XIII. CAUSES OF ACTION

COUNT I

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Against CannTrust, KPMG, the Individual Defendants and the Director Defendants

694. Plaintiffs repeat and reallege the above paragraphs as though fully set forth herein.

695. This Count is asserted pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by the SEC against CannTrust, KPMG, the Individual Defendants and the Director Defendants.

696. As alleged herein, throughout the Class Period, CannTrust, KPMG, the Individual Defendants and the Director Defendants, individually and in concert, directly and indirectly, by the use of the means or instrumentalities of interstate commerce, the mails and/or the facilities of national securities exchanges, made untrue statements of material fact and/or omitted to state material facts necessary to make their statements not misleading and carried out a plan, scheme and course of conduct, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. CannTrust, KPMG, the Individual Defendants and the Director Defendants intended to and did, as alleged herein, (i) deceive the investing public, including Plaintiffs and members of the Class; (ii) artificially inflate and maintain the prices of CannTrust common stock; and (iii) cause Plaintiffs and members of the Class to purchase CannTrust common stock and exchange-traded options on such common stock at artificially inflated prices.

697. The Individual Defendants, Director Defendants and KPMG were individually and collectively responsible for making the false and misleading statements and omissions alleged herein and having engaged in a plan, scheme, and course of conduct designed to deceive Plaintiffs and members of the Class, by virtue of having made public statements and prepared,

approved, signed, and/or disseminated documents that contained untrue statements of material fact and/or omitted facts necessary to make the statements therein not misleading.

698. KPMG issued a clean Audit Report which contained false and misleading statements and financial figures and in doing so aided CannTrust in perpetrating its fraud on investors. KPMG's practices were so deficient that the audit amounted to no audit at all, or an egregious refusal to see the obvious.

699. As set forth above, CannTrust, KPMG, the Individual Defendants and the Director Defendants, made their false and misleading statements and omissions and engaged in the fraudulent activity described herein knowingly and intentionally, or in such a deliberately reckless manner as to constitute willful deceit and fraud upon Plaintiffs and the other members of the Class who purchased CannTrust common stock and exchange traded options on such common stock during the Class Period.

700. In ignorance of the false and misleading nature of Defendants' statements and omissions, and relying directly or indirectly on those statements or upon the integrity of the market price for CannTrust common stock and exchange traded options on such common stock, Plaintiffs and other members of the Class purchased CannTrust common stock and options at artificially inflated prices during the Class Period. But for the fraud, Plaintiffs and members of the Class would not have purchased CannTrust common stock and options at such artificially inflated prices. As set forth herein, when the true facts were subsequently disclosed, the price of CannTrust common stock declined precipitously and Plaintiffs and members of the Class were damaged and harmed as a direct and proximate result of their purchases of CannTrust common stock and options at artificially inflated prices and the subsequent decline in the price of that stock when the truth was disclosed.

701. By virtue of the foregoing, CannTrust, KPMG, the Individual Defendants and the Director Defendants, are liable to Plaintiffs and members of the Class for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

COUNT II

Violation of Section 20(a) of the Exchange Act Against Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul

702. Plaintiffs repeat and reallege the above paragraphs as though fully set forth herein.

703. This Count is asserted pursuant to Section 20(a) of the Exchange Act against Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul.

704. Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul had control over CannTrust and made the materially false and misleading statements and omissions on behalf of CannTrust within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their executive leadership positions, positions as directors of CannTrust, and share ownership, as alleged above, Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul had the power to influence and control and did, directly or indirectly, influence and control the decision making of the Company, including the content and dissemination of the various statements which Plaintiffs contend, were false and misleading. Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul were provided with or had unlimited access to the Company's internal reports, press releases, public filings, and other statements alleged by Plaintiffs to be misleading prior to or shortly after these statements were issued, and had the ability to prevent the issuance of the statements or cause them to be corrected.

705. In particular, Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul had direct involvement in and responsibility over the day-to-day operations of the Company and, therefore,

are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein.

706. By reason of such wrongful conduct, Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of the Defendants Aceto's, Guyatt's, Abramowitz's, Rogers', and Paul's wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their purchases of the Company's shares during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs prays for relief and judgment as follows:

A. Determining that this action is a proper class action, and certifying Plaintiffs as the Exchange Act Class representatives under Rule 23 of the Federal Rules of Civil Procedure and Lead Plaintiffs' counsel as Lead Counsel for the Exchange Act Class;

B. Awarding compensatory damages in favor of Plaintiffs and the other Exchange Act Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be determined at trial, including pre-judgment and post-judgment interest, as allowed by law;

C. Awarding Plaintiffs and the Exchange Act Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such equitable/injunctive or other relief as deemed appropriate by the Court.

XIV. VIOLATIONS OF SECTIONS 11, 12(a)(2) AND 15 OF THE SECURITIES ACT

707. The claims set forth below in Counts III, IV and V allege violations of Sections 11, 12(a)(2) and 15 of the Securities Act. Lead Plaintiffs bring these claims individually and on behalf of the ("Securities Act Class"), consisting of all persons and entities who purchased or

otherwise acquired CannTrust common stock pursuant and traceable to the Offering Materials issued in connection with the secondary public offering, completed on or about May 6, 2019 (the "Offering").[28] The Securities Act Claims solely allege strict liability and negligence causes of action, and do not sound in fraud. Accordingly, for the purpose of these Securities Act Claims, Lead Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud, intentional misconduct, or deliberately reckless misconduct. Lead Plaintiffs therefore expressly do not incorporate by reference any allegations contained in Sections I-XIII, *supra*.

A. Factual Background

708. Founded in 2013 by a group of pharmacists (including Defendant Paul), CannTrust was a federally regulated, licensed producer and distributor of medical cannabis in Canada, the United States and other international markets. On June 12, 2014, CannTrust received its initial license from Health Canada to produce and cultivate medicinal cannabis, which the Company began doing at its facility and headquarters located in Vaughan, Ontario, Canada (the "Vaughan Facility"). Shortly thereafter, on February 9, 2015, the Company received its license to sell medicinal cannabis from Health Canada.

709. On April 13, 2017, the prospect of legal recreational cannabis in Canada became a reality when the Canadian government issued an official press release introducing legislation to legalize and regulate the use of recreational cannabis in Canada. In order to prepare for the

[28] The following are excluded from the Securities Act Class: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of CannTrust during the Class Period; (iv) any firm, trust, corporation, or other entity in which any Defendant (or members of the immediate family of any Defendant) has or had a controlling interest; (v) CannTrust's employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person.

increased demand and dramatically expand its growing capacity from legalization, in March 2017, CannTrust acquired real estate assets and related equipment of a 450,000-square-foot greenhouse facility in the Town of Pelham, Ontario within the regional municipality of Niagara, Ontario (the "Niagara Facility"). On October 17, 2018, the sale of cannabis for adult recreational use in Canada was legalized, the largest country to do so at the time.

710. Along with the legalization came strict regulations imposed by the Canadian government, which had significant implications for CannTrust's plans to seize on surging demand and become a cannabis market leader. Indeed, during the Class Period, CannTrust and other cannabis companies all operated under a strictly regulated environment governed by various laws, regulations, and standards primarily administered by Health Canada—the Canadian equivalent of the FDA.

711. The regulatory framework that gave Health Canada its authority over CannTrust was the federal *Cannabis Act* and the regulations promulgated thereunder (the "Cannabis Act"). The Cannabis Act went into effect on October 17, 2018—the same day as the legalization of Cannabis in Canada.

712. The Cannabis Act set forth a thorough regulatory framework and licensing scheme for Cannabis manufacturing companies, such as CannTrust, for each phase or activity in the Cannabis industry including production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession, and disposal of cannabis for both recreational and medical purposes. Accordingly, CannTrust was required to obtain activity-specific licenses for each phase of the Company's cannabis operations (such as cultivation, testing, processing, and sale of cannabis).

