dispose of Collateral;
- (f) collect, sell or otherwise deal with Accounts, including notifying any person obligated to the Debtor in respect of an Account, Chattel Paper or an Instrument to make payment to the Agent of all such present and future amounts due thereon;
- (g) collect any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on such business;
- (h) exercise all voting rights attached to the Securities (whether or not registered in the name of the Agent or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;
- (i) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Securities, and in connection therewith, to deposit and deliver any of the Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it;
- (j) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Securities as may be necessary in order to comply with Applicable Laws and regulations, and policies imposed by any stock exchange, securities commission or other Governmental Authority, and the Debtor further agrees that such

compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Agent be liable or accountable to the Debtor for any discount in the sale price of the Securities which may be given by reason of the fact that such Securities are sold in compliance with any such limitation or restriction;

- (k) carry on the business of the Debtor or any portion thereof;
- (l) demand, commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the Accounts or any other obligation of any third party to the Debtor;
- (m) borrow money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Debtor, and charge and grant further security interests in the Collateral in priority to the Security Interest, as security for the money so borrowed;
- (n) apply to any court of competent jurisdiction for the appointment of a receiver or a receiver and manager in respect of the Debtor and/or the Collateral or any portion thereof;
- (o) appoint a receiver or a receiver and manager by private appointment (each of which together is herein called a “**Receiver**”) in respect of the Debtor and/or the Collateral or any portion thereof;
- (p) accept the Collateral in satisfaction of the Obligations; and
- (q) file proofs of claim and other documents in order to have the claims of the Agent and the Lenders lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

11. **Receiver**

Any Receiver appointed by the Agent may be any person or persons, and the Agent may remove any Receiver so appointed and appoint another or others instead. The Receiver may exercise all powers of the Agent as provided in this Agreement. The Receiver shall act as agent for the Agent for the purposes of taking possession of the Collateral, and (except as provided below) as agent for the Debtor for all other purposes, including without limitation the occupation of any premises of the Debtor and in carrying on the Debtor's business. For the purposes of realizing upon the Security Interest, the Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Debtor or as agent for the Agent as it may determine in its discretion, acting reasonably. The Debtor agrees to ratify and confirm all actions of the Receiver acting as agent for the Debtor, and to release and indemnify the Receiver in respect of all such actions, except that such ratification, confirmation, release and indemnity shall not apply to any gross negligence or wilful misconduct on the part of the Receiver.

12. **Standards of Sale**

The Debtor agrees that it shall be commercially reasonable for the Agent to dispose of Collateral by private sale or public sale, in the Agent's reasonable discretion. If Collateral is disposed of by public sale, the sale may be held following one advertisement in a newspaper having general circulation in the location of the Collateral to be sold at least seven days prior to such sale, and the Agent may establish a reserve bid in respect of all or any portion of the Collateral. Collateral may be disposed of in whole or in part, for cash or credit, or part cash and part credit. The purchaser or lessee of such Collateral may be a customer of the Agent or any Lender. No purchaser shall be bound to enquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety and no lack of default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale hereunder. The Agent may sell any Collateral without entering into or taking actual possession of any part thereof, and while in possession the Agent shall only be accountable for monies actually received by it. The Agent may commence and continue any sale proceedings notwithstanding that other sale proceedings by other persons have been taken or are then pending.

13. Failure of Agent to Exercise Remedies

The Agent shall not be liable for any delay or failure to enforce any remedies available to it or to institute any proceedings for such purposes.

14. Application of Payments

All payments made in respect of the Obligations and all monies received by the Agent or any Receiver appointed by the Agent in respect of the enforcement of the Security Interest (including the receipt of any Money) may be held as security for the Obligations or applied in such manner as may be determined in the discretion of the Agent or the Receiver, as the case may be, and the Agent may at any time apply or change any such appropriation of such payments or monies to such part or parts of the Obligations as the Agent may determine in its discretion. The Debtor shall remain liable to the Agent for any deficiency; and any surplus funds realized after the satisfaction of all Obligations shall be paid in accordance with Applicable Law.

15. Dealings by Agent

The Agent may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, sureties of the Debtor, and others as the Agent may see fit, without prejudice to the Obligations and the rights of the Agent to hold and realize upon the Security Interest. The Agent has no obligation to keep Collateral identifiable, or to preserve rights against prior secured creditors in respect of any Collateral which includes Chattel Paper or Instruments.

16. Payment of Liens

The Agent may pay and satisfy the whole or any part of any Liens now or hereafter existing in respect of any of the Collateral, and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations. In the event of the Agent satisfying any such Lien, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

17. Notice

Without prejudice to any other method of giving notice, any notice by the Agent to the Debtor pursuant to this Agreement shall be effective if made in writing and given to the Debtor at the following address:

Elmcliffe Investments Inc.
3280 Langstaff Road, Unit 1
Vaughan, Ontario
L4K 4Z8

Attn: President, Secretary and Treasurer
Email: gguyatt@cantrust.ca

18. Separate Security

This Agreement and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Agent or the Lenders in respect of the Debtor, the Obligations or the Collateral.

