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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

Applicants

RESPONDING MOTION RECORD OF KPMG LLP

March 17, 2021

BLAKE, CASSELS & GRAYDON LLP
Barristers & Solicitors
199 Bay Street, Suite 4000
P.O. Box 25, Commerce Court West
Toronto, ON M5L 1A9

Andrea Laing LSO #43103Q
Email: andrea.laing@blakes.com
Tel: 416-863-4159

Linc A. Rogers LSO #43562N
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Tel: 416-863-4168

Ryan A. Morris LSO #50831C
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Tel: 416-863-2276

Caitlin McIntyre LSO #72306R
Email: Caitlin.mcintyre@blakes.com
Tel: 416-863-4174

Lawyers for KPMG LLP

TO: **SERVICE LIST**

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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Applicants

I N D E X

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

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Applicants

AFFIDAVIT OF MARIA FARACHE
sworn March 17, 2021

I, Maria Farache, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a legal assistant with the law firm of Blake, Cassels & Graydon LLP, counsel for KPMG LLP, and as such I have knowledge of the matters deposed in this affidavit. To the extent that any information contained in this affidavit is not my direct knowledge, I have stated the source of the information, and I believe it to be true.

2. Attached as **Exhibit "A"** is an email cover page and letter from Ryan Morris of Blake, Cassels & Graydon LLP to James Gage of McCarthy Tétrault LLP dated January 27, 2021.

3. Attached as **Exhibit "B"** is an email chain from Andrea Laing of Blake, Cassels & Graydon LLP to the service list dated February 18, 2021. A letter from Peter Howard of Stikeman Elliott LLP to Paul Steep of McCarthy Tétrault LLP dated February 17, 2021 is included in the exhibit as an attachment to an earlier email in the chain.

4. Attached as **Exhibit "C"** is an email from Trevor Courtis of McCarthy Tétrault LLP to Peter Howard of Stikeman Elliott LLP, copied to the service list, dated February 18, 2021, attaching a letter from Paul Steep of McCarthy Tétrault LLP to Peter Howard of Stikeman Elliott LLP dated February 18, 2021.

5. Attached as **Exhibit "D"** is an email from Nancy Thompson of Blake, Cassels & Graydon LLP to the CannTrust Monitor dated March 6, 2021 and the attached letter to Ernst & Young Inc. dated March 6, 2021 with KPMG LLP's Amended Proof of Claim.

6. Attached to my affidavit as **Exhibit "E"** is the CannTrust Press Release dated August 9, 2019.

SWORN remotely by Maria Farache at the City of Toronto, in the Province of Ontario, before me AT THE City of Richmond Hill, in the Province of Ontario on March 17, 2021, in accordance with O.Reg.431/20, Administering Oath or Declaration Remotely.

Jennifer Maringola

Commissioner for Taking Affidavits

JENNIFER MARINGOLA

Jennifer Maringola,
a Commissioner, etc., Province of Ontario, for Blake, Cassels & Graydon LLP, Barrister and Solicitors.
Expires January 28, 2023.

Maria Farache

MARIA FARACHE

This is Exhibit "A" referred to in the Affidavit of Maria Farache, sworn remotely at the City of Toronto, in the Province of Ontario, remotely before me at the City of Richmond Hill, in the Province of Ontario, on the 17th day of March, 2021 in accordance with O.Reg.431/20 Administering Oath or Declaration Remotely

Commissioner for Taking Affidavits (or as may be)

JENNIFER MARINGOLA

Jennifer Maringola,
a Commissioner, etc., Province
of Ontario, for Blake, Cassels &
Graydon LLP, Barrister and Solicitors.
Expires January 28, 2023.

From: Morris, Ryan
Sent: Wednesday, January 27, 2021 4:43 PM
To: 'JGAGE@MCCARTHY.Ca'
Cc: Steve Graff; Jonathan Yantzi; Laing, Andrea; Rogers, Linc
Subject: In the Matter of CannTrust Holdings Inc. et. al. - Court File No. CV-20-00638930-00CL
Attachments: L_to_Gage_27Jan21.pdf

Please see attached letter.

Regards,

Ryan A. Morris
Partner
ryan.morris@blakes.com
Dir: 416-863-2176

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Ryan A. Morris
Partner
Dir: 416-863-2176
ryan.morris@blakes.com

January 27, 2021

VIA E-MAIL

James Gage
McCarthy Tétrault
66 Wellington Street West
Suite 5300, TD Bank Tower, Box 48
Toronto, ON M5K 1E6

RE: *In the Matter of CannTrust Holdings Inc. et al.*
Court File No. CV-20-00638930-00CL

Dear Mr. Gage:

We are counsel to KPMG LLP ("**KPMG**") and write on its behalf. We refer to the Motion Record of CannTrust Holdings Inc. and related entities in respect of their motion for an order extending the stay of proceedings and an order appointing CCAA Representatives and CCAA Representative Counsel, scheduled to be heard January 29, 2021 (the "**Motion Record**"). We also refer to the Restructuring Support Agreement dated January 19, 2021 included in the Motion Record as Exhibit "G" to the affidavit of Greg Guyatt sworn January 20, 2021 (the "**RSA**").

As a non-settling defendant ("NSD") in the Canadian and U.S. class proceedings that the RSA purports to resolve, KPMG is of the view that the RSA, as currently drafted, will unduly prejudice its procedural and substantive rights. We plan to discuss our concerns with you in the coming days so that the RSA can be clarified or amended to appropriately account for NSD rights before any hearing to approve it and any related CCAA Plan. If these discussions are not productive, KPMG will require ample notice of any such hearing so it will have the opportunity to file material and make opposing submissions.

KPMG does not object to the orders sought on the motion currently scheduled for January 29, 2021 on the understanding that:

1. such orders do not purport to create any presumption that the test for certification of the proposed class actions is met; and

2. by not objecting to the sealing of the supplemental letter agreement (the "**SLA**") at this time, KPMG is reserving its right to seek production of the SLA at a later date when the parameters of any litigation that will proceed are better understood. While we are obviously in the dark as to the SLA terms, given the reversionary interest that CannTrust purports to retain in respect of its contribution to the proposed litigation trust, we are alert to the possibility that such terms could

be consistent with a "Mary Carter" agreement, or other forms of settlement agreement that must be disclosed to all parties in order to prevent unfairness. We refer also to Justice Myers' decision in *1511419 Ontario Inc. v. KPMG LLP*, 2017 ONSC 2472, which addresses some of the concerns raised by confidential side letters in the CCAA context, including the risk that non-disclosed terms will not be enforceable.

If our understanding of the foregoing is incorrect, please advise us immediately and, in any event, no later than January 28, 2021 so that we are afforded with a reasonable opportunity to make submissions at the hearing.

Yours truly,

Ryan A. Morris

c: Steven Graff, Aird & Berlis LLP,
Jonathan Yantzi, Aird & Berlis LLP,
Andrea Laing, Blake, Cassels & Graydon LLP
Linc Rogers, Blake, Cassels & Graydon LLP

This is Exhibit "B" referred to in the Affidavit of Maria Farache, sworn remotely at the City of Toronto, in the Province of Ontario, remotely before me at the City of Richmond Hill, in the Province of Ontario, on the 17th day of March, 2021 in accordance with O.Reg.431/20 Administering Oath or Declaration Remotely

Jennifer Maringola

Commissioner for Taking Affidavits (or as may be)

JENNIFER MARINGOLA

Jennifer Maringola,
a Commissioner, etc., Province
of Ontario, for Blake, Cassels &
Graydon LLP, Barrister and Solicitors.
Expires January 28, 2023.

From: Laing, Andrea
Sent: Thursday, February 18, 2021 4:58 PM
To: Bish, David; Peter Howard; Courtis, Trevor; alex.f.morrison@ca.ey.com; david.saldanha@ca.ey.com; karen.l.fung@ca.ey.com; sgraff@airdberlis.com; Jonathan Yantzi; rthornton@tgf.ca; lwilliams@tgf.ca; paul.bishop@fticonsulting.com; steven.bissell@fticonsulting.com; ellen.dong@fticonsulting.com; diane.winters@justice.gc.ca; kevin.ohara@ontario.ca; aaron.welch@gov.bc.ca; msanders@goldmanspring.com; Fabello, John; Dingle, Gillian; Gilchrist, Craig; Michael Wright; thenry@wrighthenry.ca; Danielle Stampley; Michael.robb@siskinds.com; Garett M. Hunter; Alex Dimson; tvanklink@millerthomson.com; vdare@foglers.com; mhenein@hhllp.ca; shutchison@hhllp.ca; mstrychar.bodnar@hhllp.ca; lmillstaylor@hhllp.ca; serge@kalloghlianmyers.com; aj@kalloghlianmyers.com; alexander.lascaris@gmail.com; jay@strosbergco.com; dwingfield@strosbergco.com; jsmith@strosbergco.com; ekarp@morgantico.com; hdavarinia@morgantico.com; Alistair Crawley; jpreece@cmblaw.ca; jdesimone@mayerbrown.com; gvanzura@mayerbrown.com; paullv@stockwoods.ca; geraldc@stockwoods.ca; carlodc@stockwoods.ca; Thomas.gertner@gowlingwlg.com; pmahoney@sullivanmahoney.com; emerchant@merchantlaw.com; Christopher Simoes; elowe@merchantlaw.com; sroxborough@merchantlaw.com; Maria.Vujnovic@justice.gc.ca; McIntyre, Caitlin; Rogers, Linc; Morris, Ryan; Manoryk, Justin; Ashley Taylor; Brian Pukier; Eliot Kolers; glaufer@paulweiss.com; snematollahi@morgantico.com; jrochon@rochongenova.com; Peter Jervis; Douglas Worndl; Ron Podolny; sweisz@wfklaw.ca; skour@wfklaw.ca; jjohnson@labaton.com; mrogers@labaton.com; harvey@chaitons.com; mgrossell@tgf.ca; jhartmann@kirkland.com; jlahn@kirkland.com; David Vaillancourt
Cc: Steele, Alexander; Gage, James D.; Steep, R. Paul; D'Souza, Shane
Subject: RE: In the Matter of CannTrust Holdings Inc. (Court File No. CV-20-00638930-00CL)

On behalf of KPMG, we also agree with the positions taken by Messrs. Howard and Bish. We look forward to receiving the requested information, which we require in order to assess the impact on our client's interests and contribute meaningfully in connection with scheduling.

Andrea Laing
Partner
Dir: 416 863 4159
Cell: 647 294 5820
andrea.laing@blakes.com

From: Bish, David <dbish@torys.com>
Sent: Thursday, February 18, 2021 4:19 PM
To: Peter Howard <PHoward@stikeman.com>; Courtis, Trevor <TCOURTIS@mccarthy.ca>; alex.f.morrison@ca.ey.com; david.saldanha@ca.ey.com; karen.l.fung@ca.ey.com; sgraff@airdberlis.com; Jonathan Yantzi <jyantzi@airdberlis.com>; rthornton@tgf.ca; lwilliams@tgf.ca; paul.bishop@fticonsulting.com; steven.bissell@fticonsulting.com; ellen.dong@fticonsulting.com; diane.winters@justice.gc.ca; kevin.ohara@ontario.ca; aaron.welch@gov.bc.ca; msanders@goldmanspring.com; Fabello, John <jfabello@torys.com>; Dingle, Gillian <gdingle@torys.com>; Gilchrist, Craig <cgilchrist@torys.com>; Michael Wright <mwright@wrighthenry.ca>; thenry@wrighthenry.ca; Danielle Stampley <dstampley@wrighthenry.ca>; Michael.robb@siskinds.com; Garett M. Hunter <garett.hunter@siskinds.com>; Alex Dimson <alex.dimson@siskinds.com>; tvanklink@millerthomson.com; vdare@foglers.com; mhenein@hhllp.ca; shutchison@hhllp.ca; mstrychar.bodnar@hhllp.ca; lmillstaylor@hhllp.ca; serge@kalloghlianmyers.com; aj@kalloghlianmyers.com; alexander.lascaris@gmail.com; jay@strosbergco.com; dwingfield@strosbergco.com; jsmith@strosbergco.com; ekarp@morgantico.com; hdavarinia@morgantico.com; Alistair Crawley <acrawley@cmblaw.ca>; jpreece@cmblaw.ca; jdesimone@mayerbrown.com; gvanzura@mayerbrown.com; paullv@stockwoods.ca; geraldc@stockwoods.ca; carlodc@stockwoods.ca; Thomas.gertner@gowlingwlg.com; pmahoney@sullivanmahoney.com; emerchant@merchantlaw.com; Christopher Simoes <csimoes@merchantlaw.com>; elowe@merchantlaw.com; sroxborough@merchantlaw.com; Maria.Vujnovic@justice.gc.ca; McIntyre, Caitlin <caitlin.mcintyre@blakes.com>; Rogers, Linc <linc.rogers@blakes.com>; Morris, Ryan <ryan.morris@blakes.com>; Laing, Andrea <andrea.laing@blakes.com>; Manoryk, Justin <justin.manoryk@blakes.com>; Ashley Taylor <ATAYLOR@stikeman.com>; Brian Pukier <BPukier@stikeman.com>; Eliot Kolers <EKolers@stikeman.com>;

glaufer@paulweiss.com; snematollahi@morgantico.com; jrochon@rochongenova.com; Peter Jervis <pjervis@rochongenova.com>; Douglas Worndl <dworndl@rochongenova.com>; Ron Podolny <rpodolny@rochongenova.com>; sweisz@wfklaw.ca; skour@wfklaw.ca; jjohnson@labaton.com; mrogers@labaton.com; harvey@chaitons.com; mgrossell@tgf.ca; jhartmann@kirkland.com; jlahn@kirkland.com; David Vaillancourt <dvaillancourt@agmlawyers.com>
Cc: Steele, Alexander <ASTEELE@mccarthy.ca>; Gage, James D. <JGAGE@MCCARTHY.CA>; Steep, R. Paul <PSTEEP@MCCARTHY.CA>; D'Souza, Shane <sdsouza@mccarthy.ca>
Subject: RE: In the Matter of CannTrust Holdings Inc. (Court File No. CV-20-00638930-00CL)

External Email | Courrier électronique externe

Good afternoon.

As counsel to the underwriters in the within proceedings, we confirm that they share the views set out by Mr. Howard in his correspondence below. We too have previously requested on several occasions that the company and its advisors properly address the need for timely and coordinated scheduling in consultation with stakeholders. To date, we have had no response from the company. We welcome information from the company in respect of the substance of the relief to be sought on March 19, 2021 (or such other date as may be set), including the substance of its prospective CCAA Plan, the proposed treatment of our clients' claims and interests, and the protections – or lack of protections – for those interest, in order to take a position as to the appropriate time needed to respond to such motion and the establishment of a proper schedule ahead of the hearing for the exchange of materials and, to the extent applicable, examinations.

We look forward to hearing from company counsel.

David Bish

P. 416.865.7353 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com

TORYS LLP

From: Jocelyn Kemp <jkemp@stikeman.com> **On Behalf Of** Peter Howard
Sent: Wednesday, February 17, 2021 3:49 PM
To: Courtis, Trevor <TCOURTIS@mccarthy.ca>; alex.f.morrison@ca.ey.com; david.saldanha@ca.ey.com; karen.l.fung@ca.ey.com; sgraff@airdberlis.com; Jonathan Yantzi <jyantzi@airdberlis.com>; rthornton@tgf.ca; lwilliams@tgf.ca; paul.bishop@fticonsulting.com; steven.bissell@fticonsulting.com; ellen.dong@fticonsulting.com; diane.winters@justice.gc.ca; kevin.ohara@ontario.ca; aaron.welch@gov.bc.ca; msanders@goldmanspring.com; Bish, David <dbish@torys.com>; Fabello, John <jfabello@torys.com>; Dingle, Gillian <gdingle@torys.com>; Gilchrist, Craig <cgilchrist@torys.com>; Michael Wright <mwright@wrighthenry.ca>; thenry@wrighthenry.ca; Danielle Stampley <dstampley@wrighthenry.ca>; Michael.robb@siskinds.com; Garett M. Hunter <garett.hunter@siskinds.com>; Alex Dimson <alex.dimson@siskinds.com>; tvanklink@millerthomson.com; vdare@foglers.com; mhenein@hhllp.ca; shutchison@hhllp.ca; mstrychar.bodnar@hhllp.ca; lmillstaylor@hhllp.ca; serge@kalloghlianmyers.com; aj@kalloghlianmyers.com; alexander.lascaris@gmail.com; jay@strosbergco.com; dwingfield@strosbergco.com; jsmith@strosbergco.com; ekarp@morgantico.com; hdavarinia@morgantico.com; Alistair Crawley <acrawley@cmblaw.ca>; jpreece@cmblaw.ca; jdesimone@mayerbrown.com; gvanzura@mayerbrown.com; paullv@stockwoods.ca; geraldc@stockwoods.ca; carlodc@stockwoods.ca; Thomas.gertner@gowlingwlg.com; pmahoney@sullivanmahoney.com; emerchant@merchantlaw.com; Christopher Simoes <csimoes@merchantlaw.com>; elowe@merchantlaw.com; sroxborough@merchantlaw.com; Maria.Vujnovic@justice.gc.ca; Caitlin.mcintyre@blakes.com; linc.rogers@blakes.com; Morris, Ryan <ryan.morris@blakes.com>; andrea.laing@blakes.com; justin.manoryk@blakes.com; Peter Howard <PHoward@stikeman.com>; Ashley Taylor

<ATAYLOR@stikeman.com>; Brian Pukier <BPukier@stikeman.com>; Eliot Kolers <EKolers@stikeman.com>; glaufer@paulweiss.com; snematollahi@morgantico.com; jrochon@rochongenova.com; Peter Jervis <pjervis@rochongenova.com>; Douglas Worndl <dworndl@rochongenova.com>; Ron Podolny <rpodolny@rochongenova.com>; sweisz@wfklaw.ca; skour@wfklaw.ca; jjohnson@labaton.com; mrogers@labaton.com; harvey@chaitons.com; mgrossell@tgf.ca; jhartmann@kirkland.com; jlahn@kirkland.com; David Vaillancourt <dvaillancourt@agmlawyers.com>
Cc: Steele, Alexander <ASTEELE@mccarthy.ca>; Gage, James D. <JGAGE@MCCARTHY.CA>; Steep, R. Paul <PSTEEP@MCCARTHY.CA>; D'Souza, Shane <sdsouza@mccarthy.ca>
Subject: In the Matter of CannTrust Holdings Inc. (Court File No. CV-20-00638930-00CL)

To the Service List:

Please see attached correspondence.

Peter F.C. Howard
Direct: +1 416 869 5613
Cell : +1 416 505 9282
Email: phoward@stikeman.com
Conference Call #: 647 723 6928, Access code 6935133

Stikeman Elliott

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Peter F.C. Howard
Direct: 416.869.5613
phoward@stikeman.com

February 17, 2021 **BY EMAIL**
File No. 145232.1001

Mr. Paul Steep
McCarthy Tetrault LLP
Suite 5300, Toronto Dominion Bank Tower
Toronto, ON M5K 1E6

Dear Mr. Steep:

Re: In the Matter of CannTrust Holdings Inc., et al.

We have received an appointment for February 22, 2021 which appointment appears to be occasioned by a need for the parties to explain why 3 hours is to be reserved for March 19, 2021. It is unclear to us what issues are to be put to the court for determination on March 19, 2021.

It is assumed that the company has a good idea of what material and issues it proposes to put before the court, when it proposes to serve that material and the company may or may not have an appreciation of the likely response of the Non-Settling Defendants (including who those persons are at present and are expected to be as of March 19, 2021) in order to land on the company's current assessment of 3 hours. It is also assumed that the company has an assessment of how much of that time it proposes be taken up by the submissions of the company, Monitor and Coalition Plaintiffs.

We and others have written you in the past underscoring the need for adequate notice, service of materials and a chance to respond as well as the importance of discussion in scheduling matters where, as here, there is the possibility indeed likelihood of contentious issues arising. Speaking only for ourselves we have not had any such communication, which is disappointing.

Can you confirm that you will be serving the motion material for the March 19, 2021 motion before our attendance on February 22, 2021 and we would appreciate that service as soon as practicable so that the parties can make an intelligent assessment of how much time will be needed for the motion and be ready to take a position on February 22, 2021. In the absence of such confirmation and receipt of material the attendance on February 22, 2021 is unlikely to be productive. The company has indicated a need for expedition and we all will work to accommodate that but that also entails the company providing reasonable notice and information.

I look forward to hearing from you.

Yours truly,

STIKEMAN ELLIOTT LLP

Peter Howard

Peter F.C. Howard

/jk
cc. Service List

This is Exhibit "C" referred to in the Affidavit of Maria Farache, sworn remotely at the City of Toronto, in the Province of Ontario, remotely before me at the City of Richmond Hill, in the Province of Ontario, on the 17th day of March, 2021 in accordance with O.Reg.431/20 Administering Oath or Declaration Remotely

Jennifer Maringola

Commissioner for Taking Affidavits (or as may be)

JENNIFER MARINGOLA

Jennifer Maringola,
a Commissioner, etc., Province
of Ontario, for Blake, Cassels &
Graydon LLP, Barrister and Solicitors.
Expires January 28, 2023.

From: Courtis, Trevor <TCOURTIS@mccarthy.ca>
Sent: Thursday, February 18, 2021 8:09 PM
To: phoward@stikeman.com
Cc: alex.f.morrison@ca.ey.com; david.saldanha@ca.ey.com; karen.l.fung@ca.ey.com; sgraff@airdberlis.com; Jonathan Yantzi; rthornton@tgf.ca; paul.bishop@fticonsulting.com; steven.bissell@fticonsulting.com; ellen.dong@fticonsulting.com; diane.winters@justice.gc.ca; Insolvency.Unit@ontario.ca; aaron.welch@gov.bc.ca; msanders@goldmanspring.com; dbish@torys.com; jfabello@torys.com; Dingle, Gillian; cgilchrist@torys.com; Michael Wright; thenry@wrighthenry.ca; Danielle Stampley; Michael.robb@siskinds.com; Garett M. Hunter; Alex Dimson; tvanklink@millerthomson.com; vdare@foglers.com; mhenein@hhllp.ca; shutchison@hhllp.ca; mstrychar.bodnar@hhllp.ca; lmillstaylor@hhllp.ca; serge@kalloghlianmyers.com; aj@kalloghlianmyers.com; alexander.lascaris@gmail.com; jay@strosbergco.com; dwingfield@strosbergco.com; jsmith@strosbergco.com; ekarp@morgantico.com; hdavarinia@morgantico.com; Alistair Crawley; jpreece@cmblaw.ca; jdesimone@mayerbrown.com; gvanzura@mayerbrown.com; paullv@stockwoods.ca; geraldc@stockwoods.ca; carlodc@stockwoods.ca; Thomas.gertner@gowlingwlg.com; pmahoney@sullivanmahoney.com; emerchant@merchantlaw.com; Christopher Simoes; elowe@merchantlaw.com; sroxborough@merchantlaw.com; Diane.Winters@justice.gc.ca; Maria.Vujnovic@justice.gc.ca; McIntyre, Caitlin; Rogers, Linc; Morris, Ryan; Laing, Andrea; Manoryk, Justin; ataylor@stikeman.com; bpukier@stikeman.com; ekolers@stikeman.com; glaufer@paulweiss.com; snematollahi@morgantico.com; jrochon@rochongenova.com; Peter Jervis; Douglas Worndl; Ron Podolny; sweisz@wfklaw.ca; skour@wfklaw.ca; jjohnson@labaton.com; mrogers@labaton.com; harvey@chaitons.com; mgrossell@tgf.ca; jhartmann@kirkland.com; jlahn@kirkland.com; David Vaillancourt; papazian@phmlaw.com
Subject: In the Matter of CannTrust Holdings Inc., et al.
Attachments: LT P. Howard re CannTrust Holdings - Feb. 18, 2021.pdf

External Email | Courrier électronique externe

Mr. Howard,

Please see the attached correspondence from R. Paul Steep.

TC

Trevor Courtis
Associate | Sociétaire
Bankruptcy and Restructuring | Faillite et restructuration
T: 416-601-7643
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R. Paul Steep
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Assistant: Allan, Sandy
Direct Line: (416) 601-8200 x542449
Email: sallan@mccarthy.ca

February 18, 2021

Mr. Peter F.C. Howard
Stikeman Elliot LLP
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Dear Mr. Howard:

Re: In the Matter of CannTrust Holdings Inc., et al.

Thank you for your letter of February 17, 2021. Your disappointment is noted, but in our view your client and others should be able to deal with the limited scheduling the applicants ("**CannTrust**") are requesting on Monday without a full motion record.

At this stage CannTrust is seeking a meeting order, not the sanction of a plan. CannTrust is currently aiming to serve its motion record on March 5, 2021. Schedule "A" hereto attaches a timetable for that motion. The timetable we propose balances the interests of the applicants and stakeholders fairly. The Monitor supports this timetable.

All stakeholders have been aware of CannTrust's intention to seek a meeting order around mid-March for some time now. This timing was reflected in (i) the Restructuring Support Agreement, and (ii) the affidavit of Greg Guyatt sworn January 20, 2021 at para. 69, copies of which you received on January 20, 2021. You are very experienced in CCAA matters and familiar with the nature of CCAA meeting orders. At the hearing on March 19, CannTrust will not be seeking approval of any plan. Rather, it will merely be seeking to file a plan for consideration by its creditors. The Court will not need to address the fairness and reasonableness of the plan at this stage. Any concerns in that respect are more appropriately advanced at the sanction hearing.

We provided the service list with notice of the March 19 motion on February 16, 2021 – over a month in advance. This is fair and accords with typical practice. We extended an invitation to your clients to attend the scheduling hearing notwithstanding that the motion is unlikely to materially impact your clients. That observation applies to many of the others who have followed your lead in writing to us concerning Monday's scheduling hearing.

Let me emphasize that we will make ourselves available to discuss any concerns you might have upon receipt of our motion material. As noted we hope to serve that around March 5, 2021.

Yours truly,

R. Paul Steep

ecc: James Gage; Shane D'Souza
Service List

Schedule "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

Applicants

TIMETABLE
(Motion for Meetings Order)

Step	**Deadline**	**Responsible**
Motion Record for Meetings Order	March 5, 2021	Applicants
Responding Motion Record, if any	March 11, 2021	Stakeholders
Moving Factum	March 15, 2021 at Noon	Applicants
Responding Factum, if any	March 17, 2021	Stakeholders
Hearing	March 19, 2021	

This is Exhibit "D" referred to in the Affidavit of Maria Farache, sworn remotely at the City of Toronto, in the Province of Ontario, remotely before me at the City of Richmond Hill, in the Province of Ontario, on the 17th day of March, 2021 in accordance with O.Reg.431/20 Administering Oath or Declaration Remotely

Commissioner for Taking Affidavits (or as may be)

JENNIFER MARINGOLA

Jennifer Maringola,
a Commissioner, etc., Province
of Ontario, for Blake, Cassels &
Graydon LLP, Barrister and Solicitors.
Expires January 28, 2023.

From: Thompson, Nancy
Sent: Saturday, March 6, 2021 3:09 PM
To: canntrust.monitor@ca.ey.com
Cc: Rogers, Linc; Laing, Andrea
Subject: CannTrust Holdings Inc., et al. - Amended Proof of Claim of KPMG LLP
Attachments: Cover Letter dated March 6, 2021.pdf; Amended Proof of Claim - KPMG LLP.pdf

Please find attached our cover letter and the Amended Proof of Claim filed on behalf of KPMG LLP against CannTrust Holdings Inc. and against the Directors and Officers of CannTrust Holdings Inc. Would you please confirm receipt.

If you have any questions or require additional information, please contact me as soon as possible.