713. Critically, CannTrust was also required to obtain **location-specific** licenses for each of the facilities and rooms in which the distinct phase or activity took place—each of which was required to comply with its own specific regulations depending on the activity for which that the room was designated (and licensed). Under these strict regulations, CannTrust was required to obtain specific licenses for any new room or facilities—such as the Niagara Facility and each room therein—depending on what that room was being used for (*i.e.*, growing, storing, testing, packaging, *etc.*).

714. Indeed, for each room within each facility, Health Canada required, *inter alia*: (i) verification of the physical security requirements for the site; (ii) confirmation that the activities of the licensed producer correspond to those indicated on the licensed producer's license; (iii) identification of the legal source from which the licensed producer obtains their starting materials (*i.e.*, seeds and plants); and (iv) confirmation that adequate standard operating procedures (SOPs) have been established.

715. CannTrust's plan was to operate the Niagara Facility as the Company's sole growing facility and convert the formerly all-purpose Vaughan Facility to serve as the Company's processing facility (*i.e.*, growing no longer occurred there). The Company thus grew all its cannabis in its Niagara Facility and then shipped the harvested product to its Vaughan Facility for processing, extraction, manufacturing, packaging, and order fulfillment.

716. However, to begin growing cannabis in the newly acquired Niagara Facility, the Company had to bring it into compliance with applicable regulations. Since CannTrust wanted to begin production in the new facility as soon as possible, and converting the entire 450,000-square-foot facility all at once would have taken a long time, the Company split the redevelopment of the facility into three phases to allow the Company to begin producing

cannabis in part of the facility while the Company worked to convert the rest of the facility into compliance with Health Canada regulations.

717. Specifically, Phase 1 of the development of the Niagara Facility involved converting 250,000 square feet of the 450,000-square-foot facility into compliance with Health Canada regulations.[29] Phase 2—the phase most germane to this action—involved bringing the other 200,000 square feet into compliance with applicable regulations. When completed with Phases 1 and 2 the Niagara Facility would consist of twelve grow rooms with the growing capacity to produce an estimated 50,000 kilograms of cannabis per year.[30] However, as discussed above, in order to reach that growing capacity, CannTrust had to receive permits and licenses from Health Canada for each of the rooms in the Niagara Facility.

718. As of June 2018, five of the twelve growing rooms in the Niagara Facility—those rooms that were part of Phase 2 of the expansion—were not yet fully licensed by Health Canada. Accordingly, CannTrust was not permitted to grow cannabis in those five rooms for any purpose. Those licenses were not issued by Health Canada until April 2019.

719. Nonetheless, CannTrust started growing cannabis in unlicensed rooms at the Niagara Facility. Specifically, from October 2018 through March 2019, Defendants grew cannabis in five unlicensed rooms within their Niagara Facility—in direct violation of Health Canada regulations.

[29] CannTrust received its Health Canada cultivation license for Phase 1 in October 2017 and its sales license in February 2018—allowing the Company to legally grow and sell cannabis, but only for medicinal purposes until the use of recreational cannabis was legalized.

[30] In January 2019, the Company received the necessary permits from Health Canada to develop an additional 390,000-square-foot expansion of the facility known as Phase 3. However, Phase 3 was never completed as a result of Health Canada's suspension of CannTrust's cannabis production and selling licenses for growing and storing cannabis in unlicensed rooms in direct violation of the Cannabis Act.

720. Numerous CannTrust employees observed the growing of cannabis plants in unlicensed rooms. For example, CW1 confirmed that, during the Class Period, she knew about the plants in the unlicensed rooms. According to CW4 the unlicensed growing started in October 2018.

721. As a result of increased cannabis production caused by growing in the unlicensed rooms, Defendants began to ship more and more cannabis to the Company's Vaughan Facility for storage. However, like the Niagara Facility, not all of the storage rooms in Defendants' Vaughan Facility were licensed. Defendants stored the excess unlicensed grown cannabis inside unlicensed storage rooms in the Vaughan Facility.

722. Former CannTrust employees corroborated that the overflow cannabis that was grown in the unlicensed Niagara Facility rooms were later stored in the unlicensed Vaughan Facility rooms. CW3 explained that CannTrust transferred the product in bulk from its Niagara Facility to its Vaughan Facility, and that there was so much product being sent from the Niagara Facility that CannTrust did not have the capacity in the licensed rooms so CannTrust used the unlicensed rooms to store the excess product. CW3 further explained that she knew this because she worked in these rooms to do her quality checks and observed the excess product being stored there.

723. CannTrust employees hung fake walls in front of the thousands of plants in the unlicensed rooms. As a result, when photographs were taken of the rooms, they appeared empty. Ultimately, CannTrust, starting in October 2018, planted approximately 3,000 plants in unlicensed room RG9, enough to produce 3,000 kilograms (or 6,600 pounds) of cannabis.

724. In addition to growing and storing cannabis in unlicensed rooms, as far back as June 2018, CannTrust was growing cannabis from black-market cannabis seeds and then

relabeling the cannabis as a different strain approved by Health Canada and selling it. In doing so, CannTrust was able to significantly bolster its production capacity because the black market seeds were not part of the regulated (and then highly in-demand) purchase and sale of seeds from cannabis strains that were approved by Health Canada. Therefore, CannTrust could use the cannabis grown from the black market seeds to supplement its production capacity from legitimate health Canada approved seeds.

725. Indeed, according to a September 6, 2019 BNN Bloomberg—which disclosed information from four sources and internal CannTrust documents—senior CannTrust staff working at the Niagara Facility brought cannabis seeds from the black market in late 2018 into production rooms and that some of that illicitly-grown marijuana was sold in the legal market. The article goes on to note:

> 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.

726. According to three of the sources cited in the article, the use of black-market seeds ramped up in October 2018. However, other former employees stated that CannTrust used black-market seeds to bolster its production capacity and stated that the practice began as early as June 2018.

727. Ultimately, CannTrust's violations were revealed to the market and the risks associated with the Company's practice of growing and storing cannabis in unlicensed rooms and from black-market seeds materialized, causing CannTrust's stock to plummet in value.

B. Summary of the May 6, 2019 Public Offering

728. On March 1, 2019, CannTrust filed a Registration Statement on Form 10-F with the U.S. Securities and Exchange Commission (the "SEC") for a proposed offering of securities,

which was subsequently amended on March 18, 2019 (collectively, the "Registration Statement"). The Registration Statement was signed by Defendants Aceto, Guyatt, Dawber, Paul, Sanders, Kaden, Page, Litwin, and Marcovitch (defined below). On March 19, 2019, the SEC declared the Registration Statement effective.

729. On April 22, 2019, CannTrust filed a Preliminary Prospectus Supplement ("Preliminary Prospectus") with the SEC, which preliminarily announced offering an aggregate of $200 million of common shares but did not set an offering price. On May 3, 2019, CannTrust filed a Prospectus Supplement (collectively, with the preliminary prospectus, the "Prospectus"), announcing its offering of 36,363,636 shares of common stock at an offering price of $5.50 per share. In addition, the Prospectus stated that the Selling Shareholder Defendants were offering 5,454,545 shares of common stock at the same $5.50 offering price.

730. In the Prospectus, CannTrust incorporated, by reference, the following documents as part of its offering materials: (a) the annual information form of CannTrust for the fiscal year ended December 31, 2018, dated March 28, 2019 (the "2018 Form 40-F"); (b) the Company's audited consolidated financial statement for the years ended December 31, 2018, and 2017, together with the independent auditor's reports thereon and the notes thereto (the "2018 Financial Statements"); (c) CannTrust's management's discussion and analysis for the year ended December 31, 2018 (the "2018 MD&A"); and (d) the management information circular of CannTrust dated April 12, 2018 ("Management Information Circular") in connection with the annual meeting of shareholders held on May 22, 2018. These materials, along with the Registration Statement and Prospectus are collectively referred to herein as the "Offering Materials."

731. On May 6, 2019, CannTrust completed the Offering, selling 36,363,636 common shares for total gross proceeds of approximately $199 million. Cannamed and Cajun sold 6,272,727 common shares, including the exercised underwriter option, in the Offering. The Defendant Underwriters (defined below) exercised their full option to purchase additional shares which maximized the amount of cash received by CannTrust and the Selling Shareholders in the Offering.