19. Lenders Not Obligated to Extend Credit

Nothing in this Agreement shall obligate the Lenders to make any loan or other extension of credit to the Borrower, or extend the time for payment or satisfaction of any Obligations.

20. Severability

If any provision of this Agreement shall be deemed by any court of competent jurisdiction to be invalid or void, the remaining provisions shall remain in full force and effect.

21. Time of Essence

Time shall be of the essence of this Agreement.

22. Inconsistencies with Credit Agreement

To the extent that there is any inconsistency between any provision, representation, covenant or other obligation of the Debtor contained in this Agreement and any provision, representation, covenant or other obligation of the Debtor contained in the Credit Agreement, the latter shall govern. Except as aforesaid, this Agreement and any other documents or instruments contemplated hereby shall constitute the entire agreement and understanding between the Debtor and the Agent relating to the subject-matter hereof. No provision of this Agreement, or any other document or instrument in existence among the parties may be modified, waived or terminated except by an instrument in writing executed by the party against whom such modification, waiver or termination is sought to be enforced. There are no representations, warranties or collateral agreements in effect between the Debtor and the Agent relating to the subject-matter hereof; and possession of an executed copy of this Agreement by the Agent constitutes conclusive evidence that it was executed and delivered by the Debtor free of all conditions.

23. Grammatical Changes

This Agreement is to be read as if all changes in grammar, number and gender rendered necessary by the context had been made, specifically including a reference to a person as a corporation and vice-versa.

24. Governing Law; Submission to Jurisdiction

This Agreement shall be interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the Agent to enforce this Agreement in any other proper jurisdiction, the Debtor hereby irrevocably submits and attorns to the jurisdiction of the courts of the Province of Ontario.

25. Power of Attorney

The Debtor hereby constitutes and appoints the Agent or any officer thereof, at any time and from time to time after the occurrence of an Event of Default that is continuing, as its true, lawful and irrevocable attorney, with full power of substitution, to execute all documents and take all actions as may be necessary or desirable to perform any obligations of the Debtor arising pursuant to this Agreement, and in executing such documents and taking such actions, to use the name of the Debtor whenever and wherever it may be considered necessary or expedient. The foregoing power of attorney is coupled with an interest and is irrevocable.

26. Successors and Assigns

This Agreement is binding upon the parties hereto, and their respective successors and permitted assigns, in each case in accordance with the Credit Agreement.

27. Amalgamation of Debtor

If the Debtor amalgamates with any other corporation or corporations, this Agreement shall continue in full force and effect and shall be binding upon the amalgamated corporation, and for greater certainty:

- (a) the Security Interest shall: (i) continue to secure the Obligations; (ii) secure all obligations of each other amalgamating corporation to the Agent and the Lenders (which obligations shall constitute Obligations of the amalgamated corporation); and (iii) secure all obligations of the amalgamated corporation to the Agent and the Lenders arising after the amalgamation; and the term "Obligations" shall include all such obligations of the Debtor, the other amalgamating corporations and the amalgamated corporation;
- (b) the Security Interest shall: (i) continue to attach to all property and assets of the Debtor; (ii) attach to all property and assets of each other amalgamating corporation (which property and assets shall be the property and assets of the amalgamated corporation); and (iii) attach to all property and assets of the amalgamated corporation acquired after the amalgamation; and the term "Collateral" shall include all such property and assets of the Debtor, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this Agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the amalgamated corporation shall execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

28. Execution by Facsimile or PDF; Execution in Counterparts

This Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement. This Agreement may be executed by facsimile, electronic transmission of a printable image in 'pdf' or other file format of a signature or signatures applied to this Agreement, and any such signature or signatures shall be treated as original for all purposes.

29. Release of Security Interest

When the Obligations have been paid and satisfied in full, and the Agent and the Lenders have no further liability to advance money or credit to, or incur any liability on behalf of, any Borrower, the Agent shall at the request and expense of the Debtor execute and deliver a release and discharge of this Agreement.

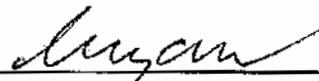
30. Copy of Agreement

The Debtor acknowledges receipt of an executed copy of this Agreement.

[Remainder of page intentionally blank; signature page follows.]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the Debtor under the hands of its duly authorized officer.

ELMCLIFFE INVESTMENTS INC.

By: 

Name: Greg Guyatt

Title: President, Secretary and Treasurer

SCHEDULE "A"

SECURITIES

Nil.

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF PHOENA HOLDINGS INC., PHOENA INC., ELMCLIFFE INVESTMENTS INC.,
ELMCLIFFE INVESTMENTS [NO. 2] INC., AND CTI HOLDINGS
(OSOYOOS) INC. (collectively, the “**Applicants**”)

Court File No.: CV-23-00697285-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**APPLICATION
RECORD VOL 1
(Returnable April 4, 2023)**

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Kyla Mahar LSO#: 44182G
kmahar@millerthomson.com

Patrick Corney LSO#: 65462N
pcorney@millerthomson.com

Gina Rhodes LSO#: 78849U
grhodes@millerthomson.com

Tel: (416) 595 8500 / Fax: (416) 595 8695

Lawyers for the Applicants