Yours truly,

Nancy Thompson
Law Clerk
nancy.thompson@blakes.com
Dir: 416-863-2437

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trademark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Nancy Thompson
Law Clerk
Dir: 416-863-2437
nancy.thompson@blakes.com

March 6, 2021

Reference: 27064/509

VIA E-MAIL [canntrust.monitor@ca.ey.com]

Ernst & Young Inc.
Court-appointed Monitor of CannTrust Inc. et al.
100 Adelaide Street West
PO Box 1
Toronto, Ontario
M5H 0B3

RE: In the Matter of the *Companies' Creditor Arrangement Act* ("CCAA") of CannTrust Holdings Inc., et al.

Re: Amended Proof of Claim of KPMG LLP

Dear Sir/Madam:

We act for KPMG LLP ("**KPMG**") in connection with the above-noted matter. I refer to my letter of June 16, 2020 (the "**June Letter**"), a copy of which is attached for your ease of reference.

By way of the June Letter, I forwarded to you Proofs of Claim filed on behalf of KPMG against CannTrust Holdings Inc. ("**CannTrust**") and against the Directors and Officers of CannTrust, in accordance with the Claims Procedure Order dated May 8, 2020 (the "**Claims Procedure Order**").

As noted in my previous letter, KPMG acted as auditor to CannTrust Holdings Inc. and is a co-defendant in certain securities litigation with CannTrust. In the event that KPMG is found liable in that litigation, KPMG may assert a claim against CannTrust for contribution and indemnity for any amounts found owing and losses sustained by KPMG. Similarly, KPMG may assert a claim against the defendant Directors and Officers of CannTrust in the event that KPMG is found liable in the securities litigation.

The Proofs of Claim of KPMG included, among other things, Placeholder Claims, as defined in the June Letter, for any claims KPMG may assert against CannTrust for contribution (or similar claims) in connection with the securities litigation. Such Placeholder Claims were explicitly subject to further revision and quantification at a later date with the Monitor's concurrence in the event that KPMG deemed it advisable to revise or amend the Placeholder Claims.

While final liability of CannTrust and its Directors and Officers to KPMG has not yet been determined, in light of the plan of arrangement recently filed by CannTrust and the motion for a Meeting Order returnable on March 19, 2021, KPMG considers it necessary at this time to revise and amend the Placeholder Claims. In that regard, please find attached the Amended Proof of Claim filed on behalf of KPMG against CannTrust and against the Directors and Officers of CannTrust. The Amended Proof of Claim is in the total amount of $513,487,732.90, a summary of which is below.

Outstanding Invoice:

As set out in the original Proofs of Claim, the Amended Proof of Claim includes amounts owing in connection with an outstanding invoice dated April 15, 2020, for services rendered by KPMG to CannTrust for work performed up to March 31, 2020, in the amount of $30,227.50. A copy of the outstanding invoice is attached to the Amended Proof of Claim.

Contribution Claims:

As reflected on Schedule "A" to the Amended Proof of Claim, KPMG is amending its claim for contribution to $513,457,505.40. This number is comprised of (a) the estimated potential exposure of KPMG in the securities litigation, (b) the legal fees of KPMG to date in relation to the securities litigation, and (c) the estimated future legal costs of KPMG in relation to the securities litigation.

A copy of the Statement of Claim issued on October 24, 2019 in which KPMG is named as a defendant in the securities litigation is attached to the Amended Proof of Claim. The estimated potential exposure of KPMG is derived from the Damages Report of Sunita Surana dated July 10, 2020 (the "**Damages Report**"), as no damages figure is named in the Statement of Claim. Also attached to the Amended Proof of Claim is a summary of the fees billed to KPMG to date. We trust that you are in possession of the Damages Report and all other relevant documentation in respect of the securities litigation and the relationship between KPMG and CannTrust, but please let us know if you require copies of any further documentation.

* * * * *

Please note that the attached Amended Proof of Claim is submitted on a without prejudice basis and KPMG expressly reserves its rights to amend and resubmit the claim if required or if KPMG considers it necessary. Please also note that the attached Amended Proof of Claim is without prejudice to and in no way affects any rights or remedies available to KPMG both within and outside of the CCAA proceedings, including, but not limited to, any rights to bring a motion to lift the stay of proceedings in order to bring an action. Furthermore, the attached Amended Proof of Claim does not constitute an admission of liability by KPMG in the securities litigation and is intended only to quantify the maximum potential liability of CannTrust to KPMG in accordance with the Claims Procedure Order.

The documents filed in support of the attached Amended Proof of Claim may contain privileged or proprietary information and are being provided subject to the deemed undertaking to maintain their confidentiality. We require that you provide notice to us should a creditor request to review and/or obtain copies of the attached Proofs of Claim or supporting documents.

If you have any questions or require additional information, please do not hesitate to contact me.

Yours truly,

Nancy Thompson
Law Clerk

Blakes

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trademark Agents
199 Bay Street
Suite 4000, Commerce Court West
Toronto ON M5L 1A9 Canada
Tel: 416-863-2400 Fax: 416-863-2653

Nancy Thompson
Law Clerk
Dir: 416-863-2437
nancy.thompson @blakes.com

June 16, 2020

VIA E-MAIL [canntrust.monitor@ca.ey.com]

Reference: 27064/509

Ernst & Young Inc.
Court-appointed Monitor of CannTrust Inc. et al.
100 Adelaide Street West
PO Box 1
Toronto, Ontario
M5H 0B3

RE: In the Matter of the *Companies' Creditor Arrangement Act* ("CCAA") of CannTrust Holdings Inc., et al.

Re: Proof of Claim of KPMG LLP

Dear Sir/Madam:

We act for KPMG LLP ("**KPMG**") in connection with the above-noted matter.

COPY

Please find attached the Proofs of Claim filed on behalf of KPMG against CannTrust Holdings Inc. ("**CannTrust**") and against the Directors and Officers of CannTrust, in accordance with the Claims Procedure Order dated May 8, 2020. Kindly confirm receipt of same.

KPMG acts as auditor to CannTrust Holdings Inc. The claim of KPMG against CannTrust includes, among other things, amounts owing in connection with an outstanding invoice dated April 15, 2020, for services rendered by KPMG to CannTrust for work performed up to March 31, 2020, in the amount of $30,227.50.

KPMG is also a co-defendant in certain securities litigation with CannTrust. In the event that KPMG is found liable in that litigation, KPMG may also assert a claim against CannTrust for contribution (or similar claims) by CannTrust for any amounts found owing. Similarly, KPMG may assert a claim against the defendant Directors and Officers of CannTrust in the event that KPMG is found liable in the securities litigation. As any such amounts have not yet been determined, the attached Proofs of Claim of KPMG include the amount of $1, subject to further revision and quantification at a later date should KPMG be found liable in the litigation or should KPMG otherwise think it advisable to revise or amend the Proofs of Claim (the "**Placeholder Claims**"). Further to e-mail messages exchanged between Linc Rogers of our office and Steve Graff of Aird & Berlis LLP, counsel for the Monitor, we understand that the Monitor is agreeable to the submission of the Placeholder Claims at this time, and is agreeable to allowing KPMG to revise and amend its Proofs of Claim following the claims bar date if necessary. Should you have any view to the contrary, we trust that you will contact us immediately.

Accordingly, the attached Proofs of Claim are submitted on a without prejudice basis and KPMG expressly reserves its rights to amend and resubmit the claims if required or if KPMG considers it necessary. Please also note that the attached Proofs of Claim are without prejudice to and in no way affects any rights or remedies available to KPMG both within and outside of the CCAA proceedings, including, but not limited to, any rights to bring a motion to lift the stay of proceedings in order to bring an action.

The documents filed in support of the attached Proofs of Claim may contain privileged or proprietary information and are being provided subject to the deemed undertaking to maintain their confidentiality. We require that you provide notice to us should a creditor request to review and/or obtain copies of the attached Proofs of Claim or supporting documents.

If you have any questions or require additional information, please do not hesitate to contact me.

Yours truly,

Law Clerk

COPY

AMENDED PROOF OF CLAIM
relating to CANNTRUST HOLDINGS INC., CANNTRUST INC.,
CTI HOLDINGS (OSOYOOS) INC., and ELMCLIFFE INVESTMENTS INC.
(hereinafter referred to as the "**Applicants**") or THEIR FORMER and CURRENT DIRECTORS and OFFICERS (hereinafter referred to as the "**Directors**" and "**Officers**")

A. PARTICULARS OF CLAIMANT

Full Legal Name of Claimant:

KPMG LLP (the "**Claimant**")

(Full legal name should be the name of the Claimant of the Applicants or the Directors or Officers as of March 31, 2020 (the "**Filing Date**"), notwithstanding whether an assignment of a Claim, or a portion thereof, has occurred following that date.)

Attention (Contact Person): Nancy Thompson

Email Address: nancy.thompson@blakes.com

Telephone Number: 416-863-2437 Fax Number: 416-863-2653

Full Mailing Address of the Claimant (the Claimant as of March 31, 2020):

c/o Blake, Cassels & Graydon LLP, 199 Bay Street, Suite 4000, Toronto, Ontario M5L 1A9

B. PARTICULARS OF ASSIGNEE(S) (IF ANY)

Has the Claim been sold or assigned by the Claimant to another party [check (√) one]?

Yes: ☐ No: ☒

(If Yes, you must include the details and documentation that support the assignment including if all or portion of the Claim has been assigned. If there is more than one assignee, please attach a separate sheet with the required contact information for each.)

Full Legal Name of Assignee(s): ______

Attention (Contact Person): ______

Email Address: ______

Telephone Number: ______ Fax Number: ______

Full Mailing Address of the Assignee:

____

____

C. PROOF OF CLAIM

I, Rebecca Burrows
(name of Claimant or as a representative of the Claimant)

as General Counsel of KPMG LLP (state position or title, if applicable)

of Toronto, Ontario (city and province), do hereby certify:

a. that I [check (√) only if applicable]

am a Director of ☐ CannTrust Holding Inc., ☐ CannTrust Inc., ☐ CTI Holdings (OSOYOOS) Inc., and/or ☐ Elmcliffe Investment Inc. and a Claimant;

b. that I have knowledge of all the circumstances connected with the Claim referred to below;

c. the Claimant asserts its Claim against [check (√) one or both, as applicable]:

☒ CannTrust Holdings Inc. (Name of Applicant)

☒ Director(s) or Officer(s) of CannTrust Holdings Inc. (Name of Applicant)

Specifically,________________________________

____

____

(If you are making a Claim against the Directors or Officers, please list the Director(s) and Officer(s) against which you assert your Claim); and

d. the Applicant/Director(s) was/were and still is/are indebted to the Creditor as follows:

i. PRE-FILING CLAIM arising prior to March 31, 2020:

$ 513,487,732.90, subject to further revision (amount and currency)

ii. RESTRUCTURING CLAIM:

$________________________________ (amount and currency)
(Restructuring Claim against any Applicant or any Director or Officer arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement on or after the Filing Date.)

iii. TOTAL CLAIM: $ 513,487,732.90, subject to further revision (Total i. plus ii.)

D. NATURE OF CLAIM [Check (√) one and complete appropriate category]

☒ UNSECURED CLAIM OF $ 513,487,732.90, subject to further revision (amount and currency)

That in respect of this debt, I do not hold any security or claim any priority.

☐ SECURED CLAIM OR PRIORITY CLAIM OF $____________________ (amount and currency)

That in respect of this debt, the Claimant holds security valued at $_________________________ (amount and currency), or claims a priority over other unsecured or secured creditors in the amount of $____________________ (amount and currency), particulars of which are attached.

If a secured claim is being asserted, please give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents. If a priority claim is being asserted, please provide details as to the priority claim being asserted, and the basis for this priority claim.

☒ CLAIM AGAINST THE DIRECTORS AND OFFICERS OF

$ 513,457,505.40, subject to further revision (amount and currency)

E. PARTICULARS OF CLAIM AND DOCUMENTATION

Other than as already set out herein, the particulars of the undersigned's total Claim are attached.

Provide all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor which has guaranteed the Claim, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by any Applicant or any Director or Officer to the Claimant and estimated value of such security, and particulars of any restructuring claim.

This Proof of Claim must be received by the Monitor by no later than **5:00 p.m.** (Eastern Time) on the applicable Claims Bar Date specified in the Claims Procedure Order. The Claims Bar Date applicable to Pre-Filing Claims and Directors & Officer Claims is **June 22, 2020** (the "**Pre-Filing Claims Bar Date**"). The Claims Bar Date related to Restructuring Claims is 5:00 p.m. (Eastern Time) on the later of (i) June 22, 2020 and (ii) the day which is 30 days after the date the Monitor sends a Claims Package with respect to such Claim (the "**Restructuring Claims Bar Date**"). Proofs of Claim should be sent by email or, if not possible to send by email, by prepaid ordinary mail, courier, personal delivery or fax to the following address:

Ernst & Young Inc.
Court-appointed Monitor of CannTrust Inc. & others

E-mail: CannTrust.Monitor@ca.ey.com
Fax: 416-943-3300
Address: 100 Adelaide Street, West, PO Box 1, Toronto ON M5H 0B3

If you have any questions you can contact us using the information above or call us at 1-855-224-0800 or 416-943-2091.

F. FILING OF CLAIM

Failure to file your proof of claim as directed by **5:00 p.m.** (Eastern Time), on the applicable Claims Bar Date will result in your claim being barred and in you being prevented from making or enforcing a Claim against the Applicants or any Director or Officer. In addition, you shall not be entitled to further notice in, and shall not be entitled to participate as a creditor in these proceedings.

Dated at Toronto this 5 day of March, 2021.

KPMG LLP

Per: Rebecca Burrows

Signature of Claimant /Representative of Claimant

Name: Rebecca Burrows
Title: General Counsel

SCHEDULE "A" TO THE AMENDED PROOF OF CLAIM OF KPMG LLP

Outstanding Invoice dated April 15, 2020		$30,227.50
Contribution Claims: [1]		$513,457,505.40
Damages Exposure Estimate	$510,000,000.00	
Legal Fees billed as at January 31, 2021	$657,505.40	
Estimate of Future Costs	$2,800,000.00	
Total Amount Owing: [1]		**$513,487,732.90**

[1] All amounts are subject to further revision.

KPMG

KPMG LLP
Suite 4600 Bay Adelaide Centre
333 Bay Street
Toronto, ON M5H 2S5

Payment Address:
KPMG LLP, T4348
P.O. Box 4348, Station A
Toronto, ON M5W 7A6

April 15, 2020

CannTrust Holdings Inc.
7300 Keele Street
Vaughan, ON L4K 1Z9
ATTN: David Blair
Interim CFO

Invoice	: 8003022296
Reference	: 2001116674
Client	: 1002713282
Contact	: Andrew Smith
Telephone	: (416) 777-3454
Email	: wgasmith@kpmg.ca

DBlair@canntrust.ca

Billing for professional services rendered in connection to the audit of the financial statements for the year ended December 31, 2019, covering the work performed up to March 31, 2020.

Our Fee	$	25,000.00	CAD
Technology and Support Charge		1,750.00	
	$	**26,750.00**	CAD
HST		3,477.50	
Amount Due	$	**30,227.50**	CAD

Payment is due upon receipt
GST/HST Number 12236 3153 RT0001 QST Registration 1023774310 TQ0001

CAD Cheque Payments: KPMG LLP, T4348, **P.O. Box 4348, Station A**, **Toronto, ON M5W 7A6**
Please return remittance advice with cheque.

CAD Wire Payments: Beneficiary: KPMG LLP
Bank Details: TD Canada Trust, 55 King St. West, Toronto, ON M5K 1A2, Bank # 004, Transit # 10252, Account # 0938281, Swift Code TDOMCATTTOR
Please e-mail related wire payment details including invoice number to kpmg-ar@kpmg.ca

Invoice No: 8003022296 **Reference:** 2001116674 **Client:** 1002713282 **Amount:** $ 30,227.50 CAD

Court File No: CV-19-C

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

PATRICK HRUSA and DHARAMBIR SINGH

Plaintiffs

- and -

CANNTRUST HOLDINGS INC., ERIC PAUL, PETER ACETO, GREG GUYATT, IAN ABRAMOWITZ, MARK DAWBER, JOHN KADEN, MARK IAN LITWIN, ROBERT MARCOVITCH, MITCHELL J. SANDERS, STAN ABRAMOWITZ, BRAD ROGERS, MICHAEL RAVENSDALE, SHAWNA PAGE, ILANA PLATT, GRAHAM LEE, BRADY GREEN, ANDREA KIRK, NORMAN PAUL, KPMG LLP, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, MERRILL LYNCH CANADA INC., CITIGROUP GLOBAL MARKETS INC., CITIGROUP GLOBAL MARKETS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, CREDIT SUISSE SECURITIES (CANADA) INC., RBC DOMINION SECURITIES INC., JEFFERIES LLC, JEFFERIES SECURITIES, INC., CANACCORD GENUITY LLC, CANACCORD GENUITY CORP., CANNAMED FINANCIAL CORP., and CAJUN CAPITAL CORPORATION

Defendants

Proceeding under the *Class Proceedings Act, 1992*

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of nerica, the period for serving and filing your statement of defence is forty days. If you are served side Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice (intent to defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you t(ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

R. Sipidias

Date: October 24 2019 | Issued by Clerk of the Court
Greffière de la cour
Local registrar

Address of court office: Superior Court of Justice
393 University Avenue, 10^{th} Flr.
Toronto, Ontario M5G 1E6

TO: **CannTrust Holdings Inc.**
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Eric Paul**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Peter Aceto**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Greg Guyatt**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Ian Abramowitz**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO:	**Mark Dawber** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**John Kaden** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Mark Ian Litwin** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Robert Marcovitch** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Mitchell J. Sanders** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Stan Abramowitz** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Brad Rogers** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Michael Ravensdale** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9
AND TO:	**Shawna Page** c/o CannTrust Holdings Inc. 7300 Keele Street Vaughan, Ontario, L4K 1Z9

AND TO: **Ilana Platt**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Graham Lee**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Brady Green**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Andrea Kirk**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **Norman Paul**
c/o CannTrust Holdings Inc.
7300 Keele Street
Vaughan, Ontario, L4K 1Z9

AND TO: **KPMG LLP**
100 New Park Place, Suite 1400
Vaughan, Ontario, L4K 0J3

AND TO: **Merrill Lynch, Pierce, Fenner & Smith Incorporated**
One Bryant Park
New York, New York, 10036
USA

AND TO: **Merrill Lynch Canada Inc.**
181 Bay Street, 4th & 5th Floors
Toronto, ON M5J 2V8

AND TO: **Citigroup Global Markets Inc.**
388 Greenwich Street
New York, New York, 10013
USA

AND TO: **Citigroup Global Markets Canada Inc.**
123 Front Street West, Suite 1900
Toronto, Ontario M5J 2M3

AND TO: **Credit Suisse Securities (USA) LLC**
Eleven Madison Avenue
New York, New York, 10010
USA

AND TO: **Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
Suite 2900, P.O. Box 301
Toronto, Ontario M5X 1C9

AND TO: **RBC Dominion Securities Inc.**
200 Bay Street, Suite 400,
South Tower
Toronto, ON M5J 2W7

AND TO: **Jefferies LLC**
520 Madison Avenue
10th Floor
New York, New York, 10022
USA

AND TO: **Jefferies Securities, Inc.**
161 Bay Street, Suite 2600,
Toronto, Ontario, M5J 2S1

AND TO: **Canaccord Genuity LLC**
535 Madison Avenue
New York, New York, 10022
USA

AND TO: **Canaccord Genuity Corp.**
161 Bay Street, Suite 3000
P.O. Box 516
Toronto, Ontario, M5J 2S1

AND TO: **Cannamed Financial Corp.**
106 Avenue Road
Toronto Ontario, M5R 2H3

AND TO: **Cajun Capital Corporation**
40 Sheppard Ave. West, Suite 700
Toronto ON M2N 6K9

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:

(a) "***ACMPR***" means *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230;

(b) "**Aceto**" means Peter Aceto;

(c) "**AIF**" means Annual Information Form;

(d) "***Cannabis Act***" means the *Cannabis Act*, SC 2018, c 16;

(e) "***Cannabis Regulations***" means the *Cannabis Regulations*, SOR/2018-144;

(f) "**Canaccord**" means Canaccord Genuity Corp;

(g) "**Canaccord USA**" means Canaccord Genuity LLC;

(h) "**Cannamed**" means Cannamed Financial Corp;

(i) "**CannTrust**" means CannTrust Holdings Inc.;

(j) "**CEO**" means Chief Executive Officer;

(k) "**CFO**" means Chief Financial Officer;

(l) "**Citigroup**" means Citigroup Global Markets Canada Inc.;

(m) "**Citigroup USA**" means Citigroup Global Markets Inc.;

(n) "**Cajun**" means Cajun Capital Corporation;

(o) "**Class**" and "**Class Members**" are comprised of the following, other than the **Excluded Persons**

(i) **Primary Market Class**: all persons and entities who acquired **CannTrust's** Shares in the Offering; and

(ii) **Secondary Market Class**: all persons and entities who acquired CannTrust's Shares in the secondary market during the Class Period;

(p) "**Class Period**" means the period from the opening of trading on June 1, 2018 to the close of trading on the **TSX** on September 17, 2019;

(q) "*CJA*" means the *Courts of Justice Act*, RSO 1990, c C-43, as amended;

(r) "**Compliance Representations**" means the Niagara Compliance Representation and the Vaughan Compliance Representation;

(s) "**Controls Representation**" means the representation that CannTrust had effective DC&P and ICFR except as disclosed in its annual and interim MD&As;

(t) "*CPA*" means the *Class Proceedings Act, 1992*, SO 1992, c 6;

(u) "**Credit Suisse**" means Credit Suisse Securities (Canada), Inc.;

(v) "**Credit Suisse USA**" means Credit Suisse Securities (USA) LLC;

(w) "CSA" means the Canadian Securities Administrators;

(x) "**Dawber**" means Mark Dawber;

(y) "**DC&P**" means disclosure controls and procedures;

(z) "**Defendants**" means, collectively, **Canntrust**, **Cannamed**, **Cajun**, **KPMG**, the **Underwriters**, and the **Individual Defendants**;

(aa) "**EDGAR**" means Electronic Data Gathering, Analysis, and Retrieval system of the SEC;

(bb) "**Excluded Persons**" means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, and any member of the families of an Individual Defendants;

(cc) "**Green**" means Brady Green;

(dd) "**Guyatt**" means Greg Guyatt;

(ee) "**IFRS**" means International Financial Reporting Standards;

(ff) "**IFRS Representation**" means the representation that CannTrust's financial statements complied with IFRS;

(gg) "**Individual Defendants**" means **Aceto**, Ian Abramowitz, **Dawber**, **Green**, **Guyatt**, **Kaden**, **Kirk**, **Lee**, **Litwin**, **Page**, Eric Paul, Norman Paul, **Sanders**, **Marcovitch**, Stan Abramowitz, **Rogers**, **Ravensdale**, and **Platt**;

(hh) "**ICFR**" means internal controls over financial reporting;

(ii) "**Jefferies**" means Jefferies Securities, Inc.;

(jj) "**Jefferies USA**" means Jefferies LLC;

(kk) "**Kaden**" means John Kaden;

(ll) "**Kirk**" means Andrea Kirk;

(mm) "**KPMG**" means KPMG LLP;

(nn) "**KPMG Representations**" has the meaning ascribed to it at paragraph 133;

(oo) "**Lee**" means the defendant Graham Lee;

(pp) "**Litwin**" means Mark Ian Litwin;

(qq) "**Marcovitch**" means Robert Marcovitch;

(rr) "**MD&A**" means Management's Discussion and Analysis;

(ss) "**Merrill**" means Merrill Lynch Canada Inc;

(tt) "**Merrill USA**" means Merrill Lynch, Pierce, Fenner & Smith Incorporated;

(uu) "**Misleading Documents**" means, collectively,

(i) the AIF of CannTrust for the year ended December 31, 2017, filed on SEDAR March 29, 2018 ("**2017 AIF**");

(ii) the MD&A of CannTrust for the year ended December 31, 2017, filed on SEDAR March 29, 2018 ("**Annual 2017 MD&A**");

(iii) the annual audited financial statements of CannTrust for the year ended December 31, 2017, filed on SEDAR March 29, 2018 ("**Annual 2017 Financial Statements**");

(iv) the condensed interim consolidated financial statements of CannTrust for the three and six months ended June 30, 2018, filed on SEDAR August 14, 2018 ("**Q2 2018 Financial Statements**");

(v) the MD&A of CannTrust for the three and six months ended June 30, 2018, filed on SEDAR August 14, 2018 ("**Q2 2018 MD&A**");

(vi) the condensed interim consolidated financial statements of CannTrust for the three and nine months ended September 30, 2018, filed on SEDAR November 14, 2018 ("**Q3 2018 Financial Statements**");

(vii) the MD&A of CannTrust for the three and nine months ended September 30, 2018, filed on SEDAR November 14, 2018 ("**Q3 2018 MD&A**");

(viii) the annual audited consolidated financial statements for the year ended December 31, 2018 filed on SEDAR March 28, 2019 ("**Annual 2018 Financial Statements**");

(ix) the MD&A of CannTrust for the year ended December 31, 2018, filed on SEDAR March 28, 2019 ("**Annual 2018 MD&A**");

(x) the AIF of CannTrust for the year ended December 31, 2018, filed on SEDAR March 28, 2019 ("**2018 AIF**");

(xi) the condensed interim consolidated financial statements of CannTrust for the three months ended March 31, 2019, filed on SEDAR May 14, 2019 ("**Q1 2019 Financial Statements**");

(xii) the MD&A of CannTrust for the three months ended March 31, 2019, filed on SEDAR May 14, 2019 ("**Q1 2019 MD&A**");

(xiii) the Material Change Reports of CannTrust filed on SEDAR on June 5 and October 4, 2018, and February 19, May 6, May 14, July 12, August 2, and August 15, 2019;

(xiv) the **Press Releases**; and

(xv) the **Prospectuses**

including any documents incorporated therein by reference or otherwise;

(vv) "**NI 51-102**" means National Instrument 51-102 – Continuous Disclosure Obligations;

(ww) "**NI 52-109**" means National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings;

(xx) "**Niagara Compliance Representation**" means the representation that CannTrust had all required licenses and/or approvals for the activities conducted at the Niagara Facility, and that the cannabis produced there was in compliance with applicable laws, rules and regulations;

(yy) "**Niagara Facility**" has the meaning ascribed to it at paragraph 77 below;

(zz) "**NYSE**" means the New York Stock Exchange;

(aaa) "***OBCA***" means the *Ontario Business Corporations Act,*, RSO 1990, C B 16;

(bbb) "**Offering**" means the distribution of **CannTrust** Shares pursuant to the **May 1 Prospectus**;

(ccc) "***OSA***" means the *Securities Act*, RSO 1990, c S.5, as amended (ddd) "**Page**" means Shawna Page;

(eee) "**Plaintiffs**" means Patrick Hrusa and Dharambir Singh;

(fff) "**Platt**" means Illana Platt;

(ggg) "**Press Releases**" (any one being a "**Press Release**") means

(i) the press release titled "CannTrust reports record revenue for Q2 2018 and is on track to full completion of its million sq ft Niagara facility" filed on SEDAR August 14, 2018 ("**Q2 2018 Press Release**")

(ii) the press release titled "CannTrust reports record revenue for Q3 2018 and is taking steps to list on the New York Stock Exchange" filed on SEDAR November 14, 2018 ("**Q3 2018 Press Release**");

(iii) the press release titled "CannTrust Provides Business Update" filed on SEDAR December 19, 2018; ("**December 19, 2018 Press Release**");

(iv) the press release titled "CannTrust Reports Financial Results for Q4 2018" dated and filed on SEDAR March 28, 2019; ("**Q4 2018 Press Release**");

(v) the press release titled "CannTrust receives Health Canada Approval for Phase 2 Expansion" dated and filed on SEDAR April 8, 2019; ("**April 8, 2019 Press Release**")

(vi) the press release titled "CannTrust Provides Business Update" dated and filed on SEDAR April 22, 2019 ("**April 22, 2019 Press Release**");

(vii) the press release titled "CannTrust Reports Financial Results for Q1 2019" dated and filed on SEDAR May 14, 2019 ("**Q1 2019 Press Release**"); and

(viii) the press releases of CannTrust dated June 5, 12, 13, and 26, 2018; July 6, 11, and 13, 2018; August 8, 21, 22 and 28, 2018; September 5, 9, 10, and 18; October 1, 3, 10, 18, and 28, 2018; November 14, 26 and 30, 2018; January 8 and 22, 2019; February 13, 20, and 25, 2019; March 4, 14, 18, and 28, 2019; April 2, 8, 10, and 22, 2019; May 2, 6, 13, 14, 16, 27 and 31, 2019; June 6, 19, and 21, 2019; July 3, 8, 11, 22, 25, and 31, 2019; August 1, 9, 12, 15, 19, and 29, 2019; and September 5, 2019;

(hhh) "**Prospectuses**" means **CannTrust's**

(i) Preliminary Short Form Base Shelf Prospectus dated and filed on SEDAR March 1, 2019 ("**March 1 Prospectus**");

(ii) Final Short Form Base Shelf Prospectus dated and filed on SEDAR March 18, 2019 ("**March 18 Prospectus**");

(iii) Draft Shelf Prospectus Supplement dated and filed on SEDAR April 22, 2019; ("**April 22 Prospectus**"); and

(iv) Prospectus Supplement dated May 1, 2019 and filed on SEDAR May 3, 2019 ("**May 1 Prospectus**");

(iii) "**Ravensdale**" means Michael Ravensdale;

(jjj) "**RBC**" means RBC Dominion Securities Inc.;

(kkk) "**Representations**" means, collectively, the Compliance Representations, the Controls Representation, the IFRS Representation, the KPMG Representations, and the Underwriters Representation;

(lll) "**Rogers**" means Brad Rogers;

(mmm) "**Sanders**" means Mitchell J. Sanders;

(nnn) "**SEC**" means the United States Securities and Exchange Commission;

(ooo) "**Securities Legislation**" means, collectively, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; *The Securities Act*, CCSM, c S50, as amended; the *Securities Act*, SNB 2004, c S5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities*

Act, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; *The Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;

(ppp) "**SEDAR**" means the system for electronic document analysis and retrieval of the **CSA**;

(qqq) "**Shares**" means **CannTrust's** common shares;

(rrr) "**TSX**" means the Toronto Stock Exchange;

(sss) "**Underwriters Representation**" has the meaning ascribed to it at paragraph 136;

(ttt) "**Underwriters**" means **Merrill**, **Merrill USA**, **Citigroup**, **Citigroup USA**, **Credit Suisse**, **Credit Suisse USA, RBC**, **Jefferies**, **Jefferies USA Canaccord**, **and Canaccord USA**;

(uuu) "**Vaughan Compliance Representations**" means the representations that, with respect to the Vaughan Facility, CannTrust (i) had all required licenses and/or approvals for the activities conducted, and (ii) met standards and/or requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention; and

(vvv) "**Vaughan Facility**" has the meaning ascribed to it at paragraph 76 below.