XV. JURISDICTION

732. These claims arise under Sections 11, 12(a)(2) and 15 of the Securities Act (15 U.S.C. §§ 77k and 77o).

733. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act (15 U.S.C. § 77v).

734. Venue is proper in this Judicial District pursuant to Section 22 of the Securities Act. Substantial acts related to the Offering occurred in this Judicial District. CannTrust's common stock traded on the NYSE in this district during the Class Period and Defendants made materially false and misleading representations to investors that were disseminated to investors in this District.

735. In connection with the acts, transactions, and conduct alleged herein, Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, or the facilities of a national securities exchange.

XVI. THE SECURITIES ACT PARTIES

A. Lead Plaintiffs

736. On April 16, 2020, the Court appointed Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund ("Granite Point") to serve as Lead Plaintiffs

pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA"). Granite Point is a hedge fund that manages approximately $177 million in assets. Granite Point is located in Boston, Massachusetts. As set forth in Lead Plaintiffs' certification submitted with their application to be named Lead Plaintiff (ECF No. 45-1), Granite Point purchased CannTrust securities pursuant to and/or traceable to the Offering Materials at artificially inflated prices and has been damaged thereby. Specifically, Granite Point purchased shares on May 3, 2018 at $5.89 per share.[31] Lead Plaintiffs' May 3, 2019 trades settled on May 6, 2019, the day the Offering closed.

B. Defendants

737. CannTrust is incorporated in Ontario, Canada and maintains its principal executive offices at 3280 Langstaff Road, Unit 1, Vaughan, Ontario L4K 4Z8, Canada. At the start of the Class Period the Company's stock traded on the Toronto Stock Exchange under the symbol "TRST" and as F-Shares under the symbol "CNTTF" on the OTC Pink Open Market in the United States. CannTrust completed its initial public offering on March 9, 2018 and on February 25, 2019, the Company's shares began trading on the NYSE under the symbol "CTST." CannTrust touts itself as "a leader in the Canadian cannabis industry" whose mission is

[31] Lead Plaintiffs' trades were not at the exact offering price of $5.50 because the Offering was offered at a non-fixed basis. According to CannTrust's prospectus supplement filed May 3, 2019, "[t]he [s]ecurities may be sold from time to time in one or more transactions at a fixed price or prices **or at non-fixed prices**. If offered on a non-fixed price basis, the [s]ecurities may be offered at market prices prevailing at the time of sale, at prices determined by reference to the prevailing price of a specified security in a specified market or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be decreased by the amount, if any, by which the aggregate price paid for securities by the purchasers is less than the gross proceeds paid by the underwriter, deal or agent to the Company. **The price at which the [s]ecurities will be offered and sold may vary from purchaser to purchaser and during the period of distribution."**

to "enrich our patient and customer experience by connecting them to the best quality products, educational resources and service[s]."

738. Defendant Eric Paul ("Paul") is CannTrust's co-founder and was the former CEO from the Company's inception in 2015 until October 1, 2018, when he stepped down to assume the role of Chairman of CannTrust's Board of Directors ("Board") and Special Advisor to CannTrust's management team. Paul is, and was at the time of the Offering, a member of CannTrust's Board of Directors. Paul signed the Registration Statement as well as the 2018 Financial Statements and Management Information Circular, which were incorporated by reference in the Offering Materials.

739. Defendant Paul Aceto ("Aceto") was the former CEO of CannTrust from October 1, 2018 until July 25, 2019. Aceto signed the Registration Statement as well as the 2018 Financial Statements, which was incorporated by reference in the Offering Materials.

740. Defendant Greg Guyatt ("Guyatt") has been the CFO of CannTrust since February 13, 2019. Guyatt signed the Registration Statement.

741. Defendant Mark I. Litwin ("Litwin") is, and was at the time of the Offering, a member of CannTrust's Board. Litwin signed the Registration Statement as well as the 2018 Financial Statements, which were incorporated by reference in the Offering Materials.

742. Defendant Mitchell J. Sanders ("Sanders") is, and was at the time of the Offering, a member of the CannTrust Board. Sanders signed the Registration Statement.

743. Defendant Robert F. Marcovitch ("Marcovitch") is, and was at the time of the Offering, a member of the CannTrust Board and a member of the audit committee. Marcovitch signed the Registration Statement.

744. Defendant Mark E. Dawber ("Dawber") is, and was at the time of the Offering, a member of the CannTrust Board. Dawber signed the Registration Statement.

745. Defendant Shawna Page ("Page") is, and was at the time of the Offering, a member of the CannTrust Board. Page signed the Registration Statement.

746. Defendant John T. Kaden ("Kaden") is, and was at the time of the Offering, a member of the CannTrust Board. As of February 14, 2019, Kaden was also a member of the audit committee of CannTrust's Board. Kaden signed the Registration Statement.

747. Defendant KPMG has been engaged as CannTrust's auditor since 2018. KPMG purportedly provided audit services to CannTrust beginning in 2018. CannTrust paid KMPG approximately $500,000 for professional audit services related to CannTrust's fiscal year 2018. KPMG is a Canadian member firm of KPMG International Cooperative. KPMG International Cooperative is based in Switzerland and is a membership-based company with member and network accounting and advisory firms operating locally in countries around the world, including the United States and Canada. All KPMG member firms are affiliated with KPMG International.

748. KPMG consented to the use of its Audit Report and notes on CannTrust's consolidated financial statements for the year ended December 31, 2018 in the April 22, 2019 Preliminary Prospectus Supplement ("Preliminary Prospectus") and May 3, 2019 Prospectus Supplement ("Prospectus Supplement," collectively, with Preliminary Prospectus, "Prospectus").

749. Defendant Cannamed is a holding company owned and controlled by Defendants Paul (through the Paul Family Trust, which he owns and/or controls) and Litwin (through companies he or his family own and/or control, including Mar-Risa Holdings, Inc. and York Capital Funding Inc.). Cannamed sold 6 million shares in the Offering.

750. Defendant Cajun is a holding company owned and controlled by Defendant Sanders. Cajun sold 250,000 shares in the Offering.

751. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") is a financial services firm that acted as underwriter and co-lead book-running manager for the Offering and helped to draft and disseminate the Offering Materials. Merrill Lynch agreed to purchase 13,051,300 shares of CannTrust common stock in the Offering, exclusive of any over-allotment options. Merrill Lynch maintains executive offices in this district at One Bryant Park, New York, New York 10036.

752. Defendant Citigroup Global Markets Inc. ("Citigroup") is a financial services firm that acted as underwriter and co-lead book-running manager for the Offering and helped to draft and disseminate the Offering Materials. Citigroup agreed to purchase 7,457,885 of CannTrust common stock in the Offering, exclusive of any over-allotment options. Citigroup maintains executive offices in this district at 388 Greenwich St., New York, New York 10013.

753. Defendant Credit Suisse Securities (USA) LLC ("Credit Suisse") is a financial services firm that acted as underwriter and co-lead book-running manager for the Offering and helped to draft and disseminate the Offering Materials. Credit Suisse agreed to purchase 7,457,885 of CannTrust common stock in the Offering, exclusive of any over-allotment options. Credit Suisse maintains executive offices in this district at 11 Madison Avenue, New York, New York, 10010.

754. Defendant Jefferies LLC ("Jefferies") is a financial services firm that acted as underwriter and book-running manager for the Offering and helped to draft and disseminate the Offering Materials. Jefferies agreed to purchase 2,701,505 of CannTrust common stock in the

Offering, exclusive of any over-allotment options. Jefferies maintains executive offices in this district at 520 Madison Ave, 10th Floor, New York, New York, 10022.

755. Defendant RBC Dominion Securities Inc. ("RBC") is a financial services firm that acted as underwriter and co-lead book-running manager for the Offering and helped to draft and disseminate the Offering Materials. RBC agreed to purchase 3,650,680 of CannTrust common stock in the Offering, exclusive of any over-allotment options. RBC directed substantial activities toward the state of New York in connection with the Offering.

756. Defendant Canaccord Genuity LLC ("Canaccord") is a financial services firm that acted as underwriter and book-running manager for the Offering and helped to draft and disseminate the Offering Materials. Canaccord agreed to purchase 2,044,381 shares of CannTrust common stock in the Offering, exclusive of any over-allotment options. Canaccord maintains a regional office in this district and/or directed substantial activities toward the state of New York in connection with the Offering.

757. Defendants Paul, Aceto, Guyatt, Litwin, Sanders, Marcovitch, Dawber, Page, and Kaden are collectively referred to herein as the "Individual Securities Act Defendants."

758. Cannamed and Cajun are collectively referred to herein as the "Selling Shareholder Defendants."

759. Merrill Lynch, Citigroup, Credit Suisse, Jefferies, RBC, and Canaccord are collectively referred to herein as the "Underwriter Defendants."

760. CannTrust, the Individual Securities Act Defendants, the Underwriter Defendants, KPMG, and the Selling Shareholder Defendants are collectively referred to as the "Securities Act Defendants."

C. Relevant Third Parties

761. **CW1** worked at CannTrust's Niagara Facility from August 2018 until May 2019 as a Document Coordinator. CW1 was responsible for issuing paperwork for harvests, cleanliness of the facility, sanitation logs, and, as she explained, "everything that is required by Health Canada." CW1 handled those documents internally, and then her boss, Quality Supervisor Jared Epp, communicated directly with Health Canada. Epp reported directly to Graham Lee who in turn reported to Defendant Aceto. During her tenure, CW1 attended Quality Control meetings where issues at the Niagara Facility were discussed. Furthermore, CW1 knew at the time that CannTrust staff removed plants from the unlicensed rooms, hung up curtains, and took framed pictures to make it look like there were no cannabis growth activities occurring in those rooms.

762. **CW3** worked at CannTrust's headquarters at its Vaughan Facility from October 2018 until August 2019. In October 2018, when CW3 first joined CannTrust, she worked in operational quality assurance, which involved working on the floor and overseeing enforcement of procedures. In January 2019, CW3 transitioned into a new role that involved deviation closures. In April 2019, CW3 was promoted to the rank of QAP (Quality Assurance Professional) at CannTrust. In that role, CW3 worked with the product quality team and was responsible for training that team in advance of its product releases. In February 2019, CW3 started doing the pre-review for product batches before they were released. CW3 initially reported to Steven Khemraj, then Laura Leung, then Victoria Malov.

763. **CW4** worked at CannTrust's Niagara Facility from May 2018 until June 2019 as a Senior Grow Technician. CW 4 was responsible for growth activities for CannTrust's cannabis plants.

XVII. THE MATERIALLY FALSE AND MISLEADING STATEMENTS IN THE OFFERING MATERIALS

764. The Underwriting Agreement, attached as Exhibit 99.1 to the May 3, 2019 Form 6-K, incorrectly represented that the Registration Statement and Prospectus "comply in all material respects with all applicable provisions of the 1933 Act" and "did not and will not contain any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein" not misleading.

765. Contrary to this representation and, as set forth below, the Offering Materials contain untrue statements of material fact, omit to state material facts required to be stated therein, or omit to state material facts necessary to make the statements therein not misleading, concerning the licensing, regulatory compliance, production, and financial growth of CannTrust.

766. Moreover, Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303 ("Item 303") requires the Offering Materials to "[d]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations." Item 303 also requires disclosure of: (i) whether those trends or uncertainties have had or are reasonably expected to have a material unfavorable impact on revenue; (ii) the extent of any such impact on revenue; and (iii) "events that will cause a material change in the relationship between costs and revenues (such as known . . . inventory adjustments)."

767. The Offering Materials failed to disclose known trends or uncertainties, as alleged further below, including with respect to illicitly growing cannabis at the Niagara facility, illegally storing cannabis in the Vaughan facility, and using "black market" seeds to grow cannabis as well as the uncertainty of what would happen to CannTrust were Health Canada to discover the illicit growing and storing scheme and revoke or rescind their licenses. As

discussed above, Defendant Paul and Aceto's knowledge of this trend or uncertainty is evidenced by numerous emails and CW allegations regarding the practices occurring at CannTrust. For example, in November 2018—prior to the Offering— Graham Lee sent an email to Defendant Aceto that was forwarded to Defendant Paul which stated: "1) RG8 is not licenced but has plants in it; 2) RG9 is not licenced but we are intending to put plants in it on Monday; 3) PA2A-E are not licenced but we have moved the encapsulation equipment into them and will begin running it next week."

768. The failure to disclose these facts violated Item 303 because the Securities Act Defendants were aware that these adverse, undisclosed facts could (and ultimately did) have an unfavorable impact on CannTrust's sales, revenues, and income from continuing operations. Item 303 required disclosure because these material, adverse facts were known events or uncertainties that, at the time of the Offering, had caused or were reasonably likely to cause CannTrust's disclosed financial information not to be indicative of its future operation results, and likely materially and adversely to affect CannTrust's future results and prospects.

A. False and Misleading Statements Concerning CannTrust's Compliance with Applicable Regulations[32]

769. The Offering Materials unequivocally stated that "CannTrust is a . . . licensed producer and disitributor of medical and recreational cannabis" that the Compnay "***abide[s] by applicable federal, state and provincial laws***," when, in reality, CannTrust had been illicitly growing cannabis from black-market seeds and storing cannabis since June 2018 and growing cannabis in unlicensed rooms from at least October 2018 and was therefore operating outside the parameters of its licenses. For example, the Prospectus stated:

[32] Bold and italicized statements are alleged to be false and misleading while other statements are provided for context.

(1) [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.

(2) 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.

(3) ***[CannTrust] believes that it currently holds*** or has applied for ***all necessary licenses 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 licenses and permit*****s**.

770. The 2018 Form 40-F made similar representations as ¶769 above, representing:

(1) 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***.

(2) ***The Company distributes its recreational cannabis products in accordance with the federal and provincial regulatory frameworks***.

(3) ***The Company adheres to prescribed packaging requirements under the Cannabis Act and the Cannabis Regulations***.

(4) 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.***

(5) ***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***.

771. The 2018 MD&A similarly stated that "***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***."

772. Similarly, the Prospectus represented that "***Health Canada has issued licences to CannTrust Opco for each of our facilities*** (the '**Cannabis Licences**' and each a '**Cannabis Licence**')."

773. The statements above regarding CannTrust's compliance with federal, state and provincial laws, as well as CannTrust's representations that it was a licensed producer and distributor, were materially false and misleading when made because: (i) starting in October 2018, CannTrust began illegally growing cannabis in unlicensed rooms at the Niagara facility; (ii) since June 2018, CannTrust was illegally storing dried cannabis in unlicensed rooms in the Vaughan facility; (iii) by June 2018, CannTrust was using illegal "black market" seeds to grow over one thousand cannabis plants without approval from Health Canada; and (iv) CannTrust's product packaging mislabeled "black market" seed cannabis as one of the licensed strain names,

in violation of the Cannabis Act; Accordingly, CannTrust was not operating in compliance with regulations and did not have a license to produce, store, and sell certain of its products.

774. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because Defendants failed to disclose material facts, rendering their statements misleading. Specifically, Defendants failed to disclose that they were growing cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, were obtaining seeds from the black market, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

775. To the extent any of Defendants' statements above were opinions, they were false and misleading because they lacked a reasonable basis and omitted the above material facts, which did not fairly align with Defendants' positive statements regarding their ability to increase growing capacity to meet the high demand for cannabis.