2. Unless otherwise stated, all dollar amounts stated herein are in Canadian dollars.

II. CLAIM

3. The Plaintiffs claim:

(a) an order certifying this action as a class proceeding and appointing the plaintiffs as the representative plaintiffs for the Class, pursuant to sections 5 and 8 of the *CPA*;

(b) an order granting leave to proceed with the statutory claim for misrepresentation under Part XXIII.1 of the *OSA* and, if necessary, the corresponding provisions of the Securities Legislation;

(c) a declaration that the Misleading Documents contained one or more misrepresentations within the meaning of the *OSA*, the Securities Legislation, and the common law;

(d) a declaration that the Individual Defendants authorized, permitted or acquiesced in the making of the misrepresentations while knowing them to be misrepresentations;

(e) a declaration that the Defendants owed the Plaintiffs and Class Members a duty of care in the preparation and dissemination of the Misleading Documents and that they breached that duty of care;

(f) a declaration that CannTrust, the Individual Defendants, and KPMG are liable in damages to the Secondary Market Class for misrepresentations in CannTrust's public disclosures and failures to make timely disclosure alleged herein pursuant to Part XXIII.1 of the *OSA*, the corresponding provisions of the Securities Legislation, and the common law;

(g) a declaration that the Defendants are liable in damages to the Primary Market Class for negligence and for misrepresentations in the May 1 Prospectus pursuant to s 130 of the *OSA*, the corresponding provisions of the Securities Legislation, and the common law;

(h) a declaration that, in the alternative to damages, any Primary Market Class member who specifically elects to do so may exercise a right of rescission in respect of the Offering;

(i) a declaration that:

(i) the acts or omissions of CannTrust or its affiliates have effected a result;

(ii) the business and affairs of CannTrust or its affiliates have been carried on or conducted in a manner; and,

(iii) the powers of the directors of CannTrust or its affiliates, or one or more of them, have been exercised in a manner;

that is or has been oppressive or unfairly prejudicial to or that unfairly disregards or disregarded the interests of the Plaintiffs and Class, pursuant to section 248 of the *OBCA*;

(j) a declaration that CannTrust, Aceto, Green, Kirk, Eric Paul, Lee, Ian Abramowitz and Platt are liable in damages to the Class Members for conspiracy;

(k) compensation for oppression and damages for negligent misrepresentation, negligence, conspiracy, and pursuant to s 130 and Part XXIII.1 of the *OSA* and, if necessary, the corresponding provisions of the other Securities Legislation in an amount to be proven at trial;

(l) punitive damages against the Defendants in an amount that this Court finds appropriate;

(m) a declaration that CannTrust, KPMG, Cannamed, Cajun and the Underwriters are vicariously liable for the acts and omissions of its officers, directors, agents and employees;

(n) an order directing a reference or giving such other directions as may be necessary to determine issues not determined in the trial of the common issues

(o) costs of this action, plus the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes, pursuant to section 26(9) of the *CPA*;

(p) pre-judgment and post-judgment interest pursuant to the *CJA*; and

(q) such further and other relief as this Honourable Court may deem just.

III. OVERVIEW

4. CannTrust is in the business of producing and selling cannabis products. As a federally regulated licensed producer of cannabis during the Class Period, CannTrust operated in a strictly regulated environment governed by various laws, regulations and standards administered in part by Health Canada.

5. Of critical importance to CannTrust's business was that it strictly comply with those laws, regulations, and standards including obtaining activity-specific licenses (such as cultivation, processing, sale testing, and research of cannabis) and location-specific licences for the facilities and/or rooms in which those activities would take place. Failure to comply with these rules would expose CannTrust to sanction and penalties, ranging from fines to the suspension or revocation of its licenses.

6. Before and throughout the Class Period, CannTrust told investors that it had obtained all necessary licenses for the cannabis activities to be undertaken at the facilities it owned, and that it would apply for additional licenses as necessary in the future. It also told investors that it met all applicable standards for security, quality assurance, standard operating procedures, and document retention.

7. However, unbeknownst to investors, on or around June 1, 2018, CannTrust began storing cannabis in rooms in its Vaughan Facility without the required approval from Health Canada. Then, starting on or around October 1, 2018, CannTrust, with the knowledge and approval of executive management, began producing and selling cannabis made in rooms that did not have the required licenses. CannTrust employees intentionally deceived Health Canada inspectors, including by installing fake walls to hide the cannabis being grown in the unlicensed rooms. In

addition, during the Class Period, CannTrust produced and sold cannabis grown from seeds that were illegally obtained through the black market.

8. This conduct exposed CannTrust's business to serious risks, including penalties ranging from fines, products holds and/or recalls, to suspension or complete revocation of its licenses, and which could lead to product shortages, increased costs, decreased sales, and/or the inability to do business altogether.

9. This material information ought to have been immediately disclosed to investors. Instead, throughout the Class Period CannTrust and the Individual Defendants misled the Class Members by representing that they were in full compliance with all laws and regulations, and had validly obtained appropriate licenses for all activities and locations.

10. The failure to disclose this conduct resulted in other misleading information to be reported by the company, including:

(a) materially false revenue, sales, biological assets and inventory figures (which were artificially inflated because they included cannabis being stored, produced and sold that CannTrust was not entitled to store, produce or sell);

(b) misleading statements that the financial statements issued during the Class Period were compiled in accordance with IFRS; and

(c) misleading statements that the company had effective internal controls, including ICFR and DC&P.

11. The misrepresentations and failure to disclose this information caused CannTrust's Shares to trade at an artificially high price during the Class Period, when the Class Members acquired those Shares. CannTrust, Eric Paul, Litwin, Sanders, Cannamed and Cajun profited by selling

Shares at those artificially inflated prices during the Class Period, both in the secondary and primary markets.

12. The misrepresentations propping up those artificial values were blessed during the Class Period by the Underwriters and KPMG. To their detriment, the Class Members relied upon these supposed gatekeepers.

13. Starting on July 8, 2019, the market began to learn the truth. On that date, CannTrust announced that it had been found noncompliant by Health Canada for conducting the unlicensed activities in its Niagara Facility, and that over 5200 kg of cannabis, representing the majority of its inventory, had been put on hold by Health Canada. CannTrust placed a voluntary hold on a separate and additional 7500 kg of dried cannabis inventory being held at the Vaughan Facility. In the weeks that followed, the market continued to learn additional information and consequences of that information to the Share price, including:

(a) that distributors and partners were putting already-shipped product on hold or recall;

(b) that CannTrust's business was adversely affected from product shortages, increased costs, and decreased sales;

(c) that CannTrust was at risk of a license suspension and/or revocation which could impede its ability to continue doing business;

(d) that senior management knew and sanctioned the conduct, which increased the risk of harsher sanctions and/or penalties;

(e) that, as a result, CannTrust's plans for growth and expansion could be delayed or jeopardized;

(f) that reported sales, revenues, biological assets and inventory figures were inflated;

(g) that CannTrust's internal controls and procedures were ineffective and overridden by management during the Class Period; and,

(h) that CannTrust's financial statements did not comply with IFRS.

14. In the wake of these disclosures, a special committee of directors was formed, CannTrust's CEO (Aceto) was fired, and its founder and Chairman of the Board (Paul) was forced to resign. The special committee announced on July 31, 2019 that it had engaged a financial adviser "to assist in a review of strategic alternatives" including a possible sale of all or some of the company, a business combination, or changes to the company's operation or strategy.

15. On August 1, 2019, the special committee announced that CannTrust would miss the deadline for filing its quarterly financial disclosures, that there was "significant uncertainty" regarding the impact of the illegal activity on the valuation of the Company's inventory, biological assets, and revenue recognition, and that the financial statements and MD&A for the year ended 2018 and first quarter of 2019 could require restatements. It also disclosed that the OSC had opened an investigation into CannTrust which was being carried out by the Joint Serious Offences Team of the Enforcement Branch of the OSC.

16. On August 9, 2019, CannTrust announced that its auditor, KPMG, had withdrawn its audit report for the 2018 Financial Statements and the interim report to CannTrust's audit committee for the Q1 2019 Financial Statements, and that those reports should no longer be relied upon.

17. However, that was not the end of the bad news for investors. On August 12, 2019, the company revealed that a second facility, the Vaughan Facility, had also been "rated noncompliant with certain regulations" by Health Canada, had been conducting activities without the required licenses and/or approvals, and did not meet applicable standards for security, quality assurance, standard operating procedures, and document retention.

18. Then, on September 6, 2019 , mainstream news outlets reported that CannTrust had been producing and selling cannabis that was grown from seeds that were illegally obtained through the black market.

19. Finally, on the last day of the Class Period, September 17, 2019, CannTrust revealed that Health Canada had suspended CannTrust's license, and its ability to do business, putting its future as a going concern in jeopardy.

20. As the Defendants' misrepresentations and omissions were publicly corrected, the price of CannTrust's Shares plummeted from $6.46 on the TSX prior to the July 8, 2018 announcement to a close of $1.70 at the end of the Class Period. The Class Members suffered massive losses as a result.

21. In this action, the Plaintiffs seek to recover those losses on behalf of the Class Members from those responsible: the Defendants.

IV. THE PARTIES

A. Plaintiffs

22. Patrick Hrusa is an individual residing in Mississauga, Ontario. During the Class Period, Mr. Hrusa acquired CannTrust Shares on the secondary market and held some or all of those Shares through one or more of the corrective disclosures described herein.

23. Dharambir Singh is an individual residing in Surrey, British Columbia. During the Class Period, Mr. Singh acquired CannTrust Shares on the secondary market and held some or all of those Shares through one or more of the corrective disclosures described herein. During the Class Period, a business owned by Mr. Singh acquired CannTrust Shares on the secondary market, and held some or all of those Shares through one or more of the corrective disclosures described herein.

During the Class Period, Mr. Singh's wife, Gurpreet Kalsi, acquired CannTrust Shares on the secondary market, and held some or all of those Shares through one or more of the corrective disclosures described herein.

B. Defendants

24. CannTrust is a corporation formed under the *OBCA*, with its registered and head office located in Vaughan, Ontario. It is a licensed producer of medical and recreational cannabis in Canada.

25. During the Class Period, CannTrust was a reporting issuer in all provinces of Canada except Quebec, and its Shares were publicly listed for trading on the TSX, NYSE, and other trading venues in Canada and elsewhere. It published the documents identified below on, among other places, SEDAR and EDGAR.

26. Eric Paul is a co-founder of CannTrust and was its CEO from inception until October 1, 2018, when he stepped down to assume the role of Chairman of CannTrust's Board and Special Advisor to CannTrust's management team. He was a director of CannTrust since 2015. Eric Paul resides in Ontario. Eric Paul (i) certified the Q2 2018 Financial Statements and MD&A, and (ii) on behalf of the board of directors, signed each of CannTrust's financial statement issued during the Class Period, and in doing so, he adopted as his own the false statements made in those documents. As a board member, he caused CannTrust to make the misrepresentations particularized below.

27. During the Class Period, Eric Paul, through entities he owns and/or controls (including Cannamed and the Paul Family Trust) sold CannTrust Shares while having actual or constructive knowledge of the material, non-public information described herein, including over 3 million

Shares in the Offering and over 780,000 Shares in the secondary market, for proceeds in excess of $28 million.

28. Aceto was the CEO of CannTrust since October 1, 2018. He resides in Ontario, Canada. Aceto (i) certified each of the Misleading Documents that are CannTrust's annual and interim MD&As and financial statements issued after October 1, 2018; and (ii) signed and certified the Prospectuses. In doing so, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused CannTrust to make the misrepresentations particularized below.

29. Ian Abramowitz was the CFO of CannTrust until February 13, 2019, when he stepped down to assume a role as Senior Vice President of Global Investments and Partnerships. He resides in Ontario, Canada. Abramowitz certified each of the Misleading Documents that are CannTrust's annual and interim MD&As and financial statements that were issued prior to February 13, 2019. In doing so, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused CannTrust to make the misrepresentations particularized below.

30. Guyatt has been the CFO of CannTrust since February 13, 2019. He resides in Ontario, Canada. Guyatt (i) certified each of the Misleading Documents that are CannTrust's annual and interim MD&As and financial statements that were issued after February 13, 2019; and (ii) signed and certified the Prospectuses. In doing so, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused CannTrust to make the misrepresentations particularized below.

31. Litwin has been a director of CannTrust since 2015. He resides in Ontario, Canada. Litwin, on behalf of the board of directors, signed each of CannTrust's financial statements issued during the Class Period and the May 1 Prospectus, and in doing so, he adopted as his own the false

statements made in those documents. As a board member, he caused CannTrust to make the misrepresentations particularized below.

32. During the Class Period, Litwin, through entities owned and/or controlled by him and his family members (including Cannamed, Mar-Risa Holdings, Forum Financial Corporation, and York Capital Funding) sold CannTrust Shares while having actual or constructive knowledge of the material, non-public information described herein, including over 1.5 million Shares in the Offering, and over 2.8 million Shares in the public markets for proceeds in excess of $34 million.

33. Sanders has been a director of CannTrust since 2015. He resides in Ontario, Canada. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused CannTrust to make the misrepresentations particularized below.

34. During the Class Period, Sanders, through Cajun, which he controls, sold 250,000 Shares in the Offering for proceeds of over $1.8 million and 100,000 Shares in the public markets for proceeds in excess of $900,000 while having actual or constructive knowledge of the material, non-public information described herein.

35. Marcovitch has been a director of CannTrust since 2017. He resides in Washington state, in the United States of America. During the Class Period, Marcovitch was a member of the audit committee of CannTrust's board of directors. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused CannTrust to make the misrepresentations particularized below.

36. Dawber has been a director of CannTrust since 2017. He resides in Ontario, Canada. During the Class Period, Dawber was a member of the audit committee of CannTrust's board of directors. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. Dawber signed the May 1 Prospectus. As a board member, he caused CannTrust to make the misrepresentations particularized below.

37. Page has been a director of CannTrust since 2018. She resides in Ontario, Canada. As a board member, she adopted as her own the false statements made in each of CannTrust's annual financial statements released while she was a board member, particularized below, when such statements were signed on her behalf. As a board member, she caused CannTrust to make the misrepresentations particularized below.

38. Kaden has been a director of CannTrust since October 22, 2018. Kaden resides in New York in the United States of America. During the Class Period (as of February 14, 2019), Kaden was a member of the audit committee of CannTrust's board of directors. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused CannTrust to make the misrepresentations particularized below.

39. Norman Paul was a director of CannTrust during the Class Period until September 9, 2018. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused CannTrust to make the misrepresentations particularized below.

40. Rogers held the role of CannTrust's President and Chief Operating Officer until November 9, 2018. As an officer, he authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

41. Stan Abramowitz held the position of CannTrust's Secretary during the Class Period. As an officer, he authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

42. Ravensdale held the role of CannTrust's Senior Vice-President of Quality and Production until November 11, 2018. As an officer, he authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

43. Lee was CannTrust's director of quality and compliance during the Class Period. As an officer, he authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

44. Platt was CannTrust's vice-president of innovation and regulatory affairs during the Class Period. As an officer, she authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

45. Green was CannTrust's master grower during the Class Period. As an officer, he authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

46. Kirk was CannTrust's Vice President, Quality during the Class Period. As an officer, she authorized, permitted, or acquiesced in CannTrust making the misrepresentations particularized below.

47. Dawber, Marcovitch, and Kaden were members of the Audit Committee of CannTrust's board of directors and were responsible for CannTrust's financial reporting process and the quality of its financial reporting. They were charged with the mandate of providing independent review and oversight of CannTrust's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of CannTrust's external auditors.

48. Each of the Individual Defendants were, during the Class Period, directors and/or officers of CannTrust within the meaning of the *OSA* and Securities Legislation.

49. KPMG has been engaged as CannTrust's auditor since 2018. KPMG is an expert of CannTrust within the meaning of the *OSA* and Securities Legislation. KPMG, providing what it purported to be audit services to CannTrust, made statements in the Audit Report (defined below) that it knowingly intended to be, and which were, disseminated to CannTrust's current and prospective security holders. KPMG undertook to provide the Audit Report to those current and prospective securities holders (i.e. the Class Members) for the purpose of allowing them to make informed decisions as to whether to acquire the Shares. KPMG knew and intended that the Class Members would rely on the Audit Report in their decisions to purchase Shares, which they did, to their detriment.

50. KPMG consented to the inclusion in the May 1 Prospectus of its Audit Report on CannTrust's 2018 Annual Financial Statements.

51. The Underwriters are financial institutions that served as underwriters in the Offering. The Underwriters were paid, in aggregate, in excess of US$ 12.8 million in underwriting commissions.

52. None of the Underwriters conducted a reasonable investigation into CannTrust in connection with the Offering. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in the May 1 Prospectus or the Misleading Documents incorporated therein. In the circumstances of this case, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, the Class Members to whom they owed their duties would not have sustained the losses they sustained on their investments.

53. Cannamed is a holding company owned and controlled by Eric Paul (through the Paul Family Trust, which he owns and/or controls) and Litwin (through companies he or his family members own and/or control, including Mar-Risa Holdings and York Capital Funding). During the Class Period, it sold Shares while having actual or constructive knowledge of the material, non-public information described herein, including 730,000 Shares in the secondary market, and over 6 million Shares in the Offering.

54. Cajun Capital Corp is a holding company owned and controlled by the defendant Sanders. During the Class Period, it sold 250,000 Shares in the Offering and 100,000 Shares in the public markets while having actual or constructive knowledge of the material, non-public information described herein.

V. THE DEFENDANTS' DISCLOSURE OBLIGATIONS

A. CannTrust's Disclosure Obligations

55. As a reporting issuer in Ontario and other provinces, CannTrust was subject to the continuous disclosure obligations prescribed by NI 51-102 to prepare and file on SEDAR certain disclosure documents prepared on regular basis, including

(a) *annual and interim financial statements*, which provide information about CannTrust's business and financial positions;

(b) *annual and interim MD&As* (filed together with the financial statements) which provides material information about CannTrust's business, management and operational and financial status during the period covered by the financial statements; and

(c) *an AIF* (filed on an annual basis) which provides material information about CannTrust and its business at a point in time in the context of its historical and possible future development.

56. An MD&A is a narrative explanation, through the eyes of management, of how the company performed during the period covered by the financial statements, and of its financial conditions and future prospects. Among other things, the MD&A is required to

(a) discuss material information that may not be fully reflected in the financial statements;

(b) discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future; and

(c) provide information about the quality and potential variability, of the company's profit, loss or cash flow, to assist investors in determining if past performance is indicative of future performance.

57. In particular, item 1.4(g) of Form 51-102F1 (which prescribes the content of MD&As as required under NI 51-102) required CannTrust to disclose in each annual and interim MD&A any commitments, events, risks or uncertainties that it reasonably believed would materially affect CannTrust's future performance, total revenue and income or loss.

58. An AIF describes the company, its operations and prospects, risks and other external factors that may impact the reporting issuer specifically.

59. In fulfilling its continuous disclosure obligations, CannTrust was prohibited from making a statement that it knew or reasonably ought to have known: (a) in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statement not misleading; and (b) would reasonably be expected to have a significant effect on the market price or value of its securities.

60. Contemporaneously with the filing of the interim and annual financial statements and MD&As, and the AIF, CannTrust was required to file certifications signed by the CEO and CFO certifying their review of the required documents and certain other matters.

61. In addition to the regular reporting requirements, CannTrust was also required to immediately disclose to investors any material change in its business or affairs by:

(a) immediately issuing and filing a news release disclosing the nature and substance of the material change; and

(b) as soon as practicable, and in any even within 10 days of the material change, prepare and file a material change report in accordance with the *OSA*, regulations and NI 51-102;

62. A material change report must include a brief but accurate summary of the nature and substance of the material change as well as sufficient additional disclosure to enable a reader to appreciate the significance and impact of the material change without having to refer to other material.

63. As a company listed on the TSX, CannTrust was also required to disclose material information concerning its business and affairs forthwith upon the information becoming known to management.

64. The Plaintiffs plead and rely on: (a) the *OSA*, in particular section 126.2, and the concordant provisions of the Securities Legislation; (b) NP 51-201, in particular sections 2.1 and 4.1 to 4.5; and (c) the TSX Company Manual, in particular sections 406 to 410.

65. CannTrust and the Individual Defendants controlled the contents of its MD&As, financial statements, AIFs, and the other Misleading Documents particularized herein and the misrepresentations made therein were made by CannTrust and the Individual Defendants.

B. Individual Defendants' Roles in Disclosure

66. Each of the Individual Defendants knew that CannTrust was a reporting issuer and that in his or her role as a director and/or officer of CannTrust, he or she would have direct responsibility for ensuring the accuracy and completeness of CannTrust's disclosure documents.

67. The *OSA*, Securities Legislation, and certain National Instruments and Companion Policies promulgated thereunder imposed specific obligations on the Individual Defendants in the preparation of CannTrust's continuous disclosure documents.

68. Sections 77 and 78 of the *OSA*, and the concordant provisions of the Securities Legislation, informed by NI 52-109, required Aceto as CEO, and Abramowitz and Guyatt as CFOs to review, approve and certify the accuracy of CannTrust's annual and interim financial statements and MD&As released during the Class Period.

69. NI 51-102 requires the board of directors of a reporting issuer to approve each annual and interim financial statement and MD&A released by an issuer prior to the release of those documents.

70. Each of the Individual Defendants was aware of and accepted these obligations in assuming his or her position as a director and/or officer of CannTrust. The Individual Defendants authorized, permitted and/or acquiesced in the release or making of, and adopted as their own, the false statements particularized below.

VI. EVENTS GIVING RISE TO THE ACTION

A. Governing Legislation and Regulations

71. As a licensed producer of cannabis, CannTrust was governed by the *Cannabis Act* and *Cannabis Regulations* which came into force on October 17, 2018, legalizing the sale of cannabis for adult recreational use, and replacing the former *ACMPR* and *Controlled Drugs and Substances Act* as the governing legislation on the production, sale and distribution of medical cannabis.

72. The *Cannabis Act* prescribes the regulatory framework and licensing scheme for production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal use. It also regulates access to cannabis for medical purposes.

73. The *Cannabis Regulations* provide more detailed rules and standards that apply to the production, distribution, sale, importation and exportation of cannabis by federal license holders. They also establish different classes of licenses that are required depending on the nature of the activity being undertaken, including licenses for cultivation, processing, sale, testing, and research.

74. The regulations require that a company apply for, and obtain, licenses for each specific activity and location in which it intends to perform regulated activities.

75. Despite the change in governing legislation, the regulatory framework remained substantively similar. In particular, CannTrust reported that cannabis licenses obtained under the *ACMPR* are deemed to be licenses under the *Cannabis Act* and continue to be in effect until revoked or expired.

B. CannTrusts' Representations About the Vaughan and Niagara Facilities

76. CannTrust (through its operating subsidiary) received its cultivation license under the *ACMPR* from Health Canada on June 12, 2014 and began production of medical cannabis at its production facility in Vaughan, Ontario ("**Vaughan Facility**").

77. On March 6, 2017, CannTrust (through a wholly owned subsidiary) acquired a 450,000 square foot commercial greenhouse facility in the Niagara Region ("**Niagara Facility**"). Prior to the start of the Class Period, CannTrust announced an intention to redevelop the Niagara Facility to expand its cannabis production capacity significantly through a three-phase plan that would allow it to produce up to 100,000 kg of cannabis per year.

78. CannTrust reported that the 250,000 square foot first phase was completed in the fall of 2017, and the 200,000 square foot phase 2 redevelopment was substantially completed during the Class Period, in the first quarter of 2019. CannTrust reported that the phase 3 expansion was expected to be completed during 2020.

79. Prior to the start of the Class Period, CannTrust represented to investors that it had obtained all necessary licenses and approvals for activities to be undertaken at the Vaughan and Niagara Facilities, that its operations were compliant with applicable laws and regulations, and that the facilities met all standards and/or requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention.

80. For example, in its AIF for the year ended 2017, filed on March 28, 2018 (prior to the start of the Class Period), CannTrust stated that

(a) it received its cultivation license from Health Canada under the ACMPR for the Vaughan Facility on June 12, 2014;

(b) it received its Health Canada cultivation license under the ACMPR for the phase 1 development of the Niagara Facility on October 10, 2017;

(c) it received its Health Canada sales license under the ACMPR for its 250,000 phase 1 development of the Niagara Facility on February 12, 2018;

(d) the sales licenses issued by Health Canada for the Vaughan Facility and the Niagara Facility allowed for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried cannabis and cannabis plants or seeds, and were effective until the expected renewal dates of March 13, 2020 and October 6, 2020, respectively;

(e) it had sought and received its ACMPR Licenses for the Vaughan Facility and Niagara Facility which each provided for the production and sale of dried cannabis, cannabis oil, cannabis in its natural form, cannabis resin, cannabis plants, and cannabis seeds;

(f) it believed that it currently held or had applied for all necessary licences and permits to carry on the activities which it was currently conducting under applicable laws and regulations, and also believed that it was complying in all material respects with the terms of such licences and permits;

(g) in addition, it would apply for, as the need arises, all necessary licences and permits to carry on the activities it expected to conduct in the future;

(h) it obtained cannabis seeds for growing from legal sources;

(i) to the knowledge of management, other than the requirement that CannTrust make routine corrections that may be required by Health Canada from time to time, the

Company was currently in compliance with all laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment;

(j) it understood the importance placed upon adhering to the "Good Production Practices" mandated by the ACMPR which related to the premises, storage of dried cannabis, equipment, sanitation program, standard operating procedures, recall of product, and quality assurance personnel;

(k) it currently had an in-house quality control laboratory and employed quality assurance persons with appropriate training, experience, and technical knowledge to approve the quality of its products;

(l) its facilities met the updated security requirements of the ACMPR;

(m) it complied with record keeping requirements imposed by the ACMPR;

81. In fact, and as later disclosed, CannTrust:

(a) did not have the required licenses for the rooms and activities conducted at the Niagara Facility, and was using unlicensed rooms in these facilities to produce and distribute cannabis, in contravention of laws and regulations;

(b) was producing and selling cannabis from the Niagara Facility that was grown from illegally obtained black market seeds;

(c) was storing cannabis in rooms in the Vaughan Facility without the required licenses and/or approvals; and

(d) did not meet required standards at the Vaughan Facility with respect to security controls, quality assurance investigations and controls, standard operating procedures, and document retention.

VII. THE OFFERING

82. On May 6, 2019 CannTrust announced the closing of its underwritten public offering of 36,363,636 Shares at a price of US$ 5.50 per share.

83. The Offering took place pursuant to the May 1 Prospectus, which incorporated by reference the March 18 Prospectus and certain other Misleading Documents. Pursuant to the Offering, on May 6, 2019:

(a) CannTrust sold 30,909,091 Shares for total gross proceeds of approximately US$ 170 million (before expenses);

(b) Cannamed sold 5,204,545 Shares for total gross proceeds of approximately US$ 28.6 million (before expenses); and

(c) Cajun sold 250,000 Shares for total gross proceeds of approximately US$ 1.375 million (before expenses).

84. On May 14, 2019, CannTrust announced that the Underwriters had exercised in full their option to purchase 4,636,363 and 818,182 additional Shares, respectively from the Company and Cannamed, for total gross proceeds of approximately US$ 25.5 million (to CannTrust) and US$ 4.5 million (to Cannamed) before expenses.

85. The May 1 Prospectus was signed by Aceto, Guyatt, Dawber and Litwin, and on behalf of the board of directors of CannTrust, who therein falsely certified that the prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

86. Each of the Underwriters, either directly or by their agent, also signed the May 1 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief,

that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

87. KPMG consented in writing to the inclusion in the May 1 Prospectus of its audit report on CannTrust's 2018 Annual Financial Statements, as alleged below.

88. The May 1 Prospectus was filed with the securities commission in all Canadian provinces except Quebec, and with the SEC.

VIII. CANNTRUST'S MISREPRESENTATIONS AND OMISSIONS

89. During the Class Period, the Defendants made misrepresentations and failed to make timely disclosure of material changes.

90. CannTrust and the Individual Defendants made the following misrepresentations during the Class Period:

(a) misrepresentations that CannTrust was appropriately licensed and in compliance with applicable laws, rules and regulations for the activities conducted at the Niagara Facility, and that the cannabis produced there was in compliance with applicable laws, rules and regulations;

(b) misrepresentations that, with respect to the Vaughan Facility, CannTrust (i) had all required licenses and/or approvals for the activities conducted, and (ii) met standards and/or requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention;

(c) misrepresentations regarding sales, revenues, biological assets, and inventory;

(d) misrepresentations that CannTrust had effective ICFR and DC&P except as disclosed in its annual and interim filings; and

(e) misrepresentations that the financial statements were compiled in accordance with IFRS.

91. CannTrust and the Individual Defendants also failed to make timely disclosure that

(a) CannTrust was producing cannabis for distribution and sale in rooms in the Niagara Facility without the required licenses for those rooms and/or activities, and that it was producing and selling cannabis grown from seeds illegally obtained on the black market; and,

(b) with respect to the Vaughan Facility, CannTrust (i) was storing cannabis in rooms without the required licenses and/or approvals; and (ii) failed to meet standards and requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention.

92. During the Class Period, KPMG made misrepresentations regarding its audit and presentation of the 2018 Annual Financial Statements, as particularized below.

93. During the Class Period, the Underwriters made misrepresentations that the May 1 Prospectus, and information incorporated therein, made full, plain and true disclosure of all material facts relating to the Shares offered thereby, as particularized below.

A. Misrepresentations that CannTrust had the required licenses for activities conducted at the Niagara Facility

94. During the Class Period, CannTrust and the Individual Defendants falsely represented that CannTrust was appropriately licensed and in compliance with applicable laws, rules and regulations for the activities conducted at the Niagara Facility, and that the cannabis produced

there was in compliance with applicable laws, rules and regulations. Such representations were made in each of the Misleading Documents, as described below.

Core Documents

95. Each of CannTrust's annual and interim financial statements and MD&As, AIFs, material change reports, and the Prospectuses issued during the Class Period contained misrepresentations that the Niagara Facility was licensed and in compliance with applicable regulations for the activities conducted there, and that the cannabis produced there was in compliance with applicable laws, rules and regulations. Each of these documents is a core document as defined in the *OSA* and other Securities Legislation.

96. The 2017 AIF and 2017 Annual MD&A (incorporated by reference into certain Misleading Documents) 2018 AIF, 2018 Annual MD&A and Prospectuses each contained some or all of the following representations, including those particularized at Schedule "A":

(a) the Niagara Facility had obtained cultivation and sales licenses from Health Canada;

(b) the sales licenses for the Niagara Facility were effective until the expected renewal dates of October 6, 2020;

(c) the licenses allowed for the production, sale or provision, possession, shipping, transportation, delivery and destruction of cannabis;

(d) seeds for growing cannabis were obtained in accordance with the Cannabis Regulations, and were obtained from legal sources which included seeds acquired from Health Canada, seeds imported from a jurisdiction allowed to export seeds or seeds acquired from another licensed producer;

(e) CannTrust adhered to prescribed packaging requirements under the *Cannabis Act* and Cannabis Regulations;

(f) CannTrust responded and complied with all requests from Health Canada in connection with regular inspections;

(g) CannTrust believed that it held or had applied for all necessary licenses and permits;

(h) CannTrust believed that it was complying in all material respects with the terms of such licenses and permits;

(i) CannTrust would apply for necessary licenses and permits as the need arose in the future; and

(j) to the knowledge of management, the Company was currently in compliance with all laws relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety.

97. Each of the annual and interim financial statements issued during the Class Period contained representations that the Niagara Facility had obtained a sales license from Health Canada.

98. Each of the interim MD&As issued during the Class Period contained representations that the Niagara Facility had obtained cultivation and sales licenses from Health Canada.

99. The Material Change Reports issued by CannTrust on October 4, 2018, February 19, 2019, May 6, 2019, May 14, 2019, July 12, 2019, August 2, 2019, and August 15, 2019 incorporated by reference press releases which each

(a) contained statements describing CannTrust as a "licensed producer" that operates its "Niagara Perpetual Harvest Facility"; and

(b) referred to and incorporated the "risk factors and other cautionary statements" set out in the 2017 AIF and/or the 2018 AIF, which contained the representations particularized herein.

100. Excerpts of certain of the misrepresentations, among others, from the Misleading Documents identified above are set out at Schedule "A."

Press Releases

101. Each of the Press Releases:

(a) contained a statement describing CannTrust as a "licensed producer" that operates its "Niagara Perpetual Harvest Facility"; and

(b) referred to and incorporated the "risk factors and other cautionary statements" set out in the 2017 AIF and/or the 2018 AIF, which contained the representations particularized herein.

102. The April 8, 2019 Press Release stated in part:

> CannTrust Holdings Inc. ("CannTrust" or the "Company", TSX:TRST, NYSE:CTST) is pleased to announce that its cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of its Phase 2 expansion. The entire 450,000 sq. ft. of its perpetual harvest greenhouse in Pelham, Ontario, is now fully licensed.
>
> "We have always been confident that our processes meet and exceed regulatory standards, and we now have further validation of this from our regulators," said Peter Aceto, Chief Executive Officer.

103. The April 22, 2019 Press Release stated in part:

> These preliminary results represent the excellent efforts the CannTrust team has made in increasing output at our Niagara perpetual harvest greenhouse. We are quickly approaching our stated capacity of 50,000kg per year from our Phase 2 expansion. Our 96% sequential increase in production over the prior quarter will enable us to service both our rapidly growing base of medical patients and the high demand in the recreational market for our award-winning products and brands." said Peter Aceto, Chief Executive Officer.
>
> . . .
>
> In April 2019, CannTrust's cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of its Phase 2 expansion, which is now fully licensed. With the Phase 2 expansion, the Company expects full production to be achieved by the end of the second quarter of 2019 at an annualized rate of 50,000kg per year.

Public Oral Statements

104. On a March 28, 2019 conference call, in response to a question regarding the outstanding licensing for phase 2 of the Niagara Facility redevelopment, Aceto stated:

> "Yeah. So, the construction is complete on Phase 2, and we await final license -- so, we have a broad license which we make amendments to, which has created efficiency in our process with Health Canada, but there still remains our last few rooms that we await Health Canada approval from, and we will continue to wait for that. Their turnaround times have been generally reasonable, so the last rooms, we await final licensing for."

105. On the same call, in response to a question about the outdoor growing activities, Aceto stated:

> "We also -- these outdoor grows, just like our rooms in our Perpetual Harvest greenhouse, need to be licensed by Health Canada, and that's something we're respectful of, so, not 100% sure of the timing there as well."

106. Also on that call, in response to questions concerning the capacity of the Niagara Facility, Aceto stated:

> "So, phase 2 has ramped up gradually throughout the year, only being completed very recently, and not all rooms are fully licensed."
>
> . . .
>
> "When we get our final rooms licensed in Phase 2, we'll be at 50,000 kg annualized, but we've brought room systematically online as we've continued to build Phase 2, so I think that number has changed. And actually, Phase 2 -- for much of the case, the output that we sold in Q4 did not primarily come from plants grown in Phase 2."

107. On a May 14, 2019 conference call, Aceto stated:

> "In April, we received Health Canada approval for the remaining 20% of our phase 2 greenhouse. We expect that production will continue to increase to the full promised annualized capacity of 50,000 kilograms in the third quarter of this year."
>
> . . .
>
> "I think with phase 2 being completed, being fully licensed, where we're very close to being at full production capacity at the 50,000 kilograms, we'll certainly be in a better position to meet all of the stakeholder needs."

108. The statements described at paragraphs 94 to 107 and at Schedule "A," were untrue statements of material fact, and/or omitted to state a material fact that is required or that is necessary to make those statements not misleading in light of the circumstances in which they were made, because:

(a) between October 2018 and March 2019, CannTrust was growing and distributing cannabis that was grown in five rooms in the Niagara Facility that were not licensed and/or compliant with regulations, in violation of applicable laws;

(b) CannTrust employees, at the direction of top management, intentionally misled Health Canada about its non-compliance with regulations;

(c) CannTrust was producing and selling cannabis grown from seeds that were illegally obtained from the black market; and

(d) as a result, there was a significant risk that (i) CannTrust would be subject to suspension, penalties, or other regulatory and/or legal action that could jeopardize its current and future business prospects; and (ii) this conduct would result in product shortages, inventory hold, and/or that distributed products would have to be returned and/or recalled, which would have an adverse economic impact on the business.

109. In addition, every statement in every Misleading Document or public oral statement regarding

(a) the Niagara Facility;

(b) CannTrust's status as a licensed producer;

(c) CannTrust's cannabis or biological assets;

(d) CannTrust's production practices and product quality control; and/or

(e) risks associated with CannTrust and/or its business;

was a misrepresentation because it omitted to disclose the facts identified at paragraph 108, which were required or necessary to make those statements not misleading in light of the circumstances in which they were made.

B. Misrepresentations regarding the Vaughan Facility.

110. During the Class Period, CannTrust and the Individual Defendants falsely represented that the Vaughan Facility (i) had all required licenses and/or approvals for the activities conducted, and (ii) met standards and/or requirements applicable to security controls, quality assurance

investigations and controls, operating procedures, and document retention. Such representations were made in each of the Misleading Documents, as described below.

Core Documents

111. Each of CannTrust's annual and interim financial statements and MD&As, AIFs, material change reports, and the Prospectuses issued during the Class Period contained misrepresentations that the Vaughan Facility (i) had all required licenses and/or approvals for the activities conducted, and/or (ii) met standards and/or requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention. Each of these documents is a core document as defined in the *OSA* and other Securities Legislation.

112. The 2017 AIF, 2017 MD&A (incorporated by reference into certain Misleading Documents), 2018 AIF and Prospectuses each contained some or all of the following representations, including those particularized at Schedule "B":

(a) CannTrust had obtained a cultivation and sale license from Health Canada for the Vaughan Facility;

(b) the licenses for the Vaughan Facility were effective until the expected renewal date of March 13, 2020;

(c) the license allowed for the production, sale or provision, possession, shipping, transportation, delivery and destruction of cannabis;

(d) the license allowed the Vaughan Facility to produce dried cannabis and cannabis extracts up to such amounts as permitted by CannTrust's storage capacity;

(e) CannTrust believed that it held or had applied for all necessary licenses and permits to carry on the activities it is currently conducting under applicable laws and regulations;

(f) CannTrust believed that it was complying in all material respects with the terms of such licenses and permits;

(g) CannTrust would apply for, as the need arose, all necessary licences and permits to carry on the activities it expected to conduct in the future;

(h) to the knowledge of management, the Company was currently in compliance with all laws relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety;

(i) CannTrust responded to and complied with all requests from Health Canada in connection with regular inspections;

(j) CannTrust continuously reviewed and enhanced its operational procedures at the Vaughan Facility both proactively and in response to Health Canada inspections;

(k) there were no outstanding inspection issues with Health Canada beyond day-to-day adjustments that may occur in order to ensure ongoing compliance;

(l) CannTrust complied with or exceeded Health Canada's quality assurance standards and guidelines;

(m) CannTrust's facilities met prescribed security requirements;

(n) CannTrust adhered to the "Good Production Practices" mandated by the ACMPR and Cannabis Regulations relating to the premises, storage of dried cannabis, equipment, sanitation program, standard operating procedures, recall of product, and quality assurance personnel; and

(o) CannTrust complied with applicable record keeping requirements.

113. The 2018 Annual MD&A and each of the interim MD&As issued during the Class Period contained representations that CannTrust had validly obtained a license from Health Canada for the Vaughan Facility.

114. Each of the annual and interim financial statements issued during the Class Period contained representations that CannTrust had obtained a license from Health Canada for the Vaughan Facility.

115. The Material Change Reports issued by CannTrust on June 5, 2018 October 4, 2018, February 19, 2019, May 6, 2019, May 14, 2019, July 12, 2019, August 2, 2019, and August 15, 2019 incorporated by reference press releases which each

(a) contained a statement describing CannTrust as a "licensed producer" that operates a facility in Vaughan, Ontario; and

(b) referred to and incorporated the "risk factors and other cautionary statements" set out in the 2017 AIF and/or the 2018 AIF, which contained the representations particularized herein.

116. The Material Change Report issued by CannTrust on July 12, 2019 also stated that CannTrust's operations at the Vaughan facility remain fully licensed.

117. Excerpts of certain of the misrepresentations, among others, from the Misleading Documents identified above are set out at Schedule "B."

Press Releases

118. Each of the Press Releases:

(a) contained a statement describing CannTrust as a "licensed producer" that operates a facility in Vaughan, Ontario; and

(b) referred to and incorporated the "risk factors and other cautionary statements" set out in the 2017 AIF and/or the 2018 AIF, which contained the representations particularized herein.

119. The statements described at paragraphs 110 to 118, and at Schedule "B," were untrue statements of material fact, and/or omitted to state a material fact that is required or that is necessary to make those statements not misleading in light of the circumstances in which they were made, because:

(a) since June 2018, rooms in the Vaughan Facility were used to store cannabis without prior approval from Health Canada;

(b) CannTrust constructed two new areas in the Vaughan Facility without prior approval of Health Canada, one of which was used to store cannabis since November 2018;

(c) the Vaughan Facility

(i) had insufficient security controls;

(ii) had inadequate quality assurance investigations and controls;

(iii) had standard operating procedures that did not meet requirements under regulations; and

(iv) did not retain documents or information in a manner to enable Health Canada to complete its audit in a timely manner; and

(d) as a result, there was a significant risk that (i) CannTrust would be subject to suspension, penalties, or other regulatory and/or legal action that could jeopardize its current and future business prospects; and (ii) this conduct would result in product shortages, inventory hold, and/or that distributed products would have to be returned and/or recalled, which would have an adverse economic impact on the business.

120. In addition, every statement in every Misleading Document or public oral statement regarding

(a) the Vaughan Facility;

(b) the company's production practices, product quality control, security, storage, operating procedures, or reporting requirements; and

(c) risks associated with the company and/or its business;

was a misrepresentation because it omitted to disclose the facts identified at paragraph 119, which were required or necessary to make those statements not misleading in light of the circumstances in which they were made.

C. Misrepresentations regarding sales, revenue, inventory and biological assets.

121. During the Class Period, CannTrust and the Individual Defendants reported inaccurate financial results and figures.

122. Each of the Q2 2018 Financial Statements, MD&A, and Press Release, the Q3 2018 Financial Statements, MD&A, and Press Release, the 2018 Annual Financial Statements and MD&A, the Q4 2018 Press Release, the Q1 2019 Financial Statements, MD&A, and Press Release,

the April 22, 2019 Press Release, and the Prospectuses reported financial results and figures, including sales, revenue, biological assets and inventory as well as other financial results and figures that are derived from or affected by them.

123. Such figures were also reported in earnings calls on March 28, 2019 and May 14, 2019 by Aceto and Guyatt.

124. All such figures were artificially inflated from their true values, and were materially false and misleading because they included cannabis that was illegally grown and which CannTrust was not entitled to possess or sell.

D. Misrepresentations that CannTrust had effective ICFR and DC&P

125. During the Class Period, CannTrust and the Individual Defendants falsely represented that CannTrust's internal controls, including DC&P and ICFR, were effective except as disclosed in its interim and annual MD&As.

126. DC&P are intended to provide reasonable assurance that material information relating to the company is made known to senior management, including the CEO and CFO, and that information required to be disclosed by the company is recorded, processed, summarized and reported as required by legislation.

127. ICFR is intended to provide reasonable assurance regarding the reliability of the company's financial reporting and preparation of financial statements in accordance with IFRS.

128. Each of the Q2 2018 MD&A, Q3 2018 MD&A, Annual 2018 MD&A, the Q1 2019 MD&A and the Prospectuses contained statements describing CannTrust's DC&P and ICFR, as excerpted at Schedule "C."

129. All such statements were untrue and misleading, because during the Class Period, CannTrust and its senior management knew that the DC&P and ICFR were ineffective or defective in respect of cannabis grown in, stored, and/or distributed from, rooms and facilities that were not appropriately licensed or otherwise non-compliant pursuant to applicable regulations or standards.

130. In addition, CannTrust and its senior management knew that its DC&P and ICFR were overridden by the Individual Defendants and CannTrust's management generally, rendering them ineffective or defective. The fact that CannTrust's internal control were overridden constituted a material fact that the Defendants ought to have, but failed to, disclose.

E. Misrepresentations that the financial statements were compiled in accordance with IFRS

131. During the Class Period, CannTrust and the Individual Defendants, falsely represented that CannTrust's financial statements were compiled in accordance with IFRS. Such representations were made in each of CannTrust's interim and annual financial statements, MD&As, the Audit Report (defined below) and the Prospectuses issued during the Class Period. KPMG also made this false representation in the Audit Report (defined below).

132. Such representations were untrue and misleading. The failure to disclose the cannabis stored and grown in the unlicensed and/or unapproved rooms in the Niagara and Vaughan Facilities, and the treatment of such cannabis by the company as if it was stored and produced in accordance with regulations, caused the financial statements to be materially noncompliant with a number of IFRS standards, including, among others

(a) IAS 1 – *Presentation of Financial Statements*;

(b) IAS 41 – *Agriculture*;

(c) IAS 2 – *Inventories*

(d) IFRS 15 – *Revenue from Contracts with Customers*; and

(e) IAS 37 – *Contingent Liabilities*.

F. KPMG's Misrepresentations

133. The 2018 Annual Financial Statements contained an audit report from KPMG ("**Audit Report**") that stated:

(a) KPMG had audited the 2018 Annual Financial Statements in accordance with PCAOB standards, which required that it plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud;

(b) the audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements;

(c) the audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements; and

(d) KPMG believed that the audit provided a reasonable basis for its opinion;

(e) the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the financial performance and its cash flows for the year then ended, in conformity with IFRS.

together, (the "**KPMG Representations**").

134. These statements were materially untrue and misleading because the financial statements did not present CannTrust's financial position and performance fairly in accordance with IFRS, and KPMG had no reasonable basis to opine that they did, because, contrary to its representations, it:

(a) did not conduct the audit in accordance with PCAOB standards,

(b) did not plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud; and/or

(c) did not perform appropriate procedures to assess the risk of material misstatement due to error or fraud, and/or did not perform procedures that respond to such risks.

135. KPMG consented in writing to the inclusion of the Audit Report in the May 1 Prospectus in the manner required by securities regulations.

G. The Underwriters' Misrepresentations

136. Each of the Underwriters, either directly or by their agent, signed and certified the following statement contained in the May 1 Prospectus:

> To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada, except Québec.
>
> the ("**Underwriters Representation**").

137. This statement was materially untrue and misleading because the May 1 Prospectus and documents incorporated therein by reference, contained misrepresentations as particularized herein, and the Underwriters ought to have known that fact.

138. Each Underwriter had obligations under applicable law to conduct all required due diligence in connection with each of their offerings. However, the Underwriters failed in their obligations and allowed, acquiesced and approved offerings made on the basis of disclosure documents which contained misrepresentations.

H. Failure to Make Timely Disclosure

139. CannTrust and the Individual Defendants failed to make timely disclosure of the fact that, with respect to the Vaughan Facility, CannTrust (i) was storing cannabis in rooms without the required licenses and/or approvals; and (ii) failed to meet standards and requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention ("**Vaughan Change**").

140. CannTrust and the Individual Defendants also failed to make timely disclosure of the fact that CannTrust was conducting activities in the Niagara Facility without the required licenses and was in material noncompliance with laws and regulations ("**Niagara Change**").

141. The Vaughan Change and the Niagara Change were changes in the business, operations and/or capital of CannTrust that would reasonably be expected to have a significant effect on the market price or value of CannTrust's securities.

142. Accordingly, as of June 1, 2018, CannTrust was required to, but failed, to:

(a) forthwith issue and file a news release disclosing the Vaughan Change; and

(b) as soon as practicable, and within 10 days of the event, file a material change report disclosing the Vaughan Change.

143. Also, as of October 1, 2018 CannTrust was required, but failed, to:

(a) forthwith issue and file a news release disclosing the Niagara Change; and

(b) as soon as practicable, and within 10 days of the event, file a material change report disclosing the Niagara Change.

IX. INDIVIDUAL DEFENDANTS' FALSE CERTIFICATIONS

144. Pursuant to NI 52-109, Eric Paul and Aceto (as CEOs) and Ian Abramowitz and Guyatt (as CFOs) were required to certify the Misleading Documents that were CannTrust's financial statements, MD&As and AIFs.

145. Eric Paul and Ian Abramowitz certified the Q2 2018 Financial Statements and MD&A. Aceto and Ian Abramowitz certified the Q3 2018 Financial Statements and MD&A. Aceto and Guyatt certified the Annual 2018 Financial Statements and MD&A, the 2018 AIF, and the Q1 2019 Financial Statements and MD&A.

146. Among other things, Eric Paul, Aceto, Ian Abramowitz, and Guyatt certified that

(a) such documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made;

(b) such documents fairly presented in all material respects the financial condition, financial, financial performance, and cash flows of CannTrust;

(c) they were responsible for establishing and maintaining CannTrust's disclosure controls and procedures as well as CannTrust's internal controls over financial reporting;

(d) they had designed the DC&P, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to

CannTrust's was made known to them by others, particularly during the period in which the documents were being prepared and information required to be disclosed by CannTrust's in its annual filings, interim filings or other reports filed or submitted under Securities Legislation was recorded, processed, summarized and reported within the time periods specified in Securities Legislation;

(e) they had designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP;

(f) in respect of CannTrust's annual filings, they had evaluated, or caused to be evaluated under their supervision, the design of CannTrust's ICFR for the year ended and had disclosed in its annual MD&A any material weaknesses and the impact on the financial reporting and its ICFR;

(g) in respect of CannTrust's annual filings, they had evaluated, or caused to be evaluated under their supervision, the effectiveness of CannTrust's DC&P and ICFR, at the financial year end and had disclosed in its annual MD&As their conclusions about the effectiveness of CannTrust's controls.

147. These certifications were false and were themselves misrepresentations.

X. THE CORRECTIVE DISCLOSURES

148. Between July 8, 2019 and the end of the Class Period, material information began to be reported by CannTrust and various news outlets, which disclosed to the market for the first time that:

(a) between October 2018 and March 2019, CannTrust had violated applicable laws and regulations by growing cannabis in five unlicensed rooms in the Niagara Facility, and by distributing and/or selling the illegally grown cannabis;

(b) CannTrust employees had intentionally deceived regulators regarding the non-compliance;

(c) noncompliance and deception of regulators was sanctioned by the highest levels of the company's management, which, among other things, increased the likelihood of a harsh penalty such as license suspension or revocation;

(d) between June 2018 and August 2019, CannTrust' violated applicable laws and regulations by storing cannabis in rooms in the Vaughan facility without the required licenses and/or approvals, and the Vaughan facility did not meet standards and/or requirements applicable to security controls, quality assurance investigations and controls, operating procedures, and document retention;

(e) CannTrust was producing and selling cannabis grown from seeds illegally obtained from the black market;

(f) as a result of this conduct, most or all of CannTrust's cannabis product and/or inventory were subject to quarantine, recall, or destruction;

(g) accordingly, CannTrust's revenues, sales volume, biological assets, inventory, and other figures derived from or affected by them and reported throughout the Class Period were artificially inflated;

(h) CannTrust was subject and exposed to penalties and fines that would materially adversely affect its ability to expand or do business going forward, including actual or potential halts on sales of products, recall and/or destruction of already shipped products, increased costs to fill its inventory, and delays or difficulties in obtaining required licenses, and/or suspension or revocation of its existing licenses (which in fact did occur);

(i) CannTrust did not have effective DC&P and ICFR; and

(j) CannTrust's Class Period financial statements were not compiled in accordance with IFRS.

149. The release of this information caused the price of CannTrust's Shares to drop significantly. The information also caused a number of financial analysts covering CannTrust to downgrade or cut their ratings of the company.

150. On July 8, 2019, before the start of trading on the TSX, CannTrust issued a press release disclosing, for the first time, that it was non-compliant with certain regulations because it had been growing cannabis in unlicensed rooms at its Niagara Facility between October 2018 to March 2019. The press release stated, in part:

> Canntrust Holdings Inc. has received a compliance report from Health Canada notifying the company that its greenhouse facility in Pelham, Ont., is non-compliant with certain regulations. Canntrust has accepted Health Canada's non-compliance finding and has taken actions to ensure current and future compliance.
>
> The non-compliant rating is based on observations by the regulator regarding the growing of cannabis in five unlicensed rooms and inaccurate information provided to the regulator by Canntrust employees. Growing in unlicensed rooms took place from October, 2018, to March, 2019, during which time Canntrust had pending applications for these rooms with Health Canada. These rooms were constructed in accordance with regulations and good production practices, and licences were issued for each of the five rooms in April, 2019. There are 12 rooms in total at the facility.
>
> Health Canada has placed a hold on inventory which includes approximately 5,200 kilograms of dried cannabis that was harvested in the previously unlicensed rooms in Pelham, until it deems that the company is compliant with regulations. In addition, Canntrust has instituted a voluntary hold of approximately 7,500 kg of dried cannabis equivalent at its Vaughan manufacturing facility that was produced in the previously unlicensed rooms.
>
> Canntrust's operations at its Pelham and Vaughan facilities remain fully licensed and the company continues to grow, cultivate, harvest and sell cannabis. Health Canada is conducting quality checks of product samples on hold at Pelham, with results expected in 10 to 12 business days. Due to the product on hold, some Canntrust customers and patients will experience temporary product shortages. The company is exploring options to mitigate these shortages.