776. The Offering Materials also contained certain risk factors that were false and misleading, including the following:

(1) ***Any delays or complications in obtaining regulatory approvals, as well as failure to obtain any regulatory approvals, may have a material adverse effect on the business of the Company and result in additional costs.***

> ***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 product.*** The Company may not be able to accurately predict the impact of the compliance regime Health Canada is implementing for the Canadian medical and recreational cannabis industry. Similarly, we may not be able to accurately predict the time required to secure all appropriate regulatory approvals for its product, 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.***

(2) A significant failure of our site security measures and other facility requirements, including ***any failure to comply with regulatory requirements, could have an impact on our ability to continue operating under the Cannabis Licenses or our prospects of renewing the Cannabis Licenses, and could also in a suspension or revocation of the Cannabis Licenses.*** As we currently produce our cannabis products only at the Niagara Facility ***any event impacting our ability to continue production there, or requiring us to delay production, would prevent us from continuing to operate our business*** until operations at the Niagara Facility could be resumed, or until we are able to commence production at another facility.

(3) ***We are required to obtain and maintain certain permits, licenses or other approvals from regulatory agencies*** in countries and markets outside of Canada in which we operate, or to which we export, in order to produce or export to, and sell our medical products in, these countries, including, in the case of certain countries, the ability to demonstrate compliance with Good Manufacturing Practices ("GMP"). ***There can be no assurance that we will be able to comply with these standards***.

777. The above purported warnings were materially false and misleading when made because these risks warned of had already materialized and come to pass because CannTrust was not in compliance with regulations and was not licensed to produce or sell certain of its products, as described in paragraphs 773-775.

778. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because Defendants failed to disclose material facts, rendering their statements misleading. Specifically, Defendants failed to disclose that they were growing

cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, were obtaining seeds from the black market, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

B. False and Misleading Statements Concerning CannTrust's Successful Increased Capacity and Expansion

779. As a result of CannTrust's illegal use of black seeds and unlicensed rooms to grow cannabis, the Offering Materials contained false and misleading statements concerning the true amount and timing of CannTrust's legal cannabis production and expansion.

780. For example, the Offering Materials touted CannTrust's production volume, yet failed to disclose this volume was the result of growing illegal and unlicensed cannabis. The 2018 MD&A and Prospectus stated:

> (1) ***In the quarter ended March 31, 2019, we harvested approximately 9,424 kg of cannabis from our Niagara facility***, representing an increase of 96% from the fourth quarter of 2018.
>
> (2) ***At December 31, 2018, it is expected that the Company's biological assets will yield, net of waste, approximately 13,926,974 grams (December 31, 2017- 1,911,972 grams)*** of biological produce, with net selling prices ranging from $2.92 to $12.00 per gram.
>
> (3) ***As at [sic] December 31, 2018, the Company held 4,471,032 grams of dry cannabis (December 31, 2017 – 626,935) and 6,887,849 grams of extracts (December 31, 2017 – 977,186)***.
>
> (4) ***For the three months ended December 31, 2018, harvested production was 4,816 kg, a 712% increase from the 593 kg in the comparable 2017 period***.

(5) ***Our approximately 450,000 square foot perpetual harvest facility in Niagara (the 'Niagara Facility'), has an annual capacity of approximately 50,000 kilograms, as of April 2019 and, through our planned expansion, we are targeting annual capacity of 100,000 kilograms by 2020***.

(6) 2018 Full Year Highlights . . . ***Sold 7,251 kg of dried Cannabis and dried Cannabis equivalent*** at an average net price of $6.29 per gram.

(7) 2018 Fourth Quarter Highlights . . . ***Sold 3,407 kg of dried Cannabis and dried Cannabis equivalent*** at an average net price of $4.75 per gram.

(8) ***For the year ended December 31, 2018, harvested production was 16,212 kg, a 471% increase from the 2,839 kg in the prior year period. For the three months ended December 31, 2018, harvested production was 4,816 kg, a 712% increase from the 593 kg in the comparable 2017 period***. The increase in the fair value of biological assets recorded during the period was due to the ramp up of production at the Niagara Facility, partially offset by the impact of valuation assumptions such as the average revenue per gram and the stage of the plants as of the reporting date. While the total number of plants in production increased significantly year over year, as at December 31, 2018 the average stage of the plants in the grow cycle combined with lower expected revenue per gram as a result of the recreational market resulted in the limited increase in the value of biological assets.

(9) ***As of December 31, 2018, the Company supplied more than 10,000 finished units of its products per day*** for its medical and adult-use recreational market.

781. Likewise, the 2018 MD&A and Prospectus represented CannTrust's revenue was increasing, and that the increase was due to organic customer growth and sales:

(1) ***Our rapidly growing patient base has increased organically at a rate we believe is faster than any other licensed producer, experiencing a 57% growth from 2017 to 2018.*** We believe that we have supported this growth through our commitment to patients' access to cannabis.

(2) ***Revenue for the quarter ended December 31, 2018 was $16,166 compared to $6,983 for the comparable 2017 period, an increase of 132%. Revenue for the year ended December 31, 2018 was $45,645 compared to $20,698 in the comparable 2017 period, an increase of 121%. The increase in revenue in the quarter and year ended December 31, 2018 was primarily attributable to increased sales volume due to the growth in the Company's medical patient base from approximately 37,000 at December 31, 2017 to 58,000 as at December 31, 2018***, as well as sales derived from the Company's new domestic and international wholesale revenue streams, which includes sales to the provinces related to the legalization of the adult-use recreational market.

(3) ***Net revenue is expected to be approximately $17 million, an increase of 116% as compared to $7.8 million for the quarter ended March 31, 2018. The estimated increase in revenue is primarily due to a 68% increase in medical patients*** combined with the contributions from the Canadian adult-use recreational market, which was legalized in October of 2018. ***This estimated revenue represents an increase of approximately 5% as compared to $16.2 million for the quarter ended December 31, 2018, primarily due to a 16% increase in medical patients***.

(4) ***Gross profit is expected to be between $27 million to $28 million as compared to $21 million for the quarter ended March 31, 2018***.

(5) ***The total quantity of medical cannabis sold to patients during the three months ended December 31, 2018 increased to 2,017 kg, a 166% from the comparable 2017 period. For the full year 2018, the [C]ompany sold 5,372 kg of medical cannabis, an increase of 141% from the comparable 2017 period***.

(6) ***Cost of goods sold during the three and twelve months ended December 31, 2018 were $10,489 and $19,690, respectively, compared to $4,577 and $7,680 in the comparable prior year periods***. Costs of goods sold includes pre-harvest production, post-harvest production and processing costs of cannabis, packaging, testing and inventory purchased from third parties. ***Costs of goods sold during the three and twelve months ended December 31, 2018 increased compared to the comparable 2017 periods due to increases in sales quantities and the associated increase in the scale of production activities.***

(7) Gross profit/(loss) for the three and twelve months ended December 31, 2018 was a loss of $8,282 and profit of $36,493, respectively, compared to a gross profit of $11,036 and $23,980 in the comparable prior year periods . . . . ***The increase in gross profit in 2018 compared to 2017 was principally due to the increase in sales*****.**

(8) Excluding the impact of the change in the fair value of biological assets, gross profit for the three and twelve months ended December 31, 2018 was $5,677 and $25,955, respectively, compared to a gross profit of $2,406 and $13,018 in the comparable prior year periods. ***The increase in gross profit excluding the impact of the change in the fair value of biological assets was as a result of increased scale of operations.***

(9) ***Net income before income taxes and Adjusted EBITDA are expected to be between $12 million and $14 million*** . . . .

(10) [2018 Full Year Highlights:] ***Record annual revenues of $45,645, a 132% increase from 2017***. . . .2018 Fourth Quarter Highlights . . . ***Record quarterly revenues of $16,166***, a 28% increase from third quarter of 2018.

782. Defendants' statements above were materially false and misleading for the same reasons set forth in paragraphs 773-775. For example, the statements above regarding CannTrust's volume, capacity to grow and sell cannabis, and increased sales were materially false and misleading when made and omitted material information because they failed to disclose that the cannabis produced and sold: (a) was illegally grown in unlicensed rooms at the Niagara facility beginning in October 2018; (ii) was stored in unlicensed rooms in the Vaughan facility since June 2018; (iii) was grown from illegal "black market" seeds without approval from Health Canada, which ultimately grew over one thousand cannabis plants; and (iv) was distributed and sold to consumers without a proper permit. Accordingly, the touted production volume was based on illegal activities and did not represent CannTrust's legal production volume.