All product sold from the impacted rooms has passed quality control testing at Health Canada certified labs as well as Canntrust's own quality control processes and safety reviews.

"Our team has focused on building a culture of transparency, trust and excellence in every aspect of our business, including our interactions with the regulator. We have made many changes to make this right with Health Canada. We made errors in judgment, but the lessons we have learned here will serve us well moving forward," said Peter Aceto, chief executive officer.

Corrective actions and additions to the Canntrust executive team

Canntrust has implemented a number of corrective actions including:

- Further comprehensive employee training;
- Retained external advisers for an independent review of compliance processes;
- Comprehensive review and update of processes and procedures;
- Voluntarily advised Health Canada of issues that may impact compliance at its Vaughan facility regarding product storage;
- Improving the quality and compliance function at the company has been a priority for senior leadership. The first executive addition under the new leadership team was Andrea Kirk, for the newly created role of vice-president, quality. Ms. Kirk brings nearly 20 years of quality and compliance experience from the pharmaceutical industry to Canntrust and her mandate is to lead the quality and compliance department. Since joining the company in March, 2019, she has hired and trained 17 quality and compliance professionals.

151. That press release stated "the impact of these matters on CannTrust's financial results are unknown until Health Canada completes its quality testing of product from Pelham which is currently on hold."

152. Also on July 8, 2019, Aceto gave an interview to the *Financial Post*, where he revealed that some of the cannabis grown by CannTrust in unlicensed rooms had been shipped to provinces across Canada. In that interview, he stated that the company was going to conduct a "root cause analysis" to determine who was responsible in sanctioning the illegal conduct. In fact, as detailed below, Aceto himself was the individual sanctioning such conduct.

153. On this news, the price of CannTrust's share dropped 23% from a closing price of $6.46 on the TSX on July 5, 2019 to a close of $5.00 on July 8, 2019.

154. However, the full extent of CannTrust's conduct had not yet been revealed to the Class Members or the market. In the days and weeks that followed, CannTrust, its business partners, and news outlets provided additional information regarding the extent of the deception worked on Health Canada, the involvement of senior management, the amounts of illegal product shipped and now subject to quarantine or recall, the effect on CannTrust's ability to continue growing and distributing cannabis, and the impact on the company's future prospects. As a result of each additional revelation, CannTrust's share price continued to decline.

155. Between July 9 and 11, 2019, mainstream news outlets including *The Globe and Mail* and the *Financial Post* reported that:

(a) the Ontario Cannabis Store and the Alberta Gaming and Liquor Commission were removing affected CannTrust products from distribution;

(b) CannTrust's Danish partner StenoCare (which earlier announced it had received only one unlicensed batch of product from CannTrust) quarantined five batches of product;

(c) according to a former employee, CannTrust employees were instructed to mislead Health Canada inspectors, including by setting up fake walls to hide "several thousand plants" from view.

156. As a result of these news items being disclosed to the market, the price of CannTrust's Shares continued to decline from a close on the TSX of $4.73 on July 9, to $4.12 on July 10, to $4.04 on July 11, 2019.

157. After the close on trading on July 11, 2019, CannTrust issued a press release announcing that it had implemented a voluntary hold on sale and shipment of all cannabis products while Health Canada visited and reviewed the Vaughan Facility. It also disclosed that it had established a Special Committee of the Board of Directors to "investigate this matter in its entirety." In the press release, the company continued to state that "the impact of these matters on CannTrust's financial statements are unknown until the regulatory review process is complete."

158. On this news, the price of CannTrust's Shares continued their decline, dropping 17% from a closing price on the TSX of $4.04 on July 11 to $3.34 on July 12, 2019.

159. However, CannTrust and the Individual Defendants continued to mislead investors regarding the full extent of CannTrust's noncompliance and in particular, that senior officers and directors were not only aware of the misconduct, but that they sanctioned and encouraged it.

160. On July 22, 2019, CannTrust announced that the special committee of the board of directors was comprised of Marcovitch, Page, Dawber, and Kaden, and was "appointed with a broad mandate to, among other things, investigate the Company's non-compliance with Health Canada regulations and ancillary matters, to make recommendations to the Board of Directors regarding any actions to be taken by CannTrust as a result of the investigation, and to assess any impact on the Company's bio assets, inventory, sales and revenue."

161. On July 23, 2019, after hours, *The Globe and Mail* published an article disclosing that Eric Paul, Aceto, Ian Abramowitz, and Platt were made aware by Lee that the company was growing cannabis in unlicensed rooms since the beginning of the Class Period, and that Eric Paul instructed employees on how to respond. The article stated in part:

> Both the chairman and the chief executive officer of CannTrust Holdings Inc. were informed that the company was growing cannabis in unlicensed

> rooms about seven months before Health Canada uncovered the regulatory breach, internal e-mails show.
>
> The company communications, seen by The Globe and Mail, show chairman Eric Paul and CEO Peter Aceto were made aware that cannabis was being cultivated in rooms at a growing facility in Southern Ontario that had yet to be licensed by the federal regulator, and that Mr. Paul counselled staff on how to respond.
>
> In an e-mail dated Nov. 16, 2018, Graham Lee, CannTrust's director of quality and compliance, informed Mr. Aceto and other top executives about a Health Canada inspection that had just been completed. It had revealed several compliance breaches but missed the plants growing in unlicensed rooms.
>
> "We dodged some bullets," Mr. Lee wrote. "[Health Canada] did not ask about RG8E/W, which are unlicensed rooms currently full of plants."
>
> The e-mail outlines a number of "current risks," including plants growing in unlicensed rooms, the storage of cannabis in unlicensed rooms and the "large number of lost bottles [of cannabis] we have not reported."
>
> "Although serious, on their own, each of these can be talked through with [Health Canada]. The concern is that together they will paint a picture with the regulator of a company not in control. We have dodged observations for items 1 and 6 despite having HC in the building," Mr. Lee wrote.
>
> Along with Mr. Aceto, the e-mail was sent to Ian Abramowitz, a CannTrust executive who was chief financial officer at the time, and Ilana Platt, the company's vice-president of innovation and regulatory affairs.
>
> The e-mail was forwarded to Mr. Paul later the same day, who responded, "We need to clearly point out that we have been diligent in submitting the applications for each new area and they have been slow in responding. We are supporting the legislation and we need their cooperation. Politely as always."

162. On July 24, 2019, *BNN Bloomberg* reported further information about senior management's knowledge of the unlicensed activities at the Niagara Facility. The article stated in part:

> CannTrust Holdings Inc. (TRST.TO) Chief Executive Officer Peter Aceto told senior company officials to "continue as planned" and plant cannabis in an unlicensed room in mid-November, according to internal company

> documents obtained by BNN Bloomberg that establish a clear timeline of when illegal production was brought to management's knowledge.
>
> In minutes from weekly production meetings held by conference call from Nov. 14 to Nov. 28, seven CannTrust employees – including three vice-presidents as well as Graham Lee, the company's director of quality and compliance – provided updates on developments at RG9, one of five unlicensed rooms at the company's facility in Pelham, Ont. where Health Canada inspectors later determined the company grew thousands of kilograms of cannabis.
>
> During a meeting held on Nov. 14, senior CannTrust staff stated that RG9 was not licensed by Health Canada and that further work in the room "needs up (sic) be run up the chain before anything is planted in there." The room was estimated to be 50,000 square feet, roughly the same size as a football field, the minutes showed.
>
> As well, Aceto – who was not present for any of the three production meetings – was to be informed by Lee that the RG9 room was not licensed, and that any repercussions if the company started planting in that room despite being unlicensed were "unknown."
>
> That meeting also detailed how employee morale "seems to be unaffected" by corporate changes that led to the departure of president Brad Rogers as well as Michael Ravensdale, CannTrust's former head of production, and that construction of additional rooms at the Pelham, Ont. facility was moving as planned.
>
> "Doing what we can to make sure that deadlines are met and that [we are] holding people accountable," the minutes showed.
>
> On Nov. 21, the minutes stated that RG9 remained unlicensed but Lee – who attended each of the production meetings – stated he spoke to Aceto about the unlicensed room and was instructed to "continue as planned."
>
> Minutes from the Nov. 28 production meeting stated CannTrust employees had submitted an application to Health Canada for the RG9 licence and were still waiting for approval from the federal regulator. "Still moving forward with planting today – 3 lots," the minutes stated. One lot is approximately 1,000 cannabis plants, which can produce as much as 1,000 kilograms of marijuana.

163. On this news, the price of CannTrust's Shares declined approximately 22% from a close on the TSX of $3.43 on July 23 to $2.68 on July 24, 2019.

164. On July 25, 2019, CannTrust issued a press release disclosing that the board of directors had terminated Aceto and demanded the resignation of Eric Paul, who complied. Marcovitch had stepped into the role of interim CEO. The press release continued to indicate that the impact of the matter on CannTrust's financial results is unknown.

165. On July 31, 2019, CannTrust issued a press release announcing that the special committee had retained a financial adviser to assist in a review of strategic alternatives. The press release stated in part:

> The special committee of Canntrust Holdings Inc.'s board of directors has retained Greenhill & Co. Canada Ltd. as the special committee's financial adviser, to assist in a review of strategic alternatives. These alternatives could include, among other things, a sale of the company or a portion thereof, a strategic investment, a business combination, changes to the company's operations or strategy, or continuing to execute on the company's current business plan.
>
> There can be no assurance that the special committee's review of strategic alternatives will result in any transaction. The special committee has not set a timetable for the conclusion of its review of strategic alternatives and it does not intend to comment further. The nature, timing and outcome of the strategic review process will be influenced by, among other things, the resolution of the company's regulatory compliance issues with Heath Canada.

166. On August 1, 2019, CannTrust issued a press release announcing that (i) it would be late in filing its interim financial statements and MD&A due August 14, 2019; (ii) that there is "significant uncertainty with respect to the potential impact of pending Health Canada decisions on the valuation of the Company's inventory and biological assets and revenue recognition"; (iii) the impacted inventory and biological assets is approximately $51 million as at June 30, 2019; (iv) the financial statements and MD&A for 2018 and Q1 2019 could require restatement; (v) CannTrust had applied to the OSC for a management cease trade order pending the filings of the restatements; and (vi) staff of the OSC had advised the Special Committee's legal counsel that an

investigation has been opened into matters and parties related to CannTrust and the investigation has been assigned to the Joint Serious Offences Team of the Enforcement Branch of the OSC.

167. On August 9, 2019, CannTrust issued a press release announcing that KPMG was withdrawing its audit report for the 2018 Financial Statements and the interim report to CannTrust's audit committee for the Q1 2019 Financial Statements, and that those reports should no longer be relied upon. The press release stated in part:

> Canntrust Holdings Inc.'s independent auditor, KPMG LLP, chartered professional accountants, has informed the company that effective Aug. 8, 2019, is withdrawing its report dated March 27, 2019, on the company's consolidated financial statements as at and for the year ended Dec. 31, 2018, and its interim report to the audit committee dated May 13, 2019, on the unaudited condensed interim consolidated financial statements as at and for the three-month period ended March 31, 2019, and therefore, the KPMG reports should no longer be relied upon. KPMG remains Canntrust's independent auditor. The company's co-operation with KPMG is being directed by the company's audit committee and a special committee of its board of directors which is conducting a continuing investigation into various matters.
>
> As previously disclosed, management is of the view that there is significant uncertainty with respect to the potential impact of pending Health Canada decisions on the valuation of the company's inventory and biological assets and revenue recognition. Accordingly, Canntrust cautions against any reliance on its consolidated financial statements as at Dec. 31, 2018, and interim consolidated financial statements as at and for the three-month period ended March 31, 2019. Canntrust is continuing to co-operate with Health Canada and the impact of the matters being investigated by the special committee on Canntrust's financial results is unknown at this time. Further updates, to the extent material, will be provided as they become available.
>
> KPMG's decision was prompted by the company's caution against reliance on its financial statements for the year ended Dec. 31, 2018, and for the three months ended March 31, 2019, as well as the recent sharing with KPMG of newly uncovered information from the special committee's investigation, including information that led to senior leadership changes announced on July 25, 2019. KPMG was not aware of the information recently shared by the company when it issued the KPMG reports and had relied upon representations made by individuals who are no longer at the company.

168. The following trading day (August 12, 2019), CannTrust issued a press release disclosing that the Vaughan Facility had also been "rated noncompliant with certain regulations" by Health Canada. The press release stated in part:

> After trading hours on Friday, Aug. 9, 2019, Canntrust received a report from Health Canada notifying the company that its manufacturing facility in Vaughan, Ont., has been rated non-compliant with certain regulations. Canntrust has accepted Health Canada's findings and remedial actions are under way.
>
> Heath Canada's rating was based on observations made during an inspection completed during the period July 10 to July 16, 2019, which noted:
>
> - The conversion of five rooms from operational areas to storage areas, which were used for storage since June, 2018, without prior approval of Health Canada;
> - The construction of two new areas without prior approval of Health Canada, one of which was used to store cannabis since November, 2018;
> - Insufficient security controls at the manufacturing facility;
> - Inadequate quality assurance investigations and controls;
> - Standard operating procedures that did not to meet the requirements under regulations;
> - Documents or information that were not retained in a manner to enable Health Canada to complete its audit in a timely manner.
>
> ...
>
> Although the company, under the supervision of the special committee, is preparing a remediation plan for submission to and consideration by Health Canada, Health Canada has advised the company that it is currently unable to provide any guidance about the timing or content of its decisions concerning the company.

169. On August 15, 2018, after trading hours, CannTrust issued a press release providing an interim update on various matter. The press release stated in part:

> Canntrust announced that its application for a management cease trade order (MCTO) under National Policy 12-203 (Management Cease Trade Orders) has been approved by the Ontario Securities Commission (OSC). The MCTO does not affect the ability of investors who are not insiders to trade in the securities of the company.

Canntrust announced on Aug. 1, 2019, that it was filing an application seeking an MCTO from the OSC because the company was likely to miss its filing deadline of Aug. 14, 2019, to file an interim financial report for the three- and six-month periods ended June 30, 2019, an interim management's discussion and analysis for the corresponding period, and certifications of interim filings (the second quarter financials).

The timing and content of Canntrust restoring any defaults in its second quarter financials will depend, in large measure, upon the timing and impact of Health Canada's decisions regarding the company's non-compliance with regulatory requirements. Although the company, under the supervision of the special committee, is preparing a remediation plan for submission to and consideration by Health Canada, Health Canada has advised the company that it is unable to provide any guidance about the timing or content of its decisions concerning the company.

The MCTO prohibits the directors and executive officers of the company from trading in securities of the company until two full business days after all filings Canntrust is required to make under Ontario securities laws are made, including the filing of the second quarter financials. The MCTO does not affect the ability of any other persons to trade in the securities of the company. Canntrust had already voluntarily imposed a blackout period on its directors and executive officers trading in the company's securities.

The company intends to satisfy the provisions of the alternative information guidelines in NP 12-203 by filing biweekly status reports in the form of news releases containing prescribed updating information until the second quarter financials are filed.

New York Stock Exchange discussions

The company has been working pro-actively with the New York Stock Exchange (NYSE) to keep the NYSE apprised of its interactions with Health Canada and related matters. Following a discussion on Aug. 9, 2019, between representatives of the NYSE, the company, the company's counsel and counsel to the company's special committee of independent directors, the NYSE advised the company that as a consequence of the company's announcements concerning its audited financial statements for the year ended Dec. 31, 2018, and its unaudited financial statements for the quarter ended March 31, 2019, the company is viewed as no longer having a complete annual report on Form 40-F on file for the year ended Dec. 31, 2018.

Trading of the company's securities on the Toronto Stock Exchange and the NYSE continues. However, the NYSE advised the company that: (a) it will closely monitor the status of the company's late filing and any related public disclosures for up to six months from its due date; and (b) if the company fails to file its annual report and any subsequent reports within six months of their filing due dates, the NYSE will determine, in its sole discretion, whether to halt trading in the company's securities or whether to allow the company's securities to trade for up to an additional six months, depending upon the circumstances. If the NYSE determines that an additional six-month trading period is not appropriate, suspension and delisting procedures will commence pursuant to Section 804.00 of the NYSE's listed company manual. Regardless of the procedures described above, the NYSE may commence delisting proceedings at any time during the period that is available to complete the filing, if circumstances warrant.

Interim financial update

As previously disclosed, the company estimates that the value of the inventory and biological assets impacted by the pending Health Canada decisions is approximately $51-million as at June 30, 2019. Management of the company further estimates the impacted inventory represents approximately 53 per cent of the company's total inventory as at June 30, 2019, and the impacted biological assets represent approximately 30 per cent of the company's total biological assets as at June 30, 2019.

As at June 30, 2019, the company had approximately $250-million in cash and cash equivalents.

Remediation efforts

Under the supervision of the special committee, the company is preparing a remediation plan for submission to and consideration by Health Canada. Although the special committee is directing the company to work closely with Health Canada to remediate the root causes of any non-compliance identified by Health Canada, to date the company has not had any substantive discussions with Health Canada concerning remediation matters, and Health Canada has advised the company that it is currently unable to provide any guidance about the timing or content of its decisions concerning the company. As previously announced, Health Canada has placed a hold on inventory which includes approximately 5,200 kilograms of dried cannabis that was harvested in the previously unlicensed rooms in Pelham, until it deems that the company is compliant with regulations. In addition, Canntrust has instituted a voluntary hold of approximately 7,500 kilograms of dried cannabis equivalent at its Vaughan manufacturing facility that was produced in the previously unlicensed rooms. Health Canada has broad discretion to exercise a wide range of regulatory powers. In the event that Health Canada orders the destruction of all or a substantial portion of the product grown in the previously unlicensed rooms, the company's results for the second quarter of 2019 would be materially adversely impacted. Health Canada has given no clear indication of what decisions it will come to with respect to the company.

170. On August 19, 2019, CannTrust issued a press release announcing that the Ontario Cannabis Store ("OCS") would be returning "all or substantially all of the company's products currently held at the OCS" valued at approximately $2.9 million. The press release stated in part:

> Canntrust Holdings Inc. has received a notice from the Ontario Cannabis Store (the OCS), the Crown corporation in charge of wholesale distribution of cannabis products to licensed cannabis retailers in Ontario and the operator of Ontario's on-line recreational cannabis store, advising the company that the OCS has determined certain of the company's products sold to the OCS are non-conforming products under the terms of the master cannabis supply agreement between the company and the OCS and that the OCS has elected to return these products to the company. Under the terms of the master agreement, any product that does not comply with applicable law is considered to be non-conforming product and the OCS may elect to exercise its right, among others, to return such product to the company at the company's expense.
>
> The products listed in the OCS return notice constitute all or substantially all of the company's products currently held at the OCS and are valued at approximately $2.9-million in the aggregate. The company intends to fully perform its obligations under the master agreement. The OCS operates independently of Health Canada. Health Canada has not ordered a recall in respect of any of the company's products.

171. On August 20, the *Financial Post* reported that Brady Green and Andrea Kirk had departed from their roles at the company.

172. On September 5, 2019, CannTrust announced that it was reducing its work force by approximately 180 people or 20 percent.

173. On September 6, 2019, BNN Bloomberg published an article disclosing that senior operating staff working at the Niagara Facility in late 2018 brought cannabis seeds from the black market into production rooms, leading to some illicit cannabis flowing into the legal market. The article stated in part:

> The documents suggest that, in an apparent effort to conceal the black market cannabis seeds from regulatory inspections and other staff members,

some CannTrust employees changed the names of as many as 20 strains to those which the company was licensed to sell in the legal medical and recreational markets.

Cannabis plants from at least two strains that originated from the black market-sourced seeds entered production rooms where they were fully grown to flower, packaged and sold into the recreational market, according to the sources.

In total, more than one thousand cannabis plants that originated from the illicit seeds were grown at CannTrust's cultivation facility, the documents show. It is unknown how many of those plants were eventually processed for sale or destroyed, according to two of the sources.

Adding cannabis seeds obtained through the black market would have allowed CannTrust to significantly bolster its production at a time when it had overcommitted itself with supply contracts with provinces and other licensed marijuana producers, the sources said.

. . .

Three sources who said they directly tended to the unauthorized cannabis said the operation was led by Brady Green, who recently left CannTrust after a five-year tenure that culminated as the company's vice-president of cultivation. Green was hired by CannTrust in May 2014 as a grow technician and quickly rose through the ranks, holding several production roles including head grower and director of cultivation, according to a biography on the company's website. CannTrust removed Green's biography from its website Friday morning shortly after BNN Bloomberg published this story.

"[Green] has a passion for developing new cannabis strains, constantly improving growing methods and efficiencies, and passing his knowledge onto budding growers at the CannTrust Niagara Perpetual Harvest Facility," CannTrust said on its website.

The team that Green allegedly tasked with handling the unauthorized cannabis was dubbed "The Brady Bunch" by other staff members, the three sources said.

"[Green's team] didn't order [the seeds] through the normal chain of command," alleged one of the sources directly familiar with the production of unauthorized cannabis.

"There is no way because it would take way too long if you wanted to do it right. I asked myself, 'We already have [the strain] Cannatonic. How come we have Cannatonic here and I have to take care of these [new] seedlings?' I learned that they're under those names because those are the registered names that we have which we're allowed to grow, but they're really not those [strains]."

Green did not respond to BNN Bloomberg's multiple requests to comment for this story.

Licensed cannabis producers grow their legal marijuana plants either straight from seeds obtained through Health Canada-authorized suppliers or cut "clones" from mother plants which are transferred to larger cultivation rooms in order to flower under optimal conditions.

Plants grown from two strains of CannTrust's black market-sourced cannabis seeds – listed in internal company documents as "Citradelic Sunset" and "Code Black OG" before being re-labelled – eventually entered into production rooms where they were packaged and sold into the recreational market, two of the sources with direct knowledge of CannTrust's operations said.

Another source with direct knowledge said several unauthorized strains re-labelled under the "Cannatonic" strain also entered the recreational market.

"I can guarantee you they would harvest [plants that originated from black market seeds], trim them and send them out … Guaranteed, they went to the legal market. I can tell you 100 per cent they did," one of the sources said.

Nick Lalonde, a former CannTrust employee who was responsible for disposing of cannabis at its Pelham facility and who previously blew the whistle on fake walls being installed to shield unlicensed production, told BNN Bloomberg he was instructed to deceptively label unauthorized product when he was cataloging waste material.

"No one [from Health Canada] had a clue about the seeds," Lalonde said in a recent phone interview.

None of the claims made by Lalonde or the sources who were granted anonymity by BNN Bloomberg have been tested or proven by a regulator or law enforcement.

The alleged strain-name subterfuge is the latest example of apparent wrongdoing at the beleaguered cannabis producer which has been beset by various forms of material suggesting the company's senior management approved plans that led to thousands of kilograms of cannabis being grown in unlicensed rooms.

Those revelations include meeting minutes obtained by BNN Bloomberg where former CEO Peter Aceto instructed staff in November to "continue as planned" growing cannabis in unlicensed rooms.

174. On September 13, 2019, CannTrust was deleted from the S&P/TSX Composite Index.

175. On September 17, 2019 CannTrust issued a press release announcing that it had received a notice of license suspension under the *Cannabis Act*. The press release stated in part:

> Canntrust Holdings Inc. received late this morning a notice of licence suspension under Section 64(1) of the Cannabis Act (Canada). The notice cites the company's previous non-compliance with certain requirements of the Cannabis Act (Canada) and the regulation made thereunder in respect of the matters that the company has been discussing with Health Canada.
>
> The notice states that Health Canada has suspended Canntrust's authority to produce cannabis, other than cultivating and harvesting, and to sell cannabis. As such, the notice constitutes a partial suspension of the company's licence for standard cultivation and a full suspension of its licences for standard processing, medical sales, cannabis drugs and research issued under the Cannabis regulations. While the suspension remains in effect, Canntrust will be permitted to cultivate and harvest existing lots or batches previously propagated, as well as conducting ancillary activities to those lots, including drying, trimming and milling. During the suspension, Canntrust may not propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis.
>
> The notice states that Health Canada will reinstate Canntrust's licences under Section 64(4) of the Cannabis Act if the reasons for the suspension no longer exist or if Canntrust demonstrates that the suspension was unfounded. The notice also states that Health Canada considers that implementation of the following measures could potentially address the public health and safety risks that contributed to Health Canada's decision to issue the notice:
>
> - Measures to ensure that cannabis will be produced and distributed only as authorized, including measures to control the movement of cannabis in and out of Canntrust's site;
> - Measures to recover cannabis that was not authorized by Canntrust's licence;
> - Measures to improve key personnel's knowledge of, and compliance with, the provisions of the act and the regulations that apply to Canntrust;
> - Measures for improving the manner in which records are kept, including a plan to improve the inventory tracking and any interim measures to ensure that information provided to Health Canada can be reconciled.

176. In total, the price of CannTrust's Shares dropped 73% from $6.46 before the July 8, 2019 announcement to $1.70 at the end of the Class Period as a result of the public corrections of the misrepresentations and failure to make timely disclosure alleged herein.

177. Following the end the Class Period, additional news continued to be disclosed about CannTrust that had a negative effect on its stock price.

178. On September 19, 2019, CannTrust issued a press release announcing that the Alberta Gaming, Liquor, and Cannabis Commission ("**AGLC**") would be returning "all or substantially all of the company's products currently held at the AGLC" valued at approximately $1.3 million.

XI. RIGHTS OF ACTION

A. Negligent Misrepresentation

179. Against CannTrust and the Individual Defendants, and on behalf of the Secondary Market Class, the plaintiffs plead negligent misrepresentation

(a) in all of the Misleading Documents in respect of the Vaughan Compliance Representation;

(b) in all of the Misleading Documents issued after October 1, 2018 in respect of the Niagara Compliance Representation

(c) in the Class Period interim and annual financial statements, MD&As, and Prospectuses in respect of the IFRS Representation; and

(d) in the Class Period MD&As, Prospectuses, and interim and annual certifications in respect of the Controls Representation.

180. Against KPMG, and on behalf of the Secondary Market Class, the plaintiffs plead negligent misrepresentation in the Audit Report (incorporated in the Annual 2018 Financial Statements and May 1 Prospectus) in respect of the KPMG Representations and the IFRS Representation.

181. Against the Underwriters, and on behalf of the Secondary Market Class, the plaintiffs plead negligent misrepresentation in the May 1 Prospectus in respect of the Underwriters Representation.

182. On behalf of the Primary Market Class, the plaintiffs plead negligent misrepresentation in the May 1 Prospectus

(a) against CannTrust and the Individual Defendants for the Compliance Representation, IFRS Representation, and Controls Representation;

(b) against KPMG in respect of the KPMG Representations and IFRS Representation; and

(c) against the Underwriters in respect of the Underwriters Representation.

183. Each of these representations was untrue for the reasons particularized herein.

184. The Misleading Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Shares. The Defendants undertook to provide the Misleading Documents to those current and prospective securities holders (i.e. the Class Members) for the purpose of allowing them to make informed decisions as to whether to acquire the Shares.

185. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would reasonably rely to their detriment upon such documents in making their decision to purchase Shares.

186. The Defendants had a duty at common law to exercise care and diligence to ensure that the Misleading Documents were free from material misstatement. Those defendants breached that duty by making the Representations as particularized above.

187. The Plaintiffs and other Class Members directly or indirectly relied upon the Representations in making a decision to purchase the Shares and suffered damages when the falsity of the information was revealed.