783. Further, the statements above concerning the purported increase in production of cannabis in 2018 as compared to 2017 were false and misleading and omitted material information because CannTrust failed to disclose that its production rates after June 2018 were artificially inflated due the growth of illegal and unlicensed cannabis, as described in ¶782 above.

784. The 2018 Form 40-F further represented that "CannTrust Opco has an extensive genetic strain bank and ***currently produces approximately eight core strains***. The strains have been optimized for greenhouse horticultural practices." This statement was false and misleading

because, by June 2018, CannTrust was using illegal "black market" seeds to grow over one thousand cannabis plants without approval from Health Canada, and CannTrust's product packaging for these products mislabeled the "black market" seed cannabis as coming from one of the licensed strains. Accordingly, CannTrust was producing over eight core strains but mislabeling the additional unlicensed strains as one of the eight approved strains.

785. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because Defendants failed to disclose material facts, rendering their statements misleading. Specifically, Defendants failed to disclose that they were growing cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, were obtaining seeds from the black market, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

786. The Prospectus further made materially false and misleading statements when comparing CannTrust's production rates to competitors, stating:

> (1) ***Our plant genetics and related expertise, production experience, and integrated supply chain allow us to grow and cultivate cannabis at what we believe is a higher efficiency and lower cost than many of our competitors, while maintaining the award-winning quality*** and standardization necessary to produce high-quality cannabis.
>
> (2) We believe that the efficiency of our operating model, ***including our production capacity*** and research and development, ***makes us one of the few licensed producers with a clear, identifiable path to growth and profitability.***

787. Defendants' statements above were materially false and misleading for the same reasons set forth in paragraphs 773-775 and 782-784. For example, these statements were false

and misleading and omitted material information because they failed to disclose that: (i) CannTrust's purported efficiency rates, awards, and production capacity were not the result of expertise, but were the result of its illegal cannabis operations; and (ii) CannTrust's cost of production was lower than competitors due to the fact it was obtaining less costly seeds from the unregulated black market, rather than the more expensive licensed seeds from the regulated market.

788. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because Defendants failed to disclose material facts, rendering their statements misleading. Specifically, Defendants failed to disclose that they were growing cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, were obtaining seeds from the black market, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

789. To the extent any of Defendants' statements above were opinions, they were false and misleading because they lacked a reasonable basis and omitted the above material facts, which did not fairly align with Defendants' positive statements regarding their ability to increase growing capacity to meet the high demand for cannabis.

790. In addition, the Prospectus discussed CannTrust's plans to expand and meet increased product demand, but failed to disclose that the Company was illegally growing, and would need to continue to illegally grow and sell cannabis in order to do so:

> (1) ***We plan to increase our presence in existing markets, drive growth by entering new regions***, and broaden consumer awareness and education of the benefits of cannabis globally.

(2) ***We are also making strategic investments into our capacity to prepare for expected increases in demand for our products***.

(3) ***With the completion of all phases of the Niagara expansion, we believe we have the ability to supply a substantial share of the increased demand*** arising from international markets.

791. Defendants' above statements were materially false and misleading for the same reasons set forth in paragraphs 773-775, 782-784, and 787. For example, these statements were false and misleading and omitted material information because they failed to disclose that CannTrust was growing, and would continue to grow cannabis illegally in order to meet its current demand and expansion efforts.

792. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because Defendants failed to disclose material facts, rendering their statements misleading. Specifically, Defendants failed to disclose that they were growing cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, were obtaining seeds from the black market, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

793. The Prospectus and Registration Statement further represented that CannTrust "expects [the] first harvest from the Phase II expansion by the end of the first quarter of 2019, subject to Health Canada approval." The Prospectus and 2018 MD&A similarly represented that CannTrust would increase its production and profitability once the Phase 2 expansion was complete, stating:

(1) ***Profitability is expected to improve following the full realization of the increased operational capacity of the Phase 2 expansion***. As the Phase 2 expansion contributes to positive operating leverage, we are targeting a return to profitability.

(2) ***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.

(3) ***With the Phase 2 expansion, we expect full production to be achieved by the end of the second quarter of 2019 at an annualized rate of 50,000 kg per year***.

(4) ***The completed Phase 2 expansion of the Niagara Facility is expected to increase production capacity to 50,000 kg on an annualized basis. With this increased production capability, we believe revenue will increase significantly in 2019 compared to the 2018 full year results***, with revenue growth accelerating throughout the year starting in the second quarter of 2019. ***We are positioned to receive all necessary regulatory approvals*** to support this planned growth. In addition, having obtained all necessary permits from the Town of Pelham for the construction of its Phase 3 expansion, ***we continue to expect our Niagara Facility capacity to reach 100,000 kg on an annualized basis in the second half of 2020***.

794. The Registration Statement also represented the Phase 2 expansion remained "on course" to increase the Company's capacity, stating:

(1) ***The Phase II expansion remains on course to bring the Company's capacity to 50,000 kg per year.***

(2) The build out of an additional 390,000 square feet of high-end greenhouse as part of ***the Niagara Phase III expansion would provide an expected additional 50,000 kg of annual high-quality cannabis flower production capacity. Once constructed, this expansion facility would require licencing by Health Canada***.

795. Defendants' above statements were materially false and misleading for the same reasons set forth in paragraphs 773-775, 782-784, and 787. Furthermore, CannTrust's representation that the expansion facility "would require licencing by Health Canada" "[o]nce constructed" was false and misleading and omitted material information because it failed to disclose that CannTrust was already operating the Phase II facilities without having obtained the necessary licensing. Accordingly, operations under the Phase 2 expansion were already underway with cannabis being grown, produced, stored, and sold without regulatory approval.

796. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because Defendants failed to disclose material facts, rendering their statements misleading. Specifically, Defendants failed to disclose that they were growing cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, were obtaining seeds from the black market, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

797. To the extent any of Defendants' statements above were opinions, they were false and misleading because they lacked a reasonable basis and omitted the above material facts, which did not fairly align with Defendants' positive statements regarding their ability to increase growing capacity to meet the high demand for cannabis.

C. False and Misleading Statements Concerning CannTrust's Financial Growth and Values of Inventory and Biological Assets

798. The Offering Materials contained materially false and misleading statements concerning the financial growth of CannTrust in 2018. The March 28, 2019 Consolidated Financial Statements also included a Report of Independent Registered Public Accounting Firm signed by KPMG. Addressing the shareholders, the Audit Report explained that KPMG audited the March 28, 2019 Consolidated Financial Statements and stated that "the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018."

CannTrust Holdings Inc.
Consolidated Statements of Financial Position
As at December 31
(in Canadian dollars)

	Notes		2018		2017
Assets					
Current					
Cash		$	**9,022,821**	$	17,961,043
Short term investments	7		**63,023,908**		201,538
Harmonized sales tax recoverable			**1,492,110**		2,636,710
Inventory	8		**35,389,490**		10,959,022
Biological assets	8		**10,502,579**		9,843,690
Accounts receivable			**6,151,604**		160,383
Prepaid expenses			**2,859,039**		2,465,506
Total current assets			**128,441,551**		44,227,892
Investments	18		**10,661,932**		156,073
Restricted cash	7		**100,000**		100,765
Property and equipment	9		**62,208,905**		33,963,685
Financial assets	11		**901,350**		-
Total Assets			**202,313,738**		78,448,415
Liabilities					
Current					
Accounts payable and accrued liabilities			**12,806,458**		6,579,997
Current portion of promissory note	6		**200,000**		200,000
Current portion of mortgage	12		**3,790,610**		-
Total current liabilities			**16,797,068**		6,779,997
Promissory note	6		**600,000**		800,000
Mortgage	12		**9,457,876**		-
Deferred tax	19		**1,433,000**		-
Total Liabilities			**28,287,944**		7,579,997
Shareholders' Equity					
Share capital	13		**207,061,423**		104,824,215
Share-based payment reserve			**8,714,188**		2,272,302
Warrants reserve	15		**11,393,687**		3,361,789
Deficit			**(53,143,504)**		(39,589,888)
Total Shareholders' Equity			**174,025,794**		70,868,418
Total Liabilities and Shareholders' Equity		$	**202,313,738**	$	78,448,415

Commitments (Note 16)

The accompanying notes are an integral part of the consolidated financial statements.