188. Alternatively, the Plaintiffs and other Class Members relied upon the Representations by the act of acquiring Shares in an efficient market that promptly incorporated into the price of those Shares all publicly available information regarding CannTrust, including the Representations, which were false. As a result, the repeated publication of these misrepresentations caused the price of the Shares to trade an inflated prices during the Class Period, thus directly resulting in damages to the Plaintiffs and Class Members.

B. Part XXIII.1 of the *OSA*

189. On behalf of the Secondary Market Class, the plaintiffs plead the right of action in Part XXIII.1 of the *OSA* and, if necessary, the equivalent provisions of the other Securities Legislation against CannTrust, the Individual Defendants, and KPMG, for misrepresentations in the Misleading Documents and/or public oral statements, and/or for the failure to make timely disclosure of the Change, as particularized herein.

190. CannTrust is a responsible issuer within the meaning of the *OSA* and Securities Legislation.

Misrepresentations in Documents – OSA section 138.3(1)

191. Each of the Misleading Documents is a document under section 138.1 of the *OSA* and corresponding provisions of the Securities Legislation.

192. The Misleading Documents that are AIFs, financial statements, MD&As, material change reports and Prospectuses are core documents under section 138.1 of the *OSA* and corresponding provisions of the Securities Legislation.

193. CannTrust was a responsible issuer at the time that each of the Misleading Documents was released by it.

194. The Individual Defendants were officers and/or directors of CannTrust at the time that each of the Misleading Documents was released, and each of them authorized, permitted and/or acquiesced in the release of such documents.

195. KPMG was an expert of CannTrust within the meaning of the *OSA* and Securities Legislation and consented to use of their statements in the Misleading Documents particularized above.

196. Each of CannTrust, the Individual Defendants, and KPMG knew, at the time the Misleading Documents were released, that the documents contained misrepresentations, or, in the alternative, deliberately avoided acquiring such knowledge or, in the alternative, were guilty of gross misconduct in connection with the making of the misrepresentations.

197. Accordingly, each of CannTrust, the Individual Defendants, and KPMG are, pursuant to *OSA* section 138.3(1), liable in respect of the misrepresentations made by them that are contained in the Misleading Documents as particularized above.

Misrepresentations in Public Oral Statements – OSA section 138.3(2)

198. CannTrust and the Individual Defendants either made the public oral statements particularized above, or authorized, permitted and/or acquiesced in the making of the public oral statements.

199. Each of CannTrust and the Individual Defendants knew such public oral statements contained misrepresentations, or, in the alternative, deliberately avoided acquiring such knowledge or, in the alternative, were guilty of gross misconduct in connection with the making of the public oral statements.

200. Accordingly, each of CannTrust and the Individual Defendants are, pursuant to *OSA* section 138.3(2), liable in respect of the misrepresentations contained in the public oral statements particularized herein.

Failure to Make Timely Disclosure of Material Change – OSA section 138.3(4)

201. CannTrust was a responsible issuer at the time it failed to make timely disclosure of the Vaughan Change and the Niagara Change ("**Changes**") as a material change to its business or operations as described herein.

202. The Individual Defendants were officers and/or directors of CannTrust at the time of CannTrust's failure to make timely disclosure of the Changes, and each of them authorized, permitted and/or acquiesced in the failure to make timely disclosure.

203. Each of CannTrust and the Individual Defendants knew, at the time that failure to make timely disclosure first occurred, of the Changes and that the Changes were a material change, or

in the alternative, deliberately avoided acquiring such knowledge or, in the alternative, were guilty of gross misconduct in connection with the failure to make timely disclosure.

204. Accordingly, each of CannTrust and the Individual Defendants are, pursuant to *OSA* section 138.3(4), liable in respect of the failure to make timely disclosure of the Changes as a material change.

C. Part XXIII of the *OSA*

205. Against CannTrust, the Individual Defendants that are its directors, Aceto, Guyatt, Cannamed, Cajun, KPMG, and the Underwriters, and on behalf of the Primary Market Class, the plaintiffs plead the right of action in section 130 of the *OSA* and, if necessary, the equivalent provisions of the other Securities Legislation for misrepresentations in the May 1 Prospectus.

206. The distribution of Shares under the May 1 Prospectus was made on behalf of CannTrust (as issuer) and Cannamed and Cajun (as selling security holders).

207. The Underwriters were required to sign, and did sign, either directly or by their agent, the certificate of underwriters prescribed by s. 59 of the *OSA* contained in the May 1 Prospectus.

208. In the alternative, Merrill, Citigroup, Credit Suisse, Canaccord and Jefferies signed the certificate of underwriters prescribed by s. 59 of the *OSA* contained in the May 1 Prospectus as agents of Merrill USA, Citigroup USA, Credit Suisse USA, Canaccord USA and Jefferies USA, respectively.

209. The Individual Defendants that are directors of CannTrust held those positions at the time the May 1 Prospectus was filed.

210. Aceto, Guyatt, Dawber and Litwin signed the May 1 Prospectus.

211. KPMG consented to use of its name and incorporation of the Audit Report in the May 1 Prospectus pursuant to securities regulations.

212. CannTrust issued the May 1 Prospectus, which contained the misrepresentations particularized herein and in the documents incorporated by reference into the May 1 Prospectus.

D. Negligence

213. Against all Defendants and on behalf of the Primary Market Class, the Plaintiffs plead negligence simpliciter in connection with the Offering.

214. The Defendants caused and/or enabled the May 1 Prospectus to be issued and the Offering to occur while the May 1 Prospectus contained misrepresentations.

215. The Defendants owed a duty of care to ensure that the May 1 Prospectus they issued, authorized to be issued or in respect of which they acted as an underwriter, made full true and plain disclosure of all material facts relating to the Shares offered thereby, or to ensure that their opinions or reports contained in the May 1 Prospectus did not contain a misrepresentation.

216. At all material times, the Defendants knew or ought to have known that the May 1 Prospectus and documents incorporated therein by reference were materially misleading in that they contained the Representations and other misrepresentations particularized above.

217. The Individual Defendants were senior officers and/or directors at the time of the Offering. The May 1 Prospectus was created for the purpose of obtaining financing for CannTrust's operations.

218. Aceto, Guyatt, Dawber and Litwin signed the May 1 Prospectus on behalf of the board of directors of CannTrust, and therein falsely certified that the prospectus, together with the

documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

219. The Underwriters had an obligation to conduct due diligence in respect of the Offering and ensure that the securities were offered at a price that reflected their true value or that the distribution did not proceed if inappropriate. In addition, the Underwriters signed the May 1 Prospectus and certified that to the best of their knowledge, information and belief, the May 1 Prospectus constitutes full, true and plain disclosure of all material facts relating to the Shares offered.

220. KPMG wrote a letter to securities regulators consenting to the use of the Audit Report in the May 1 Prospectus, and stating that it had read the May 1 Prospectus and all information incorporated by reference and that it did not believe that it contained any misrepresentations regarding the financial statements that were the subject of the Audit Report.

221. Cannamed and Cajun sold their Shares in the Offering for their own accounts and had an obligation to ensure that the Offering did not occur while the May 1 Prospectus contained misrepresentations.

222. The reasonable standard of care expected in the circumstances required the Defendants to prevent the Offering from occurring while the May 1 Prospectus contained the misrepresentations alleged herein. The Defendants failed to meet the standard of care by causing and/or allowing the Offering to proceed while the May 1 Prospectus contained the misrepresentations.

223. Had the Defendants not breached their duties, then securities regulators would not have issued a receipt for the May 1 Prospectus, and the Offering would not have occurred, or would have occurred at a price that reflected the true value of the Shares.

224. The Defendants' negligence resulted in damage to the Primary Market Class. Had the Defendants not breached their duties, the Primary Market Class members would not have purchased their Shares, or would have done so at a price that reflected their true value.

E. Oppression

225. The plaintiffs seek relief from oppression against CannTrust and the Individual Defendants.

226. The plaintiffs and Class Members are complainants within the meaning of sections 245 and 248(1) of the *OBCA*.

227. The plaintiffs and Class Members had reasonable expectations about the manner by which the business and affairs of CannTrust would be conducted. Those reasonable expectations included the following:

(a) that the Individual Defendants would act honestly and in good faith with a view to the best interests of CannTrust, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(b) that CannTrust's public disclosure documents would disclose all material facts and be free from misrepresentations;

(c) that CannTrust would make timely disclosure of any material changes to its business or operations;

(d) that the business and affairs of CannTrust would be conducted in a manner that complied with the *Cannabis Act* and associated regulations, and the *OSA* and other applicable laws;

(e) that the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that CannTrust disclosed material facts and material changes in the company's business and operations on a timely basis; and

(f) that CannTrust and the Individual Defendants would not act in a way that would cause the trading price of CannTrust's securities to be artificially inflated.

228. CannTrust and the Individual Defendants acted in a manner contrary to those reasonable expectations in the following manner:

(a) making the misrepresentations and failing to disclose in a timely way the Niagara Change and the Vaughan Change in breach of the *OSA* requirements, as pleaded herein;

(b) by breaching or causing CannTrust to breach the *Cannabis Act* and regulations, as pleaded herein;

(c) by engaging in the above and other conduct, which caused the CannTrust Shares to trade or be sold at artificially inflated prices during the Class Period;

(d) during the Class Period with actual or constructive knowledge of material facts and changes not generally disclosed, certain Individual Defendants and/or companies they control sold CannTrust securities for their personal benefit thereby avoiding losses they would have otherwise incurred, contrary to section 76 of the *OSA*.

229. This conduct had the effect of oppressing and unfairly disregarding and unfairly prejudicing the interests of the plaintiffs and Class Members and caused damage to them.

230. CannTrust and the Individual Defendants knew of the impact that their conduct could be expected to have on the investments made by the Class Members, and their disregard for the reasonable expectations of the Class Members was oppressive or unfairly prejudicial to or unfairly disregarded the interests of the Class Members.

231. The appropriate remedy for the oppressive conduct is an award of compensation, pursuant to section 248(3)(j) of the *OBCA*.

F. Conspiracy

232. During the Class Period, CannTrust, Aceto, Green, Kirk, Eric Paul, Lee, Ian Abramowitz, and Platt conspired with each other and persons unknown ("**Conspirators**") to inflate the price of CannTrust's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking *bona fides*, agreed together to, among other things, make the misrepresentations particularized above and to profit from such misrepresentations.

233. The Conspirators' predominant purpose in so conspiring were to:

(a) artificially inflate or maintain an artificially inflated trading price of CannTrust's Shares;

(b) artificially increase the value of Shares they held; and

(c) inflate the portion of their compensation that was dependent in whole or part upon the performance of CannTrust's business and/or its securities.

234. In furtherance of the conspiracy, the Conspirators carried out the following acts, among others:

(a) agreed to, and did, make the misrepresentations particularized above, which they knew were false;

(b) agreed to, and did, breach the *Cannabis Act* and regulations, and to mislead Health Canada inspectors;

(c) authorized, permitted, or acquiesced in the issuance of the Misleading Documents which they knew to be misleading; and

(d) authorized, permitted, or acquiesced in the sales of Shares pursuant to the May 1 Prospectus which they knew to be misleading.

235. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of the *Cannabis Act* and regulations, the *OSA* and other Securities Legislation, and the rules and requirements of the TSX and the *OBCA*. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of CannTrust's securities.

236. The Conspirators directed the conspiracy toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members. The Plaintiffs and the Class Members suffered damages when the falsity of the misrepresentations were revealed.

XII. RELATIONSHIP BETWEEN THE MISREPRESENTATIONS/OMISSIONS AND THE PRICE OF CANNTRUST'S SECURITIES

237. The price of CannTrust's securities was directly affected during the Class Period by the release of the documents and making of the public oral statements containing the misrepresentations as particularized herein. The Defendants were aware at all material times of the effect of CannTrust's disclosure documents and public oral statements upon the price of CannTrust's securities.

238. The Misleading Documents were filed, among other places, with SEDAR and EDGAR, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

239. CannTrust routinely transmitted the Misleading Documents to the financial press, financial analysts and certain prospective and actual holders of CannTrust's securities. CannTrust provided either copies of the Misleading Documents or links thereto on its website.

240. CannTrust regularly communicated with investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including on newswire services in Canada, the United States and elsewhere. When CannTrust communicated that new material information about CannTrust's business, and operations and its financial results to the public, the price of CannTrust's securities was directly affected.

241. CannTrust was the subject of analysts' reports that incorporated certain of the information contained in the Misleading Documents and public oral statements, with the effect that any recommendations to buy, hold or sell CannTrust's securities in such reports during the Class Period were based, in whole or in part, upon that information.

242. CannTrust's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which CannTrust's securities traded promptly incorporated material information from CannTrust's disclosure documents and public oral statements about CannTrust's business and affairs, including the misrepresentations alleged herein, which were disseminated to the public through the Misleading Documents and public oral statements referred to herein and distributed by CannTrust, as well as by other means.

XIII. DAMAGES

243. The Class Members suffered damages as a result of the Defendants' breach of their duties, misrepresentations, negligence, conspiracy, and oppressive conduct. The Plaintiffs and the other

Class Members suffered damages equivalent to the inflation in the price of the Shares they acquired during the Class Period which was related to the misrepresentations alleged herein. If the Defendants had not breached their duties and made the misrepresentations described above, CannTrust's Shares would not have traded or been sold at artificially high levels that Class Members paid for them, and the Class Members would not have suffered losses as alleged herein.

244. The Defendants' conduct was high-handed, outrageous, reckless, wanton, entirely without care, deliberate, callous, motivated by economic considerations, and amounted to an abuse of the capital markets. Such conduct renders the Defendants liable to pay punitive damages.

XIV. VICARIOUS LIABILITY

A. CannTrust and the Individual Defendants

245. CannTrust is vicariously liable for the acts and omissions of the Individual Defendants particularized in this claim.

246. The acts or omissions alleged herein to have been done by CannTrust were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of CannTrust, while engaged in the management, direction, control and transaction of the business and affairs of CannTrust. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of CannTrust.

247. At all material times, the Individual Defendants were officers and/or directors of CannTrust. As their acts and omissions are independently tortious, they are personally liable for same to the plaintiffs and the other Class Members.

B. KPMG

248. KPMG is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out herein.

249. The acts or omissions alleged herein to have been done by KPMG were authorized, ordered and done by officers, directors, partners, agents and employees of KPMG while engaged in the management, direction, control and transaction of the business and affairs of KPMG. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of KPMG.

C. Underwriters

250. The Underwriters are vicariously liable for the acts and omissions of each of their officers, directors, partners, agents and employees as set out herein.

251. The acts or omissions alleged herein to have been done by the Underwriters were authorized, ordered and done by officers, directors, partners, agents and employees of the Underwriters while engaged in the management, direction, control and transaction of the business and affairs of the Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

D. Cajun and Cannamed

252. Cajun and Cannamed are vicariously liable for the acts and omissions of each of their officers, directors, partners, agents and employees as set out herein.

253. The acts or omissions alleged herein to have been done by Cajun and Cannamed were authorized, ordered and done by officers, directors, partners, agents and employees of Cajun and

Cannamed while engaged in the management, direction, control and transaction of the business and affairs of Cajun and Cannamed. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Cajun and Cannamed.

XV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

254. This action has a real and substantial connection with Ontario because, among other things:

(a) CannTrust is a reporting issuer in Ontario,
(b) CannTrust's Shares trade on the TSX which is located in Toronto, Ontario;
(c) CannTrust carries on business in Ontario;
(d) CannTrust's registered and head office is in Vaughan, Ontario;
(e) CannTrust's productions facilities, including the Niagara Facility, are located in Ontario;
(f) the CannTrust disclosure documents referred to herein were disseminated in and from Ontario;
(g) a substantial portion of Class Members reside in Ontario;
(h) a substantial portion of the damages sustained by the Class were sustained by person and entities domiciled in Ontario.

XVI. LEGISLATION

255. The Plaintiffs plead and rely upon the *Courts of Justice Act*, RSO 1990, c C43, the *OBCA*, the *CPA*, the *OSA*, the Securities Legislation, and the *Cannabis Act*, all as amended.

XVII. SERVICE OUTSIDE ONTARIO AND PLACE OF TRIAL

256. The Plaintiffs plead and rely on Rules 17.02(a), (g), (n), and (p) of the *Rules of Civil Procedure* to serve this statement of claim outside Ontario without leave.

257. The plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario.

October 24, 2019

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Schedule "A"
Misrepresentations Regarding Compliance with Regulations related to the Niagara Facility

Excerpts from the 2017 AIF (incorporated by reference into certain Misleading Documents)

(Page 4):

- On October 10, 2017, CannTrust received its Health Canada cultivation license under the ACMPR for its 250,000 square foot redevelopment of the 430,000 square foot Niagara Facility.

(Page 5):

- On February 12, 2018, the Company announced it received its Health Canada sales license under the ACMPR for its 250,000 square foot Phase 1 redevelopment of its 430,000 square foot Niagara Facility.

(Page 6):

- The Company completed its 250,000 square foot Phase 1 redevelopment of the Niagara Facility for which Health Canada granted a sales license under the ACMPR.

(Page 7):

- The sales licenses issued by Health Canada to CannTrust Opco for the Vaughan Facility and the Niagara Facility (collectively, the "**ACMPR Licenses**") are effective until the expected renewal dates of March 13, 2020 and October 6, 2020, respectively. The ACMPR Licenses allow for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried cannabis and cannabis plants or seeds. It allows the Vaughan Facility and the Niagara Facility to produce dried cannabis and cannabis extracts up to such amounts as permitted by CannTrust Opco's storage capacity.

- CannTrust Opco currently produces approximately five core strains, chosen from a genetic library of over 15 strains.

- The production of medical cannabis is a specialized skill. The Company's qualified and experienced growing team are focused on continuously improving its growing and production techniques and have refined and developed an advanced, disciplined approach with a focus on producing high quality and consistent medical cannabis. The production of medical cannabis is closely monitored by the Company's management with a focus on producing high quality dried cannabis and cannabis extracts.

- Health Canada, pursuant to the ACMPR, sets the standard required for production and sale of medical cannabis. CannTrust Opco's Quality Assurance team is led by a group of experienced operators and scientists and is focused on generating the highest quality and most consistent product that meets or exceeds Health Canada expectations.

- The combination of the Company's experienced growing team along with its goal of exceeding Health Canada's ACMPR quality assurance guidelines are essential to consistently providing high quality medical cannabis products that are safe for doctor prescribed medical cannabis clients.

(Page 10-11):

- Health Canada conducts ad hoc, unscheduled site inspections of licensed producers. The Company has experienced these inspections at its Vaughan Facility and Niagara Facility on a monthly basis and has responded to and complied with all requests from Health Canada within the time frames indicated in such requests. As of the date hereof, there are no outstanding inspection issues with Health Canada beyond day-to-day adjustments that may occur in order to ensure ongoing compliance.

- *Quality Control*

The Company understands the importance placed upon adhering to the "Good Production Practices" which are mandated by the ACMPR. These practices relate to the premises, storage of dried cannabis, equipment, sanitation program, standard operating procedures, recall of product, and quality assurance personnel. The Company currently has an in-house quality control laboratory and employs quality assurance persons with appropriate training, experience, and technical knowledge to approve the quality of the Company's products.

In accordance with Section 73 of the ACMPR, all of the Company's quality control and sanitation procedures have been outlined for all personnel as standard operating procedures. New employees undergo a training program in which they are taught the appropriate implementation of these protocols.

For the purposes of quality control, the Company tracks each "lot" (a specific genotype of medical cannabis that is initiated for production at one time, either by seed or clonal propagation) using a lot number, which is used to track lot quality control and sales in the Company's tracking software. Furthermore, the lot number is used in all sales transactions, and as such will serve as an identifier to rapidly initiate recall reporting as outlined in Section 77 of the ACMPR.

Final dried cannabis that passes quality control is sealed in plastic bottles and stored within the climate-controlled vaults. Cannabis oil that passes quality control is sealed in containers and also stored in the climate-controlled vaults. Only products that pass the tests in the Company's quality control process will be offered for sale. As of the date hereof, the Company has not been required to recall distributed product.

(Page 12):

- *ACMPR License Renewal*

CannTrust Opco's ACMPR Licenses for the Vaughan Facility and the Niagara Facility are valid until March 13, 2020 and October 6, 2020, respectively. Before the end of the terms of the ACMPR Licenses, CannTrust Opco must submit an application for renewal to Health

Canada containing information prescribed by the ACMPR. The ACMPR requires that the Minister of Health (the "Minister"), after examining the application and any supplementary information requested, issue renewed ACMPR Licenses, unless:

d) the Minister has reasonable grounds to believe that false or misleading information or false or falsified documents were submitted in or with the application;

g) the applicant is in contravention of or has contravened in the past 10 years:

- a provision of the CDSA or its regulations or the Food and Drugs Act, or
- a term or condition of another licence or a permit issued to it under any of those regulations;

(Page 19):

- The Company has sought and received its ACMPR Licenses for the Vaughan Facility and Niagara Facility which each provide for (a) the production and sale of dried cannabis; (b) the production and sale of cannabis oil (c) the production and sale of cannabis in its natural form: cannabis resin; (d) the production and sale of cannabis plants; and (e) the production and sale of cannabis seeds.

(Page 20):

- The Company's qualified and experienced growing team is focused on continuously improving its growing and production techniques and has refined and developed an advanced, disciplined approach with a focus on producing high quality and consistent medical cannabis. The production of medical cannabis is closely monitored by the Company's management with a focus on producing high quality dried cannabis and cannabis extracts.
- Differentiation in the strains of medical cannabis is primarily achieved through the procurement of seeds and our breeding programs. Obtaining seeds for growing medical cannabis must be done in accordance with the ACMPR. Seeds must be obtained from a legal source which includes seeds acquired from Health Canada, seeds imported from a jurisdiction allowed to export seeds or seeds acquired from another licensed producer. An authorization from Health Canada may be required to conduct such a transaction depending on its nature.

(Page 21):

- The operations of the Company require it to obtain ACMPR Licences for the transportation, distribution, production and sale of medical cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

(Page 22):

- The failure of the Company to obtain and maintain the applicable licenses and amendments thereto would have a material adverse impact upon the Company.

- In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future.

- The ACMPR License for the Vaughan Facility expires on March 13, 2020 and the ACMPR License for the Niagara Facility expires on October 6, 2020.

- *Regulatory Risks*

  Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company.

  The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, the Company is currently in compliance with all such laws.

  (Page 23):

- Health Canada inspectors routinely assess the Vaughan Facility and the Niagara Facility against ACMPR regulations and provide the Company with follow up reports noting observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures at the Vaughan Facility and the Niagara Facility both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner.

  (Page 26):

- Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Excerpts from the 2017 Annual MD&A (incorporated by reference into certain Misleading Documents)

(Page 2):

- CannTrust Opco is a Licenced Producer and distributor of medical cannabis pursuant to the provisions of the *Access to Cannabis for Medical Purposes Regulations* (Canada) ("ACMPR").

(Page 2-3):

- In March 2017, through Elmcliffe, the Company acquired the real estate assets and related equipment of a Greenhouse in the Town of Fenwick, Ontario within the Niagara Region (the "Greenhouse Facility"). In October 2017, CannTrust Opco received its Health Canada Cultivation Licence under the ACMPR for its completed 250,000 square foot Phase 1 redevelopment of its 430,000 square foot Greenhouse Facility and began production there. Phase 1 was completed both on budget and on time. The Company received its Health Canada Sales License for Phase 1 in February 2018.

(Page 5):

- Completed the 250,000 square foot Phase 1 redevelopment of the Greenhouse Facility and the Company received its Health Canada Cultivation License in respect thereof

(Page 7):

- In November 2017 Phase 1 was granted its Health Canada Cultivation Licence and in February 2018 obtained its Sales Licence.

(Page 10):

- In March 2017, the Company, through its wholly-owned subsidiary Elmcliffe, completed the acquisition of a 430,000 square foot commercial Greenhouse Facility in the Niagara region for cash consideration of $6,500,000. . . . The Greenhouse Facility, once fully converted to cannabis production, will provide the Company with the capacity to produce in excess of 40,000 kg of additional medical cannabis per year . . . The Company received its Health Canada License under the ACMPR on October 6, 2017 for the Phase 1 redevelopment. The Company has completed multiple harvests at the Greenhouse Facility subsequent to December 31, 2017 and on February 12, 2018 obtained its Health Canada sales license under the ACMPR

(Page 16):

- The operations of the Company require it to obtain ACMPR Licences for the transportation, distribution, production and sale of medical cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

(Page 17-18):

- *The failure of the Company to obtain and maintain the applicable licenses and amendments thereto would have a material adverse impact upon the Company.*

  In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. The ACMPR License for the Vaughan Facility expires on March 13, 2020 and the ACMPR License for the Greenhouse Facility expires on October 6, 2020.

- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, the Company is currently in compliance with all such laws.

- Health Canada inspectors routinely assess the Vaughan Facility and the Greenhouse Facility against ACMPR regulations and provide the Company with follow up reports noting observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures at the Vaughan Facility and the Greenhouse Facility both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner.

  (Page 22):

- Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Excerpts from the 2017 Annual Financial Statements (incorporated by reference into certain Misleading Documents)

(Page 18):

- On March 6, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc., executed a Purchase and Sale Agreement to acquire various Greenhouse assets located in the regional municipality of Niagara, Ontario . . . The Company received its Health Canada Sales License for the completed Greenhouse Phase 1 conversion on February 12, 2018.

Excerpts from the Q2 2018 MD&A

(Page 2-3):

- CannTrust Opco is a Licenced Producer and distributor of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations (Canada) ("ACMPR"). CannTrust Opco received its license from Health Canada on June 12, 2014 and began production of medical cannabis at its state-of-the-art hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility").

- In March 2017, through Elmcliffe, the Company acquired the real estate assets and related equipment of a Greenhouse in the Town of Fenwick, Ontario within the Niagara Region (the "Perpetual Harvest Facility"). In October 2017, CannTrust Opco received its Health Canada Cultivation Licence under the ACMPR for its completed 250,000 square foot Phase 1 redevelopment of the Perpetual Harvest Facility and began production there.

- The Company received its Health Canada Sales License for Phase 1 in February 2018.

Excerpts from the Q2 2018 Financial Statements

(Page 6):

- The Company is a licensed producer and distributor of medical cannabis in Canada pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015.

- On January 13, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. acquired various Greenhouse and related assets located in the regional municipality of Niagara, Ontario. The Company received is Health Canada Sales License for its Niagara Facility in February 2018.

Excerpts from the Q3 2018 MD&A

(Page 2):

- CannTrust Opco is a Licenced Producer and distributor of medical and recreational cannabis pursuant to the provisions of the Cannabis Act and its regulations which came into force on October 17, 2018.

- In March 2017, through Elmcliffe, the Company acquired the real estate assets and related equipment of a Greenhouse in the Town of Fenwick, Ontario within the Niagara Region (the "Perpetual Harvest Facility"). In October 2017, CannTrust Opco received its Health Canada Cultivation Licence under the ACMPR for its completed 250,000 square foot Phase 1 redevelopment of the Perpetual Harvest Facility and began production there. The redevelopment of the Perpetual Harvest Facility was Canada's first continuous harvest automated perpetual harvest designed specifically for this quantum scale of cannabis production. The Company received its Health Canada Sales License for the Perpetual Harvest Facility in February 2018.

(Page 9):

- The Company received its Health Canada License under the ACMPR on October 6, 2017 for the Phase 1 redevelopment. On February 12, 2018 the Company obtained its Health Canada sales license under the ACMPR and is now operating Phase 1 at full capacity.

Excerpts from the Q3 2018 Financial Statements

(Page 6):

- On January 13, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. acquired various Greenhouse and related assets located in the regional municipality of Niagara, Ontario. The Company received its Health Canada Sales License for its Niagara Facility in February 2018.