(signed) "Eric Paul" Director (signed) "Mark Litwin" Director

CannTrust Holdings Inc.
Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income
For the Years Ended December 31
(in Canadian dollars)

	Notes	2018	2017 (Restated) (Note 5)
Gross revenue	22	$ 48,390,103	$ 20,697,764
Excise duty		(2,744,960)	-
Net revenue		45,645,143	20,697,764
Cost of goods sold	5	19,690,162	7,680,234
Gross profit, before changes in fair value of biological assets	5	25,954,981	13,017,530
Fair value changes in biological assets included in inventory sold	5	17,301,866	8,929,308
Unrealized gain on changes in fair value of biological assets	5,8	(27,840,156)	(19,891,851)
Gross profit		36,493,271	23,980,073
Expenses			
Amortization	9	2,169,281	964,396
General and administrative	17	9,014,467	3,636,808
Marketing and promotion		7,274,454	198,858
Salaries and benefits		9,823,942	3,853,314
Selling and shipping costs		8,971,434	3,803,056
Share based compensation	14	8,056,451	2,310,678
Operating expenses		45,310,029	14,767,110
(Loss) income from operations		(8,816,758)	9,212,963
Mortgage interest expense		(478,169)	(260,203)
Interest income		790,123	-
Accretion expense	12	(208,842)	(233,716)
Transaction costs	6	-	(204,282)
Other (loss) income	18	(2,033,700)	143,060
(Loss) on equity accounted investment	18	(385,110)	(147,056)
Impairment loss on assets	10	(988,160)	-
Loss on revaluation of derivative liability		-	(1,625,336)
(Loss) income before income taxes		(12,120,616)	6,885,430
Deferred income tax expense	19	1,433,000	-
Net (loss) income and comprehensive (loss) income		$ (13,553,616)	$ 6,885,430
Weighted average number of common shares - basic		99,282,045	76,876,971
Weighted average number of common shares - diluted		99,282,045	80,526,105
Earnings (loss) per share - basic	13	(0.14)	0.09
Earnings (loss) per share - diluted	13	(0.14)	0.09

799. The above statements concerning CannTrust's revenue, inventory, and financial growth in fiscal year 2018 were materially false and misleading and omit material information because they failed to disclose that CannTrust's 2018 revenue and sales were derived from: (i) illegally grown cannabis in unlicensed rooms at the Niagara facility beginning in October 2018; (ii) illegally stored cannabis in unlicensed rooms in the Vaughan facility since June 2018;

(iii) illegally grown cannabis from "black market" seeds without approval from Health Canada beginning no later than June 2018, which ultimately grew over one thousand cannabis plants; and (iv) illegally distributed and sold cannabis that CannTrust did not obtain a proper permit to sell. In fact, two of CannTrust's most popular strains of cannabis product were harvested from illegal "black market" seeds, further artificially increasing CannTrust's growth and earnings through inorganic means.

800. Further, the statements concerning the purported increase of revenue and sales in 2018 as compared to 2017 were false and misleading and omitted material information because they failed to disclose that CannTrust's production rates in 2018 were artificially inflated due to the growth of illegal and unlicensed cannabis, as described in paragraphs 799, *supra*, and 801-821, *infra*.

1. CannTrust Issued Financial Statements In Violation of International Accounting Standards

801. International Financial Reporting Standards ("IFRS") represent the set of accounting principles that domestic public companies in Canada are required to employ for purposes of preparing financial statements.[33] IFRS are generally accepted around the globe and at least 100 countries have adopted IFRS. *See* SEC Release No. 33-8879. For example, the SEC allows "foreign private issuers in their filings with the Commission [to prepare] financial statements…in accordance with International Financial Reporting Standards ("IFRS") as issued by the [IASB]." (*Id.*) IFRS are comparable to U.S. generally accepted accounting principles ("GAAP") and the SEC has supported efforts to converge the standards. (*Id.*)

[33] https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/canada/

802. According to CannTrust's 2017 and 2018 annual reports, the Company purportedly reported and prepared its financial statements in accordance with the IFRS.[34]

(a) CannTrust's Illicit Growing and Storing Scheme Resulted in Overstated Biological Assets and Inventory

803. During the Class Period, CannTrust consistently overstated its biological assets and inventory according to IFRS. CannTrust's inventory and biological assets were critical assets on the Company's balance sheet and to investors because they represented approximately 40% of total current assets and more than 80% when excluding short-term investments.

	Notes		2018		2017
Assets					
Current					
Cash		$	9,022,821	$	17,961,043
Short term investments	7		63,023,908		201,538
Harmonized sales tax recoverable			1,492,110		2,636,710
Inventory	8		35,389,490		10,959,022
Biological assets	8		10,502,579		9,843,690
Accounts receivable			6,151,604		160,383
Prepaid expenses			2,859,039		2,465,506
Total current assets			128,441,551		44,227,892

804. According to CannTrust's SEC and SEDAR filings, biological assets represented pre-harvest seeds and plants and were reported at fair value less costs to sell at time of harvest. Biological assets were then transferred to inventory when the cannabis plants were harvested. Inventory included harvested finished goods, cannabis in process, extracts, accessories and packing supplies and was valued at the lower of cost and net realizable value.

805. CannTrust claimed that they valued biological assets and inventory in accordance with IAS Rule 41, which covers "Agriculture that applied to Biological Assets," and IAS 2 and

[34] IFRS include International Accounting Standards ("IAS") that were issued by the Board of the International Accounting Standards Committee.

IAS 41.3, which apply to "Inventories that applied to post-harvest products." However, as discussed above, CannTrust grew and stored cannabis in unlicensed facilities and from black-market seeds that were then improperly recorded as biological assets and inventory for multiple reasons.

806. First, CannTrust did not have control, including legal ownership, of the biological assets, which is a required condition for asset measurement under IAS 41.10-11. Under IAS 41, legal ownership requires that the asset is acquired or produced by legitimate means. Here, CannTrust did not have legal ownership or control over the cannabis grown and stored in unlicensed rooms because it was not produced by legitimate means. Likewise, the cannabis grown from black-market seeds was unquestionably not acquired by legitimate means.

807. Second, CannTrust's valuation of biological assets is necessarily overstated because the Company could not and did not accurately account for the **fair market value** of unlicensed cannabis or cannabis grown from black-market seeds. As mentioned above, CannTrust's biological assets represented "pre-harvest seeds and plants . . . [are] reported at fair value."

808. However, CannTrust did not and could not demonstrate or report any evidence that a market participant would have been willing to pay the same price for an unlicensed product as a licensed product a**s is required to accurately assess fair market value under IAS 41.8**.[35] For example, CannTrust could not have identified quoted market prices for unlicensed cannabis products as required by IAS 41.30 because no such market prices for unlicensed or

[35] "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." *See* IFRS 13 Fair Value Measurement.

black-market products existed. Consequently, CannTrust did not have the ability to reliably measure the fair value of those biological assets.

809. Moreover, IFRS 13 – Fair Value Measurement, states that in determining fair value, a market participant would be expected to use the asset in its highest and best use, taking into account the use of the asset that is physically possible, ***legally permissible***, and financially feasible. *See* IFRS 13.28.[36] Yet, CannTrust still reported increased biological assets during the Class Period, even though it did not and could not accurately account for the fair value of illicitly grown cannabis. Accordingly, CannTrust violated IFRS in reporting biological assets at the level that they did during the Class Period.