(Page 11):

- On March 6, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. executed a Purchase and Sale Agreement to acquire various Greenhouse assets located in the regional municipality of Niagara, Ontario. The aggregate purchase price for the Greenhouse assets was $7,500,000. On execution of the Purchase and Sale Agreement, the operating business and all related intangible assets and intellectual property was assigned to a related party. Upon closing of the transaction, the existing operations ceased and the Company began a site conversion project in order to convert the facility into a Health Canada Approved Cannabis growth facility. With this purchase the Company has enhanced its ability to serve (i) the Canadian and International Medicinal Cannabis markets and (ii) the Adult Recreational market in Canada which became legal on October 17, 2018. The Company received its Health Canada Sales License for this facility on February 12, 2018.

Excerpts from the 2018 AIF

(Page 4):

- On March 6, 2017, through its wholly-owned OBCA-incorporated subsidiary, Elmcliffe Investments Inc. ("Elmcliffe"), the Company acquired the real estate assets and related equipment of a greenhouse facility in the Town of Pelham, Ontario within the Niagara Region (the "Niagara Facility"). On October 10, 2017, the Company received its Health Canada cultivation licence under the Access to Cannabis for Medical Purposes Regulations

("ACMPR") for its 250,000 square foot Phase 1 redevelopment of the 450,000 square foot Niagara Facility.

(Page 5):

- On February 12, 2018, the Company received its Health Canada Sales Licence under the ACMPR for the Niagara Facility, having completed the Phase 1 renovation.

(Page 9):

- The Company also owns a 450,000 square foot commercial greenhouse facility in the Niagara region through its wholly-owned subsidiary Elmcliffe. The Niagara Facility is the Company's current primary grow facility, which will increase the Company's annual grow capacity from 3,600 kg previously available in the Vaughan Facility to 50,000 kg. The Niagara Facility is a state of the art hydroponic greenhouse with computer controlled irrigation, co-generation and full supplemental lighting. The Niagara Facility is equipped with a perpetual harvest cropping system which produces cannabis 365 days a year and allows for a continuous work cycle, creating a steady production capacity and a more stable work environment for employees.

(Page 10):

- The licences issued by Health Canada to CannTrust Opco for the Vaughan Facility and the Niagara Facility (collectively, the "Cannabis Licences") are effective until the expected renewal dates of March 13, 2020 and October 6, 2020, respectively. The Cannabis Licences allow for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried cannabis and cannabis plants or seeds. It allows the Vaughan Facility and the Niagara Facility to produce dried cannabis and cannabis extracts up to such amounts as permitted by CannTrust Opco's storage capacity.

- CannTrust Opco has an extensive genetic strain bank and currently produces approximately eight core strains. The strains have been optimized for greenhouse horticultural practices.

- The Company's qualified and experienced growing team is focused on continuously improving its growing and production techniques and have refined and developed an advanced, disciplined approach with a focus on producing high quality and consistent cannabis. The production of cannabis is closely monitored by the Company's management with a focus on producing high quality dried cannabis and cannabis extracts.

- Health Canada, pursuant to the Cannabis Act and the Cannabis Regulations, sets the standard required for production and sale of cannabis. CannTrust Opco's Quality Assurance team is led by a group of experienced operators and scientists and is focused on generating the highest quality and most consistent product that meets or exceeds Health Canada expectations.

(Pages 14-15):

Production

- The Company currently grows its cannabis in the state of the art greenhouse in the Niagara Facility. The harvested product is then shipped to the Vaughan Facility for extraction, manufacturing, packaging and order fulfillment.

  Facilities & Operations

- The Company has repurposed its Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. The Company also owns the Niagara Facility, a commercial greenhouse facility of approximately 450,000 square feet in the Niagara region. The Niagara Facility is a state-of-the-art hydroponic greenhouse with computer controlled irrigation, co-generation and full supplemental lighting. The Niagara Facility is equipped with a perpetual harvest cropping system which produces cannabis 365 days a year and allows for a continuous work cycle, creating a steady production capacity and a more stable work environment for employees.

  Packaging

- The Company adheres to prescribed packaging requirements under the Cannabis Act and the Cannabis Regulations. The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. The purpose of the packaging and labeling rules is to promote informed consumer choice, allow for the safe handling and transportation of cannabis, and to reduce the appeal of the products to youth. Vendors must package cannabis in a way that is tamper-proof, child-resistant, prevents contamination and ensures dryness. The Cannabis Regulations also require plain packaging, with strict requirements for logos, colours and branding. The packaging must also contain the following product information:

  - (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator;
  - (ii) a mandatory health warning, rotating between Heath Canada's list of standard health warnings;
  - (iii) the Health Canada standardized cannabis symbol; and
  - (iv) information specifying THC and CBD content. The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

(Page 15):

- Health Canada conducts ad hoc, unscheduled site inspections of licensed producers. Health Canada inspectors assess the Vaughan Facility and the Niagara Facility on a monthly basis against Cannabis Regulations and provide the Company with follow up reports noting observed deficiencies The Company is continuously reviewing and enhancing its operational procedures at the Vaughan Facility and the Niagara Facility both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner. As of the date hereof, there are no outstanding inspection issues with Health Canada beyond day-to-day adjustments that may occur in order to ensure ongoing compliance.

(Page 25):

- CannTrust Opco's Cannabis Licences for the Vaughan Facility and the Niagara Facility are valid until March 13, 2020 and October 6, 2020, respectively.

- The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

- Differentiation in the strains of cannabis is primarily achieved through the procurement of seeds and the Company's breeding programs. Obtaining seeds for growing cannabis must be done in accordance with the Cannabis Regulations. Seeds must be obtained from a legal source which includes seeds acquired from Health Canada, seeds imported from a jurisdiction allowed to export seeds or seeds acquired from another licensed producer. An authorization from Health Canada may be required to conduct such a transaction depending on its nature.

(Page 29):

- The Cannabis Licence for the Vaughan Facility expires on March 13, 2020 and the Cannabis Licence for the Niagara Facility expires on October 6, 2020.

(Page 33):

The Vaughan Facility and Niagara Facility are integral to the Company's business and adverse changes or developments affecting any of these facilities may have an adverse impact on the Company.

- Currently, the Company's activities and resources are focused on the operation of the Vaughan Facility and Niagara Facility, and its current licenses under the Cannabis Act are specific to the Vaughan and Niagara facilities.

(Page 63):

MATERIAL CONTRACTS

- The following are the material contracts entered into by the Company, including certain contracts entered into in the ordinary course of business, since the beginning of the most recently completed financial year and prior to the most recently completed financial year if those material contracts are still in effect:

    - (ii) Cannabis Licences granted by Health Canada in respect of the Vaughan Facility and the Niagara Facility.

<u>Excerpts from the Annual 2018 MD&A</u>

(Page 3):

- CannTrust received its license from Health Canada in June 2014, and began production of medical cannabis at its hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). In 2018, the Company repurposed the Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. The Company owns and operates an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Perpetual Harvest Facility"), which is expected to have an annual capacity of approximately 50,000 kilograms. The planned Phase 3 expansion is expected to increase the annual capacity of the Perpetual Harvest Facility to 100,000 kilograms upon its completion.

(Page 8):

- In March 2017, through Elmcliffe, the Company acquired the real estate assets and related equipment of a greenhouse in the Town of Fenwick, Ontario within the Niagara Region. In October 2017, CannTrust received its Health Canada Cultivation Licence under the ACMPR for its completed 250,000 square foot Phase 1 redevelopment of the Perpetual Harvest Facility and began production there. The redevelopment of the Perpetual Harvest Facility was Canada's first automated perpetual harvest designed specifically for this scale of cannabis production. The Company received its Health Canada Sales License for the Perpetual Harvest Facility in February 2018.

(Page 17):

- The Company received its Health Canada License under the ACMPR on October 6, 2017 for the Phase 1 redevelopment. On February 12, 2018 the Company obtained its Health Canada sales license under the ACMPR and began operating Phase 1 at full capacity. The 200,000 square foot Phase 2 expansion at the Perpetual Harvest Facility was substantially completed in the first quarter of 2019.

Excerpts from the Annual 2018 Financial Statements

(Page 8):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the federal Cannabis Act and its regulations (the "Cannabis Act") which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Cannabis Act.

- On January 13, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. acquired various greenhouse and related assets located in the regional municipality of Niagara, Ontario. The Company received its Health Canada Sales License for its Niagara Facility in February 2018.

(Page 19):

- On March 6, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. executed a Purchase and Sale Agreement to acquire various greenhouse assets located in the regional municipality of Niagara, Ontario . . . The Company received its Health Canada Sales License for this facility on February 12, 2018.

Excerpts from the Q1 2019 MD&A

(Page 3):

- CannTrust received its license from Health Canada in June 2014, and began production of medical cannabis at its hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). In 2018, the Company repurposed the Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. The Company owns and operates an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Perpetual Harvest Facility"), which is expected to have an annual capacity of approximately 50,000 kilograms. The planned Phase 3 expansion is expected to increase the annual capacity of the Perpetual Harvest Facility to 100,000 kilograms upon its completion.

(Page 8):

- In March 2017, through Elmcliffe, the Company acquired the real estate assets and related equipment of a greenhouse in the Town of Fenwick, Ontario within the Niagara Region. In October 2017, CannTrust received its Health Canada Cultivation Licence under the ACMPR for its completed 250,000 square foot Phase 1 redevelopment of the Perpetual Harvest Facility and began production there. The redevelopment of the Perpetual Harvest Facility was Canada's first automated perpetual harvest designed specifically for this scale of cannabis production. The Company received its Health Canada Sales License for the Perpetual Harvest Facility in February 2018. The Phase 2 expansion at the Perpetual Harvest Facility was substantially completed during the first quarter of 2019, and is as of the date of this MD&A, fully licensed by Health Canada.

(Page 13):

	Location	Use	Size	Capacity	Status	License
Vaughan	Vaughan, Ontario, Canada	Manufacturing and Packaging	60,000 sq ft	n/a	In production	Cultivation and sale
Niagara Phase 1 and 2	Pelham, Ontario, Canada	Grow	450,000 sq ft	50,000 kg/year	In production	Cultivation and sale

(Page 17):

- The Company received its Health Canada License under the ACMPR on October 6, 2017 for the Phase 1 redevelopment. On February 12, 2018 the Company obtained its Health Canada sales license under the ACMPR and began operating Phase 1 at full capacity. The 200,000 square foot Phase 2 expansion at the Perpetual Harvest Facility was substantially completed in the first quarter of 2019 and was fully licensed as of April 2019.

Excerpts from the Q1 2019 Financial Statements

(Page 6):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the federal Cannabis Act and its regulations (the "Cannabis Act") which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Cannabis Act.

- On January 13, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. acquired various greenhouse and related assets located in the regional municipality of Niagara, Ontario. The Company received its Health Canada Sales License for its Niagara Facility in February 2018.

Excerpts from the May 1 Prospectus

Incorporates by reference the Annual 2018 AIF, Financial Statements, and MD&A, and the Short Form Base Shelf Prospectus dated March 18, 2019, which in turn incorporates by reference the Annual 2017 AIF, Financial Statements, and MD&A, Q3 2018 FS and MD&A.

(Page S-10):

- In April 2019, our cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of our Phase 2 expansion, which is now fully licensed.

(Page S-19):

- Health Canada has issued licences to CannTrust Opco for each of our facilities (the "Cannabis Licences" and each a "Cannabis Licence"). The Cannabis Licence for the Vaughan Facility expires on March 13, 2020, and the Cannabis Licence for the Niagara Facility expires on October 6, 2020.

(Page S-21 to S-22):

The Vaughan Facility and Niagara Facility are integral to our business and adverse changes or developments affecting any of these facilities may have an adverse impact on us.

- Currently, our activities and resources are focused on the operation of the Vaughan Facility and Niagara Facility, and our current licences under the Cannabis Act are specific to the Vaughan and Niagara Facilities.

(Page S-44)

- We received our license from Health Canada in June 2014, and began production of medical cannabis at our hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). In 2018, we repurposed the Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. We own and operate an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Niagara Facility"), which is expected to have an annual capacity of approximately 50,000 kilograms. The planned Phase 3 expansion is expected to increase the annual capacity of the Niagara Facility to 100,000 kilograms upon its completion.

(Page S-48):

- In March 2017, through Elmcliffe, we acquired the real estate assets and related equipment of a greenhouse in the Town of Fenwick, Ontario within the Niagara Region. In October 2017, we received our Health Canada Cultivation Licence under the ACMPR for its completed 250,000 square foot Phase 1 redevelopment of the Niagara Facility and began production there. We believe the redevelopment of the Niagara Facility was Canada's first automated perpetual harvest designed specifically for this scale of cannabis production. We received our Health Canada Sales License for the Niagara Facility in February 2018. The Phase 2 expansion at the Niagara Facility was substantially completed during the first quarter of 2019 and Health Canada approved the amendment of our cultivation and processing permit to include the final 20% of the Phase 2 expansion on April 8, 2019.

(Page S-52):

	Location	Use	Size	Capacity	Status	License
Vaughan	Vaughan, Ontario, Canada	Manufacturing and Packaging	60,000 sq ft	n/a	In production	Cultivation and sale
Niagara Phase 1 and 2	Pelham, Ontario, Canada	Grow	450,000 sq ft	50,000 kg/year	In production	Cultivation and sale

(Page S-55):

- We received our Health Canada License under the ACMPR on October 6, 2017 for the Phase 1 redevelopment. On February 12, 2018 we obtained our Health Canada sales license under the ACMPR and began operating Phase 1 at full capacity. The 200,000 square foot Phase 2 expansion at the Niagara Facility was substantially completed in the first quarter of 2019.

(Page S-73):

Facilities & Operations

- We have completed the Phase 1 redevelopment of the Niagara Facility which is approximately 250,000 square feet and the Phase 2 expansion of approximately 200,000 square feet to which Health Canada granted a cultivation and production license.

(Page F-8):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the federal Cannabis Act and its regulations (the "Cannabis Act") which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Cannabis Act.

- On January 13, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. acquired various greenhouse and related assets located in the regional municipality of Niagara, Ontario.The Company received its Health Canada Sales License for its Niagara Facility in February 2018.

(Page F-18 to F-19):

- On March 6, 2017, the Company, through its wholly owned subsidiary Elmcliffe Investments Inc. executed a Purchase and Sale Agreement to acquire various greenhouse assets located in the regional municipality of Niagara, Ontario. . . . The Company received its Health Canada Sales License for this facility on February 12, 2018.

(Page 8 to 9 of March 18 Prospectus, incorporated into the May 1 Prospectus):

- The following summary addresses the primary Canadian federal and provincial laws and regulations associated with the production and distribution of legal cannabis and related products. It does not address the laws and regulations of any other jurisdiction. The Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations summarized below.

. . .

The Cannabis Regulations establish the following different classes of licences that are required depending on the nature of the activity being undertaken:

  - Cultivation licences — standard cultivation, micro-cultivation and nursery cultivation;
  - Processing licences — standard processing and micro-processing;
  - Sale, and sale for medical purposes;
  - Analytical testing;
  - Research; and

- Cannabis drug licence.

Pursuant to the Cannabis Regulations, any licence issued will be valid for no more than five years. Each class and subclass of licence carries different rules and requirements. The licence, once issued, identifies the specific activities that the licensee is authorized to conduct. The activities permitted under each class or subclass of licence are set out in the Cannabis Regulations.

For example, cultivation licence holders may be authorized to: (i) possess cannabis; (ii) obtain cannabis by cultivating, propagating and harvesting cannabis; (iii) obtain cannabis by altering its chemical or physical properties by any means, for the purpose of testing; and (iv) sell cannabis. Unlike under the ACMPR, the cultivation licence holders are permitted to conduct both indoor and outdoor cultivation of cannabis.

Schedule "B"
Misrepresentations Regarding Compliance with Regulations related to the Vaughan Facility

Excerpts from the 2017 AIF (incorporated by reference into certain Misleading Documents)

(Page 3):

- CannTrust Opco received its cultivation license from Health Canada under the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") on June 12, 2014 and began production of medical cannabis at its production facility in Vaughan, Ontario (the "**Vaughan Facility**").

(Page 5-6):

- We produce standardized pharmaceutical grade medical cannabis products that are completely pesticide-free at the Vaughan Facility, which is a 40,000 square foot, state-of-the-art hydroponic indoor facility in Vaughan, Ontario, including an in-house quality control laboratory. The Vaughan Facility currently has a potential production capacity of 3,600 kg of medical cannabis per year. We have made a significant infrastructure investment in technology for sanitation, risk mitigation and the prevention of crop failures. Automated nutrient management systems within the Vaughan Facility provide industry-leading, standardized horticultural practices.

(Page 7):

- The sales licenses issued by Health Canada to CannTrust Opco for the Vaughan Facility and the Niagara Facility (collectively, the "**ACMPR Licenses**") are effective until the expected renewal dates of March 13, 2020 and October 6, 2020, respectively. The ACMPR Licenses allow for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried cannabis and cannabis plants or seeds. It allows the Vaughan Facility and the Niagara Facility to produce dried cannabis and cannabis extracts up to such amounts as permitted by CannTrust Opco's storage capacity.

- The production of medical cannabis is a specialized skill. The Company's qualified and experienced growing team are focused on continuously improving its growing and production techniques and have refined and developed an advanced, disciplined approach with a focus on producing high quality and consistent medical cannabis. The production of medical cannabis is closely monitored by the Company's management with a focus on producing high quality dried cannabis and cannabis extracts.

- Health Canada, pursuant to the ACMPR, sets the standard required for production and sale of medical cannabis. CannTrust Opco's Quality Assurance team is led by a group of experienced operators and scientists and is focused on generating the highest quality and most consistent product that meets or exceeds Health Canada expectations.

- The combination of the Company's experienced growing team along with its goal of exceeding Health Canada's ACMPR quality assurance guidelines are essential to consistently providing high quality medical cannabis products that are safe for doctor prescribed medical cannabis clients.

(Page 9)

Production

- The Company, pursuant to the requirements of the ACMPR grows its medical cannabis indoors. The production process begins in the growing areas of the Vaughan Facility and the Niagara Facility, where plants are grown until ready for harvesting and drying. Once the plants have sufficiently dried, they are packaged and stored and are subject to quality control testing throughout that process at our onsite laboratory and at a third-party laboratory.

Packaging

- All medical cannabis products sold by the Company are sold or provided in tamper-evident containers or packages. Cannabis and cannabis oil extracts are provided in child-resistant containers. The Company complies with the Health Canada-prescribed labelling requirements which vary depending on the product type.

(Page 10-12):

- *Storage and Security*

Storage is a very important aspect of maintaining the integrity and quality of cannabis. The environment needs to be controlled. The Company is sensitive to the environmental risks that threaten the product and stores its finished product in a vault with full control over the environment, including heat, light, temperature and humidity. Deterioration is usually a result of dehydration arising from one of these environmental concerns. The Company's ability to control aspects of the environment within the storage facility allow the Company to uphold the quality of its products.

Subdivision C of the ACMPR sets out physical security requirements that are necessary to secure sites where licensed producers conduct activities with medical cannabis other than storage. As per Health Canada regulations, the Vaughan Facility contains four Level 8 Vaults and the Niagara Facility recently added three Level 9 Vaults. The vaults are equipped with security cameras, motion sensors, finger print, pass code locked doors and seismic sensors that trigger alarms when vibrations are detected.

On January 25, 2018, Health Canada revised the storage and security requirements of the ACMPR such that vaults are no longer required as outlined in the Directive on Physical Security Requirements for Controlled Substances. Instead licensed producers will be required to store cannabis within a secure area of their facility. In addition, licensed producers will no longer be required to maintain 24/7 video surveillance inside the rooms where cannabis is being cultivated, propagated or harvested. All access points to cultivation, propagation and harvesting rooms will, however, continue to be subject to 24/7 video surveillance and recording in order to record all entries and exits.

The Company has taken advantage of these less stringent regulations. Pursuant to the updated security requirements of the ACMPR, the Company's facilities meet the following requirements:

1) each site is designed in a manner that prevents unauthorized access to the site itself and, once inside the site, to any area within the site where cannabis is present (the "Key Areas");
2) the perimeter of each site and the Key Areas are each visually monitored at all times by recording devices that will detect any actual or attempted unauthorized access or illicit conduct;
3) there is an intrusion detection system which detects actual or attempted unauthorized access to the site or, once inside the site, to the Key Areas which intrusion detection system be monitored by such personnel as can take appropriate steps in response to any such unauthorized access and make a record on any such unauthorized access;
4) records are kept of every person entering and exiting the Key Areas;
5) there are physical barriers preventing unauthorized access to Key Areas; and
6) the Key Areas are equipped with an air filtration system that prevents the escape of odours and pollen.

Health Canada conducts ad hoc, unscheduled site inspections of licensed producers. The Company has experienced these inspections at its Vaughan Facility and Niagara Facility on a monthly basis and has responded to and complied with all requests from Health Canada within the time frames indicated in such requests.

- *Quality Control*

The Company understands the importance placed upon adhering to the "Good Production Practices" which are mandated by the ACMPR. These practices relate to the premises, storage of dried cannabis, equipment, sanitation program, standard operating procedures, recall of product, and quality assurance personnel. The Company currently has an in-house quality control laboratory and employs quality assurance persons with appropriate training, experience, and technical knowledge to approve the quality of the Company's products.

In accordance with Section 73 of the ACMPR, all of the Company's quality control and sanitation procedures have been outlined for all personnel as standard operating procedures. New employees undergo a training program in which they are taught the appropriate implementation of these protocols.

For the purposes of quality control, the Company tracks each "lot" (a specific genotype of medical cannabis that is initiated for production at one time, either by seed or clonal propagation) using a lot number, which is used to track lot quality control and sales in the Company's tracking software. Furthermore, the lot number is used in all sales transactions, and as such will serve as an identifier to rapidly initiate recall reporting as outlined in Section 77 of the ACMPR.

Final dried cannabis that passes quality control is sealed in plastic bottles and stored within the climate-controlled vaults. Cannabis oil that passes quality control is sealed in containers and also stored in the climate-controlled vaults. Only products that pass the tests in the Company's quality control process will be offered for sale. As of the date hereof, the Company has not been required to recall distributed product.

- *Sanitation*

  The Company has implemented a rigorous process to maintain a sanitary environment for the growth of its flowers, which includes a sanitation protocol for personnel entry into the growing areas, the use of stainless steel to allow for efficient cleaning and sanitation and regularly scheduled surface and drain sterilization.

- *Operations*

  The facilities and equipment required to manage production include the following:

  1) walk-in vaults;
  2) building security, including access control, video surveillance and motion detectors;
  3) shipping bay for client shipments;
  4) growing equipment, including trays, containers, specialized lighting and associated controls, circulating fans and watering systems;
  5) oil production equipment, including a grinder, vacuum oven, kettle, and a state of the art C02 extractor;
  6) HVAC systems, primarily exhaust and cooling, to maintain an optimal growing environment;
  7) odour control systems;
  8) enhanced electrical distribution primarily for the high intensity lighting systems; and
  9) laboratory equipment or outsourcing arrangements to monitor and test product quality for compliance with the Food and Drugs Act, Pest Control Products Act and product labelling standards under the ACMPR.

(Page 12 -14):

- *ACMPR License Renewal*

  CannTrust Opco's ACMPR Licenses for the Vaughan Facility and the Niagara Facility are valid until March 13, 2020 and October 6, 2020, respectively. Before the end of the terms of the ACMPR Licenses, CannTrust Opco must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. The ACMPR requires that the Minister of Health (the "Minister"), after examining the application and any supplementary information requested, issue renewed ACMPR Licenses, unless:

  d) the Minister has reasonable grounds to believe that false or misleading information or false or falsified documents were submitted in or with the application;

  f) the applicant does not have in place the security measures set out in the Security Directive and Subdivision C of the ACMPR in respect of an activity for which the ACMPR Licence is sought;

g) the applicant is in contravention of or has contravened in the past 10 years:

- a provision of the CDSA or its regulations or the Food and Drugs Act, or
- a term or condition of another licence or a permit issued to it under any of those regulations;

j) the proposed method of record keeping does not meet the requirements of the ACMPR

- *Reporting Requirements*

The ACMPR imposes certain general requirements and reporting obligations on licensed producers such as CannTrust Opco. These requirements and obligations include:

(f) within five days after such change, CannTrust Opco must notify the Minister of any change to:

i. the method used for keeping records;

ii. the security of the sites, other than a change that affects the security level of any building at which cannabis, other than cannabis plants, is stored;

(I) the Minister must be provided with any information that the Minister may require in respect of the records, documents and information referred to in the ACMPR, in the form and at the times that the Minister specifies.

(Page 19):

- The Company has sought and received its ACMPR Licenses for the Vaughan Facility and Niagara Facility which each provide for (a) the production and sale of dried cannabis; (b) the production and sale of cannabis oil (c) the production and sale of cannabis in its natural form: cannabis resin; (d) the production and sale of cannabis plants; and (e) the production and sale of cannabis seeds.

(Page 20):

The Company's qualified and experienced growing team is focused on continuously improving its growing and production techniques and has refined and developed an advanced, disciplined approach with a focus on producing high quality and consistent medical cannabis. The production of medical cannabis is closely monitored by the Company's management with a focus on producing high quality dried cannabis and cannabis extracts.

(Page 21 to Page 22):

- The operations of the Company require it to obtain ACMPR Licences for the transportation, distribution, production and sale of medical cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

(Page 22):

- The failure of the Company to obtain and maintain the applicable licenses and amendments thereto would have a material adverse impact upon the Company.

- In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. ... The ACMPR License for the Vaughan Facility expires on March 13, 2020 and the ACMPR License for the Niagara Facility expires on October 6, 2020.

- *Regulatory Risks*

  Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical cannabis industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada's compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company.

  The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, the Company is currently in compliance with all such laws.

  (Page 23):

- Health Canada inspectors routinely assess the Vaughan Facility and the Niagara Facility against ACMPR regulations and provide the Company with follow up reports noting observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures at the Vaughan Facility and the Niagara Facility both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner.

(Page 26):

- Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

(Page 28):

- Given the nature of the Company's products and the lack of legal availability of such products outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

(Page 32):

- Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under the ACMPR Licenses or the prospect of renewing the ACMPR Licenses.

<u>Excerpts from the 2017 Annual MD&A (incorporated by reference into certain Misleading Documents)</u>

(Page 2):

- CannTrust Opco is a Licenced Producer and distributor of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations (Canada) ("ACMPR"). CannTrust Opco received its license from Health Canada on June 12, 2014 and began production of medical cannabis at its state-of-the-art hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility").

(Page 16):

- The operations of the Company require it to obtain ACMPR Licences for the transportation, distribution, production and sale of medical cannabis, and in some cases, renewals of existing licences from, and the issuance of permits by certain national authorities in Canada. The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

(Page 17-18):

- The failure of the Company to obtain and maintain the applicable licenses and amendments thereto would have a material adverse impact upon the Company.

- In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. The ACMPR License for the Vaughan Facility expires on March 13, 2020 and the ACMPR License for the Greenhouse Facility expires on October 6, 2020.

- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, the Company is currently in compliance with all such laws.

- Health Canada inspectors routinely assess the Vaughan Facility and the Greenhouse Facility against ACMPR regulations and provide the Company with follow up reports noting observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures at the Vaughan Facility and the Greenhouse Facility both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner.

(Page 22):

- Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(Page 24):

- Given the nature of the Company's products and the lack of legal availability of such products outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

(Page 28):

- Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under the ACMPR Licenses or the prospect of renewing the ACMPR Licenses.

Excerpts from the 2017 Annual Financial Statements (incorporated by reference into certain Misleading Documents)

(Page 7):

The Company is a licensed producer and distributor of medical cannabis in Canada pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marihuana for Medical Purposes Regulations ("MMPR") in February 2015.

Excerpts from the Q2 2018 MD&A

(Page 2):

- CannTrust Opco is a Licenced Producer and distributor of medical cannabis pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations (Canada) ("ACMPR"). CannTrust Opco received its license from Health Canada on June 12, 2014 and began production of medical cannabis at its state-of-the-art hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility").

Excerpts from the Q2 2018 Financial Statements

(Page 6):

- The Company is a licensed producer and distributor of medical cannabis in Canada pursuant to the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") and the Controlled Drugs and Substances Act and its Regulations. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015.

Excerpts from the Q3 2018 MD&A

(Page 2):

- CannTrust Opco is a Licenced Producer and distributor of medical and recreational cannabis pursuant to the provisions of the Cannabis Act and its regulations which came into force on October 17, 2018. CannTrust Opco received its license from Health Canada on June 12, 2014 and began production of medical cannabis at its state-of-the-art hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). The Company's primary focus is to produce and deliver the highest quality, standardized, pharmaceutical grade cannabis products and in so doing strengthen its market share in legal cannabis markets in Canada and to establish positions for its products in legal cannabis markets abroad.

<u>Excerpts from the Q3 2018 Financial Statements</u>

(Page 6):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the Cannabis Act and its regulation which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Canadian Cannabis Act.

<u>Excerpts from the 2018 AIF</u>

(Page 9)

- The Company produced standardized medical cannabis products at the Vaughan Facility, which has been repurposed from a grow facility into a 60,000 square foot, state-of-the-art extraction, manufacturing and packaging facility, including an in-house quality control laboratory. The lease for the Vaughan Facility commenced on December 1, 2013 for an initial term of 10 years ending on November 30, 2023, with CannTrust Opco having an option to extend for two additional terms of five years each if it is not otherwise in default under the terms of the lease.

(Page 10):

- The licences issued by Health Canada to CannTrust Opco for the Vaughan Facility and the Niagara Facility (collectively, the "Cannabis Licences") are effective until the expected renewal dates of March 13, 2020 and October 6, 2020, respectively. The Cannabis Licences allow for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried cannabis and cannabis plants or seeds. It allows the Vaughan Facility and the Niagara Facility to produce dried cannabis and cannabis extracts up to such amounts as permitted by CannTrust Opco's storage capacity.

(Page 14)

Production

- The Company currently grows its cannabis in the state of the art greenhouse in the Niagara Facility. The harvested product is then shipped to the Vaughan Facility for extraction, manufacturing, packaging and order fulfillment.

  Facilities & Operations

- The Company has repurposed its Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory.

  Packaging

- The Company adheres to prescribed packaging requirements under the Cannabis Act and the Cannabis Regulations. The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products.

(Page 15):

Storage and Security

- Storage is a very important aspect of maintaining the integrity and quality of cannabis. The environment needs to be controlled. The Company is sensitive to the environmental risks that threaten the product and stores its finished product in a secure area with full control over the environment, including heat, light, temperature and humidity. Deterioration is usually a result of dehydration arising from one of these environmental concerns. The Company's ability to control aspects of the environment within the storage facility allow the Company to uphold the quality of its products.

- In addition, the Company's facilities meet the following prescribed security requirements for its sites and storage areas:

  1) each site is designed in a manner that prevents unauthorized access to the site itself and, once inside the site, to any area within the site where cannabis is present (the "**Key Areas**");

  2) the perimeter of each site and the Key Areas are each visually monitored at all times by recording devices that will detect any actual or attempted unauthorized access or illicit conduct;

  3) there is an intrusion detection system which detects actual or attempted unauthorized access to the site or, once inside the site, to the Key Areas which intrusion detection system be monitored by such personnel as can take appropriate steps in response to any such unauthorized access and make a record on any such unauthorized access;

  4) records are kept of every person entering and exiting the Key Areas;

  5) there are physical barriers preventing unauthorized access to Key Areas; and

6) the Key Areas are equipped with an air filtration system that prevents the escape of odours and pollen.

- Health Canada conducts ad hoc, unscheduled site inspections of licensed producers. Health Canada inspectors assess the Vaughan Facility and the Niagara Facility on a monthly basis against Cannabis Regulations and provide the Company with follow up reports noting observed deficiencies The Company is continuously reviewing and enhancing its operational procedures at the Vaughan Facility and the Niagara Facility both proactively and in response to routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner. As of the date hereof, there are no outstanding inspection issues with Health Canada beyond day-to-day adjustments that may occur in order to ensure ongoing compliance.

(Page 16):

Quality Control

- The Company understands the importance placed upon adhering to "Good Production Practices", which were previously mandated by the ACMPR and continue under the Cannabis Regulations. These practices relate to the premises for and production of cannabis, as well as the equipment, sanitation program, standard operating procedures, recall, and quality assurance personnel required to operate in these regulations. The Company currently has an in-house quality control laboratory and employs quality assurance persons with appropriate training, experience, and technical knowledge to assure the quality of the Company's products.

- All of the Company's quality control and sanitation procedures have been outlined for all personnel as standard operating procedures. New employees undergo a training program in which they are taught the appropriate implementation of these protocols.

- For the purposes of quality control, the Company tracks each "lot" (a specific genotype of medical cannabis that is initiated for production at one time, either by seed or clonal propagation) using a unique lot number, via electronic and paper based systems. Furthermore, the lot number is used in all sales transactions, and as such serves as an identifier to rapidly initiate recall reporting.

- Final dried cannabis that passes quality control is sealed in plastic bottles and stored within the climate-controlled secure area. Cannabis extract that passes quality control is sealed in containers and also stored in a climate-controlled area. All product is tested for potency, microbiological, heavy metal, and pesticide contamination using validated methods. Only products that pass the tests in the Company's quality control process are offered for sale.

(Page 17)

Reporting Requirements

- Licence holders have extensive reporting obligations under the Cannabis Regulations and under the specific terms of the licences they hold.

(Page 25):

- CannTrust Opco's Cannabis Licences for the Vaughan Facility and the Niagara Facility are valid until March 13, 2020 and October 6, 2020, respectively.

- The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities which it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits.

(Page 29):

- The Cannabis Licence for the Vaughan Facility expires on March 13, 2020 and the Cannabis Licence for the Niagara Facility expires on October 6, 2020.

(Page 33):

The Vaughan Facility and Niagara Facility are integral to the Company's business and adverse changes or developments affecting any of these facilities may have an adverse impact on the Company.

- Currently, the Company's activities and resources are focused on the operation of the Vaughan Facility and Niagara Facility, and its current licenses under the Cannabis Act are specific to the Vaughan and Niagara facilities.

(Page 63):

MATERIAL CONTRACTS

- The following are the material contracts entered into by the Company, including certain contracts entered into in the ordinary course of business, since the beginning of the most recently completed financial year and prior to the most recently completed financial year if those material contracts are still in effect:

    - (i) Lease agreement for the Vaughan Facility between the Company and N.H.D. Developments Limited, dated September 27, 2013. See "Description of the Business – General" for more information.

    - (ii) Cannabis Licences granted by Health Canada in respect of the Vaughan Facility and the Niagara Facility. See "Description of the Business – ACMPR Licences" for more information.

<u>Excerpts from the Annual 2018 MD&A</u>

(Page 3):

- CannTrust is a Licensed Producer and distributor of medical and recreational cannabis pursuant to the provisions of the Cannabis Act (Canada) (the “Cannabis Act”) and its regulations which came into force on October 17, 2018. The Company's primary focus is to produce and deliver the highest quality, standardized, cannabis products, strengthen its market share in legal cannabis markets in Canada, and expand its business in legal cannabis markets internationally.

- CannTrust received its license from Health Canada in June 2014, and began production of medical cannabis at its hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). In 2018, the Company repurposed the Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. The Company owns and operates an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Perpetual Harvest Facility"), which is expected to have an annual capacity of approximately 50,000 kilograms. The planned Phase 3 expansion is expected to increase the annual capacity of the Perpetual Harvest Facility to 100,000 kilograms upon its completion.

(Page 13):

- *Operational Overview*

Location	**Use**	**Size**	**Capacity**	**Status**	**License**
Vaughan, Ontario, Canada	Manufac turing and Packagin g	60,000 sq ft	n/a	In production	Cultivation and sale

Excerpts from the Annual 2018 Financial Statements

(Page 8):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the federal Cannabis Act and its regulations (the "Cannabis Act") which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Cannabis Act.

Excerpts from the Q1 2019 MD&A

(Page 3)

- CannTrust received its license from Health Canada in June 2014, and began production of medical cannabis at its hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). In 2018, the Company repurposed the Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. The Company owns and operates an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Perpetual Harvest Facility"), which is expected to have an annual capacity of approximately 50,000 kilograms. The planned Phase 3 expansion is expected to increase the annual capacity of the Perpetual Harvest Facility to 100,000 kilograms upon its completion.

(Page 13):

	Location	**Use**	**Size**	**Capacity**	**Status**	**License**
Vaughan	Vaughan, Ontario, Canada	Manufacturing and Packaging	60,000 sq ft	n/a	In production	Cultivation and sale

Excerpts from the Q1 2019 Financial Statements

(Page 6):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the federal Cannabis Act and its regulations (the "Cannabis Act") which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Cannabis Act.

Excerpts from the Prospectus May 1, 2019

Incorporates by reference the Annual 2018 AIF, Financial Statements, and MD&A, and the Short Form Base Shelf Prospectus dated March 18, 2019, which in turn incorporates by reference the Annual 2017 AIF, Financial Statements, and MD&A, Q3 2018 FS and MD&A.

(page S-7)

- We have scaled and diversified our growing and cultivation capabilities across our facilities in both Niagara, Ontario and Vaughan, Ontario.

(Page S-8)

- Our manufacturing center of excellence is approximately 60,000 square feet and is located in Vaughan, Ontario (the "Vaughan Facility"). It uses state of the art processes, such as our multihead weigher (a machine that quickly and accurately weighs product for packaging), capper and labeler technology, which allow us to maximize our output of dried flower product and our in-house quality control laboratory helps us ensure the quality and standardization of our product.

(Page S-19):

- Health Canada has issued licences to CannTrust Opco for each of our facilities (the "Cannabis Licences" and each a "Cannabis Licence"). The Cannabis Licence for the Vaughan Facility expires on March 13, 2020, and the Cannabis Licence for the Niagara Facility expires on October 6, 2020.

(Page S-21 to S-22):

The Vaughan Facility and Niagara Facility are integral to our business and adverse changes or developments affecting any of these facilities may have an adverse impact on us.

- Currently, our activities and resources are focused on the operation of the Vaughan Facility and Niagara Facility, and our current licences under the Cannabis Act are specific to the Vaughan and Niagara Facilities.

(Page S-44)

- We received our license from Health Canada in June 2014, and began production of medical cannabis at our hydroponic indoor facility in Vaughan, Ontario (the "Vaughan Facility"). In 2018, we repurposed the Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. We own and operate an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Niagara Facility"), which is expected to have an annual capacity of approximately 50,000 kilograms. The planned Phase 3 expansion is expected to increase the annual capacity of the Niagara Facility to 100,000 kilograms upon its completion.

(Page S-52):

	Location	**Use**	**Size**	**Capacity**	**Status**	**License**
Vaughan	Vaughan, Ontario, Canada	Manufacturing and Packaging	60,000 sq ft	n/a	In production	Cultivation and sale

(Page S-69):

- The Company has scaled and diversified its growing and cultivation capabilities across its facilities in both Niagara, Ontario and Vaughan, Ontario.

(Page S-70):

- The Company's manufacturing center of excellence is approximately 60,000 square feet and is located in Vaughan, Ontario (the "Vaughan Facility"). It uses state of the art processes, such as its multihead weigher (a machine that quickly and accurately weighs product for packaging), capper and labeler technology, which allows the Company to maximize the Company's output of dried flower product and the Company's in-house quality control laboratory helps us ensure the quality and standardization of the Company's product.

(Page S-73):

Facilities & Operations

- We have repurposed our Vaughan Facility from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory.

(Page F-8):

- The Company is a licensed producer and distributor of medical and recreational cannabis in Canada pursuant to the federal Cannabis Act and its regulations (the "Cannabis Act") which came into force on October 17, 2018. The Company began production of medicinal cannabis at its hydroponic facility located in Vaughan, Ontario in Canada and received its license from Health Canada to sell on February 9, 2015. The Company commenced sale of medicinal cannabis under the Marijuana for Medical Purposes Regulations ("MMPR") in February 2015. On October 17, 2018, the Company commenced sale of recreational cannabis for adult use under the Cannabis Act.

(Page 8 to 9 of March 18 Prospectus, incorporated into the May 1 Prospectus):

Vaughan Facility

- The Vaughan Facility has been repurposed from a grow facility into a state-of-the-art extraction, manufacturing and packaging facility of approximately 60,000 square feet, including an in-house quality control laboratory. The Vaughan Facility is currently being upgraded to obtain Good Manufacturing Practices (GMP) certification at an expected capital cost of between $5 – $10 million and is expected to be completed in the next 12 months.

- The following summary addresses the primary Canadian federal and provincial laws and regulations associated with the production and distribution of legal cannabis and related products. It does not address the laws and regulations of any other jurisdiction. The Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations summarized below.

...

The Cannabis Regulations establish the following different classes of licences that are required depending on the nature of the activity being undertaken:

- o Cultivation licences — standard cultivation, micro-cultivation and nursery cultivation;
- o Processing licences — standard processing and micro-processing;
- o Sale, and sale for medical purposes;
- o Analytical testing;
- o Research; and
- o Cannabis drug licence.

Pursuant to the Cannabis Regulations, any licence issued will be valid for no more than five years. Each class and subclass of licence carries different rules and requirements. The licence, once issued, identifies the specific activities that the licensee is authorized to conduct. The activities permitted under each class or subclass of licence are set out in the Cannabis Regulations.

For example, cultivation licence holders may be authorized to: (i) possess cannabis; (ii) obtain cannabis by cultivating, propagating and harvesting cannabis; (iii) obtain cannabis by altering its chemical or physical properties by any means, for the purpose of testing; and (iv) sell cannabis. Unlike under the ACMPR, the cultivation licence holders are permitted to conduct both indoor and outdoor cultivation of cannabis.

Schedule "C"

Misrepresentations that CannTrust had effective ICFR and DC&P

Excerpts from Q2 2018 MD&A

(Page 17):

Disclosure Controls and Internal Controls over Financial Reporting

Internal Control over Financial Reporting

In accordance with National Instrument 52-109 of the Canadian Securities Administrators, management is responsible for establishing and maintaining adequate Disclosure Controls and Procedures ("DCP") and Internal Control over Financial Reporting ("ICFR"). The Company's CEO and CFO are required to file certifications relating to DCP and ICFR for the Company in connection with its interim and annual filings.

Limitations of Controls and Procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Excerpts from Q3 2018 MD&A

(Page 18):

Disclosure Controls and Internal Controls over Financial Reporting

Internal Control over Financial Reporting

In accordance with National Instrument 52-109 of the Canadian Securities Administrators, management is responsible for establishing and maintaining adequate Disclosure Controls and Procedures ("DCP") and Internal Control over Financial Reporting ("ICFR"). The Company's CEO and CFO are required to file certifications relating to DCP and ICFR for the Company in connection with its interim and annual filings.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Excerpts from 2018 Annual MD&A

(Pages 27-28):

Disclosure Controls and Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, and as required by the applicable rules of the SEC, management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P"), as defined in Rules 13a-15(e) and 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and internal control over financial reporting ("ICFR"), as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Management has designed ICFR based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed by management, under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

As of December 31, 2018, the Company had limited accounting personnel with expertise to assist in the effective preparation of financial statements and related note disclosures. In particular, the Company did not have sufficient resources with appropriate knowledge of IFRS to allow for an independent review in complex areas of financial reporting with respect to non-routine transactions, resulting in a reasonable likelihood that a material misstatement to the consolidated financial statements may not be prevented or detected on a timely basis. As a result of the non-routine transaction assessment, management concluded that the DC&P and ICFR were not effective as of December 31, 2018, and has since implemented new mitigating controls and procedures. This assessment was not related to internal control deficiencies identified for routine operating activities. The Company has devoted significant resources and time to design and implement its current ICFR program and continues to engage third party resources specialized in ICFR implementations to enhance its current controls and the associated processes and systems. Additionally, the Company has provided significant human resources to these efforts, including hiring new employees to assist in ICFR activities and training of key process owners. In particular, since December 31, 2018, we have hired a new Chief Financial Officer and a new Vice President of Finance, both of whom have expertise in internal controls and governance, to enhance the existing team. Management has consistently embraced the importance of maintaining a robust ICFR program and is committed to enhancing the current system through continuous improvement and review.

Changes in Internal Control Over Financial Reporting

In the ordinary course of business, the Company's management reviews its ICFR system and make changes to its applications and processes to improve such controls and increase efficiency, while ensuring that the Company maintains an adequate internal control environment. Other than as discussed above, during Q4 2018, there were no changes in ICFR that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believes that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Excerpts from Q1 2019 MD&A

(Pages 26-27):

Disclosure Controls and Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, and as required by the applicable rules of the SEC, management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P"), as defined in Rules 13a-15(e) and 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and internal control over financial reporting ("ICFR"), as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Management has designed ICFR based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed by management, under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

As of December 31, 2018, the Company had limited accounting personnel with expertise to assist in the effective preparation of financial statements and related note disclosures. In particular, the Company did not have sufficient resources with appropriate knowledge of IFRS to allow for an independent review in complex areas of financial reporting with respect to non-routine transactions, resulting in a reasonable likelihood that a material misstatement to the consolidated financial statements may not be prevented or detected on a timely basis. As a result of the non-routine transaction assessment, management concluded that the DC&P and ICFR were not effective as of December 31, 2018, and has since implemented new mitigating controls and procedures. This assessment was not related to internal control deficiencies identified for routine operating activities. The Company has devoted significant resources and time to design and implement its current ICFR program and continues to engage third party resources specialized in ICFR implementations to enhance its current controls and the associated processes and systems. Additionally, the Company has provided significant human resources to these efforts, including hiring new employees to assist in ICFR activities and training of key process owners. In particular, since December 31, 2018, the Company hired a new Chief Financial Officer and a new Vice President of Finance, both of whom have expertise in internal controls and governance, to enhance the existing team. Management has consistently embraced the importance of maintaining a robust ICFR program and is committed to enhancing the current system through continuous improvement and review. As at March 31, 2019, the Company continues to be in the process of evaluating the effectiveness of the new controls and procedures implemented to enhance the control environment.

Changes in Internal Control Over Financial Reporting

In the ordinary course of business, the Company's management reviews its ICFR system and make changes to its applications and processes to improve such controls and increase efficiency, while ensuring that the Company maintains an adequate internal control environment. Other than as discussed above, during the first quarter of 2019 there were no changes in ICFR that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believes that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Excerpts from May 1 Prospectus

(Page S-63 to S-64)

Disclosure Controls and Internal Controls over Financial Reporting
In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and as required by the applicable rules of the SEC, management is responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**"), as defined in Rules 13a-15(e) and 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**") and internal control over financial reporting ("**ICFR**"), as defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Exchange Act. Management has designed ICFR based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our disclosure controls and procedures are designed to provide reasonable assurance that material information relating to us is made known to senior management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") and information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed by management, under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of its financial statements in accordance with IFRS.

As of December 31, 2018, we had limited accounting personnel with expertise to assist in the effective preparation of financial statements and related note disclosures. In particular, we did not have sufficient resources with appropriate knowledge of IFRS to allow for an independent review in complex areas of financial reporting with respect to non-routine transactions, resulting in a reasonable likelihood that a material misstatement to the consolidated financial statements may not be prevented or detected on a timely basis. As a result of the non-routine transaction assessment, management concluded that the DC&P and ICFR were not effective as of December 31, 2018, and has since implemented new mitigating controls and procedures. This assessment was not related to internal control deficiencies identified for routine operating activities. We have devoted significant resources and time to design and implement its current ICFR program and continues to engage third party resources specialized in ICFR implementations to enhance its current controls and the associated processes and systems. Additionally, we have provided significant human resources to these efforts, including hiring new employees to assist in ICFR activities and training of key process owners. In particular, since December 31, 2018, we have hired a new Chief Financial Officer and a new Vice President of Finance, both of whom have expertise in internal controls and governance, to enhance the existing team. Management has consistently embraced the importance of maintaining a robust ICFR program and is committed to enhancing the current system through continuous improvement and review.

Changes in Internal Control Over Financial Reporting

In the ordinary course of business, our management reviews our ICFR system and make changes to its applications and processes to improve such controls and increase efficiency, while ensuring that we maintain an adequate internal control environment. Other than as discussed above, during Q4 2018, there were no changes in ICFR that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of Controls and Procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, believes that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within our business have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Patrick Hrusa, *et al* Plaintiffs	and	CannTrust Holdings Inc., *et al*

Court File No.: CV-19-00629743-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

SUPERIOR COURT OF JUSTICE / COUR SUPÉRIEURE DE JUSTICE
FILED / DÉPOSÉ
OCT 2 1 2019
AT / À
LOCAL REGISTRAR / GREFFIER LOCAL
TORONTO

STATEMENT OF CLAIM

CERTIFIED TO BE A TRUE COPY THE ORIGINATING PROCESS ISSUED HEREIN
COPIE AUTHENTIQUE CERTIFIÉE ET CONFORME À L'ACTE INTRODUCTIF D'INSTANCE DÉLIVRÉ CI-INCLUS
DATED: / FAIT LE: Oct 24 2019
PER / PAR:
SOLICITOR FOR THE / AVOCAT POUR LE

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Lawyers for the Plaintiffs

BILL REGISTER

27064 KPMG LLP

509 CannTrust Class Action

Bill Number	Bill Date	Fees	Disb.	Tax	Total Billed
2146919	11/12/2019	$ 100,754.55		$ 13,098.10	$ 113,852.65
2153769	12/16/2019	$ 12,729.60		$ 1,654.85	$ 14,384.45
2157965	12/31/2019	$ 7,867.80	$ 126.05	$ 1,039.20	$ 9,033.05
2167407	2/21/2020	$ 1,116.00		$ 145.08	$ 1,261.08
2171088	3/12/2020	$ 8,619.50		$ 1,120.54	$ 9,740.04
2179458	4/28/2020	$ 4,870.50		$ 633.17	$ 5,503.67
2181909	5/11/2020	$ 33,603.30		$ 4,368.43	$ 37,971.73
2190487	6/29/2020	$ 16,526.25		$ 2,148.42	$ 18,674.67
2191863	7/9/2020	$ 66,232.35		$ 8,610.21	$ 74,842.56
2198111	8/18/2020	$ 81,554.40		$ 10,602.07	$ 92,156.47
2203153	9/17/2020	$ 32,908.31		$ 4,278.09	$ 37,186.40
2207840	10/16/2020	$ 54,621.00	$ 3.85	$ 7,101.23	$ 61,726.08
2214023	11/19/2020	$ 35,244.12		$ 4,581.74	$ 39,825.86
2216956	12/4/2020	$ 32,045.56		$ 4,165.93	$ 36,211.49
2223139	12/31/2020	$ 21,811.50		$ 2,835.49	$ 24,646.99
2230993	2/17/2021	$ 71,228.50		$ 9,259.71	$ 80,488.21
Totals:		$ 581,733.24	$ 129.90	$ 75,642.26	**$ 657,505.40**

This is Exhibit "E" referred to in the Affidavit of Maria Farache, sworn remotely at the City of Toronto, in the Province of Ontario, remotely before me at the City of Richmond Hill, in the Province of Ontario, on the 17th day of March, 2021 in accordance with O.Reg.431/20 Administering Oath or Declaration Remotely

Jennifer Maringola

Commissioner for Taking Affidavits (or as may be)

JENNIFER MARINGOLA

Jennifer Maringola,
a Commissioner, etc., Province
of Ontario, for Blake, Cassels &
Graydon LLP, Barrister and Solicitors.
Expires January 28, 2023.

CannTrust Announces the Withdrawal of Auditors' Report

VAUGHAN, ON, August 9, 2019 /CNW/ – CannTrust Holdings Inc. ("CannTrust" or the "Company", TSX: TRST, NYSE: CTST) today announced that the Company's independent auditor, KPMG LLP, Chartered Professional Accountants ("KPMG"), has informed the Company that effective August 8, 2019, it is withdrawing its report dated March 27, 2019 on the Company's consolidated financial statements as at and for the year ended December 31, 2018 and its interim report to the Audit Committee dated May 13, 2019 on the unaudited condensed interim consolidated financial statements as at and for the three month period ended March 31, 2019 (collectively, the "KPMG Reports"), and therefore, the KPMG Reports should no longer be relied upon. KPMG remains CannTrust's independent auditor. The Company's cooperation with KPMG is being directed by the Company's Audit Committee and a special committee (the "Special Committee") of its board of directors which is conducting an ongoing investigation into various matters.

As previously disclosed, Management is of the view that there is significant uncertainty with respect to the potential impact of pending Health Canada decisions on the valuation of the Company's inventory and biological assets and revenue recognition. Accordingly, CannTrust cautions against any reliance on its consolidated financial statements as at December 31, 2018 and interim consolidated financial statements as at and for the three month period ended March 31, 2019. CannTrust is continuing to cooperate with Health Canada and the impact of the matters being investigated by the Special Committee on CannTrust's financial results is unknown at this time. Further updates, to the extent material, will be provided as they become available.

KPMG's decision was prompted by the Company's caution against reliance on its financial statements for the year ended December 31, 2018 and for the three months ended March 31, 2019, as well as the recent sharing with KPMG of newly uncovered information from the Special Committee's investigation, including information that led to senior leadership changes announced on July 25, 2019. KPMG was not aware of the information recently shared by the Company when it issued the KPMG Reports and had relied upon representations made by individuals who are no longer at the Company.

"We will continue cooperating with our auditor and regulators, and take whatever steps are necessary to restore full trust in the Company's regulatory compliance. Our medical patients, customers, shareholders and employees deserve nothing less", said Robert Marcovitch, the Company's Chief Executive Officer.

About CannTrust

CannTrust is a federally regulated licensed producer of medical and recreational cannabis in Canada. Founded by pharmacists, CannTrust brings more than 40 years of pharmaceutical and healthcare experience to the medical cannabis industry and serves medical patients with its dried, extract and capsule products. The Company operates its Niagara Perpetual Harvest Facility in Pelham, Ontario, and prepares and packages its product portfolio at its manufacturing centre in Vaughan, Ontario. The Company has also purchased 81 acres of land in British Columbia and expects to secure over 240 acres of land in total for low-cost outdoor cultivation which it will use for its extraction-based products.

Forward-Looking Statements

This press release contains "forward-looking information" within the meaning of Canadian Securities laws and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable United States safe harbor laws, and such statements are based upon CannTrust's current internal expectations, estimates, projections, assumptions and beliefs and views of future events. Forward-looking information and forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may", "would" or "will" happen, or by discussions of strategy.

The forward-looking information and statements in this news release include statements relating to the expected timeframe and resolution for the completion of Health Canada's quality product testing and Health Canada's determinations and decisions with respect to regulatory compliance matters. Forward-looking information and statements necessarily involve known and unknown risks, including, without limitation: results of Health Canada's quality product testing, including orders and compliance measures required by Health Canada and their impact on the operations and financial condition of the Company; regulatory approval; risks associated with general economic conditions; adverse industry events; loss of markets; future legislative and regulatory developments in Canada, the United States and elsewhere; the cannabis industry in Canada generally; and, the ability of CannTrust to implement its business strategies.

Any forward-looking information and statements speak only as of the date on which they are made, and, except as required by law, CannTrust does not undertake any obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise. New factors emerge from time to time, and it is not possible for CannTrust to predict all such factors. When considering these forward-looking information and statements, readers should keep in mind the risk factors and other cautionary statements in CannTrust's Annual Information Form dated March 28, 2019 (the "AIF") and filed with the applicable Canadian securities regulatory authorities on SEDAR at www.sedar.com and filed as an exhibit CannTrust's Form 40-F annual report under the United States Securities Exchange Act of 1934, as amended, with the United States Securities and Exchange Commission on EDGAR at www.sec.gov. The risk factors and other factors noted in the AIF could cause actual events or results to differ materially from those described in any forward-looking information or statements.

The TSX and NYSE do not accept responsibility for the adequacy or accuracy of this release.

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

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

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

AFFIDAVIT OF MARIA FARACHE
sworn March 17, 2021

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Barristers & Solicitors
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Tel: 416-863-2176

Lawyers for KPMG LLP

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

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

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

RESPONDING MOTION RECORD OF KPMG LLP

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