810. Further, CannTrust did not and could not report inventory that was unlicensed (such as cannabis sold in violation of Health Canada regulations) under IAS 2.7 because the cannabis could not be sold in the ordinary course of business. Under IAS 2.7, net realizable value is the net amount that an entity expects to realize from the sale of inventory in the ordinary course of business. The net realizable value of inventory decreases when, for example, inventory is damaged or market prices decline. Here, such products have a net realizable ***value of zero*** because illicitly grown products cannot be sold in the ordinary course of business, as they were grown in violation of Health Canada regulations. Consequently, CannTrust vastly overstated the value of inventory during the Class Period.

811. CannTrust overstated a material portion of the Company's biological assets and inventory during the Class Period. As discussed above, following Health Canada's discovery of the illicit growing and storing scheme, CannTrust was forced to place the sale of impacted

[36] *See also*, IFRS 13.28(b), "A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset."

inventory on hold (*i.e.*, it was unable to sell the inventory). Ultimately, CannTrust estimated that the reported value of the impacted inventory and biological assets was $51 million as of June 30, 2019. As described above, this inventory was later destroyed. As of March 31, 2019, the Company's total inventory and biological assets totaled approximately $77.6 million. Thus, the Company's fraudulent scheme imperiled at least 65% of the reported value of biological assets and inventory. Yet, CannTrust concealed this information from investors.

(b) Defendants Recognized Revenue in Violation of International Financial Reporting Standards

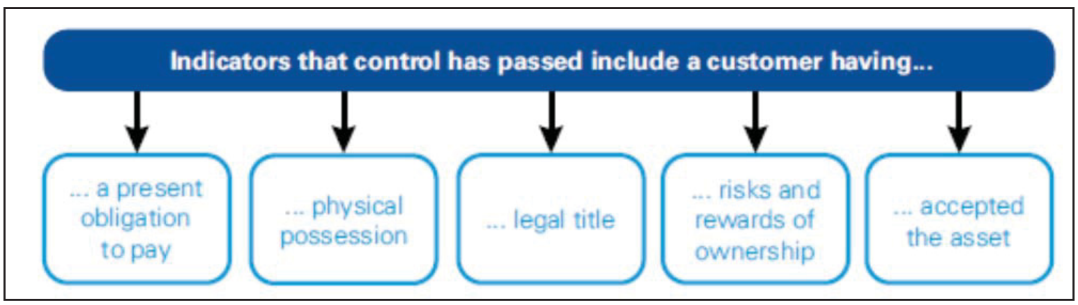
812. In addition to overstating inventory and biological assets, Defendants also overstated its revenue. Indeed, as discussed below, under relevant IFRS standards, CannTrust was permitted to recognize revenue only for products for which the Company ***held valid legal title***. And because CannTrust generated revenue from cannabis that it grew, stored and sold through illegitimate means, it improperly recognized revenue from any cannabis that was grown or stored in unlicensed rooms or were from black-market seeds.

813. However, because CannTrust grew and stored cannabis in unlicensed, unregulated rooms and from black-market seeds, CannTrust did not possess legal title and control over the illicitly grown cannabis because it was non-conforming with Health Canada regulations. Nor could CannTrust transfer legal title and control to its customers because it did not have it to begin with. Accordingly, any illicitly grown cannabis that was transferred or sold to CannTrust's customers was subject to immediate return and refund.

814. According to CannTrust's SEC and SEDAR filings, the Company "[r]evenue is recognized when **control of the goods has transferred to the purchaser** and the collectability is reasonably assured. **This is generally when goods have been delivered, which is also when the performance obligations have been fulfilled under the terms of the related sales**

contract." Like all of its financial information, CannTrust represented to investors that its revenue recognition policy was consistent with IFRS—including the IFRS rules governing revenue recognition, IFRS rule15.31-32.

815. However, because CannTrust did not have a valid license to produce all of its cannabis (and specifically the illicitly grown cannabis), CannTrust was unable to legitimately transfer ***control*** of the cannabis to its customers. For accounting purposes (and according to CannTrust's auditor KPMG's IFRS Handbook), **control refers to the right to use, consume, and sell the asset**. *See* KPMG Revenue – IFRS 15 Handbook, p.114 (hereafter the "KPMG Guide"). The following diagram summarizes the analysis of the transfer of control according to the KPMG Guide, p.149, IFRS 15.38.



816. In addition to not having legal title to pass, CannTrust also could not establish a second, separate condition for revenue recognition—**that collectability was reasonably assured**, even if the customer had already paid for it—for the simple reason that CannTrust was faced with the very real prospect that customers would demand a refund if the unlicensed ***or*** black market nature of the product was revealed. In other words, customers could demand a

refund because they were not buying the same product that CannTrust was representing and warranted that it was selling.[37]

817. In such circumstances, where an entity cannot conclude that a **legally enforceable** contract exists (either because the entity does not have legal title or collectability cannot be reasonably assured), CannTrust was **required to defer the revenue on sales of such products because the customer payments received constitute a deposit liability**. *See* IFRS 15.16 and 15.B20; KPMG Guide, pp.15, 241.[38]

> **Revenue recognition may be deferred for a significant period**
>
> If an entity cannot conclude that a legally enforceable contract exists, then it may be difficult to evaluate when all or substantially all of the promised consideration has been received and is non-refundable. In some cases, an entity may have a deposit liability recognised for a significant period of time before it can conclude that a contract exists in the model or that the criteria for recognising the consideration as revenue are met.

KPMG Guide, p.15

818. Critically, however, CannTrust's financial statements did not reflect any accounting for deferred revenue as of either December 31, 2018 or March 31, 2019 or at any other time during the Class Period:

[37] To be sure, these exact events occurred after Health Canada discovered CannTrust's illicit growing and storing scheme. For example, on August 19, 2019, the Ontario Cannabis Store (OCS) determined that all of its inventory of CannTrust product constituted Non-Conforming Products and would be returned. The value of OCS's inventory at that time was C$2.9 million. This return was substantial despite the fact that it was from a single customer. Indeed, CannTrust's total revenue for the quarter ended March 31, 2019 was C$16.9 million. Thus, this customer return accounted for approximately 17% of CannTrust's total quarterly revenue.

[38] *See also*, KPMG Guide § 1.1, "A contract with a customer is in the scope of the standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for the purpose of applying the general model of the standard, and any consideration received from the customer is generally recognised as a deposit (liability)."

CannTrust Holdings Inc.
Condensed Interim Consolidated Statements of Financial Position
(in Canadian dollars)

	Notes	March 31, 2019	December 31, 2018
Current			
Accounts payable and accrued liabilities		**11,327,922**	12,806,458
Current portion of promissory note		**200,000**	200,000
Current portion of mortgage	10	**13,210,731**	3,790,610
Total current liabilities		**24,738,653**	16,797,068
Promissory note		**400,000**	600,000
Mortgage	10	-	9,457,876
Lease liability	3	**1,785,059**	-
Deferred tax	17	**7,430,000**	1,433,000
Total Liabilities		**34,353,712**	28,287,944

819. Furthermore, under IFRS Rule 15.110, CannTrust was required to disclose sufficient information to enable investors who rely on its financial statements to understand the nature, amount, timing, **and uncertainty** of revenue and cash flows arising from contracts with customers. During the Class Period, CannTrust failed to disclose the existence of any uncertainty surrounding the Company's revenues and cash flows despite knowing that—as discussed above—there was significant uncertainty surrounding revenue generated from illicitly grown and sold cannabis.

820. That Defendants did not disclose any such uncertainty is not surprising. Defendants knew that if Health Canada were to discover the illicit growing and storing scheme and use of black market seeds, there was an extremely high probability that CannTrust's customers would return the non-conforming cannabis because, like CannTrust, the customer would no longer have or be able to pass legal title of an unregulated and non-conforming product. However, CannTrust obviously did not disclose the existence of such regulatory uncertainty because in doing so they would have to simultaneously disclose that the reason for deferring such revenue was because of the uncertainty associated with CannTrust's illicit growing and storing scheme and use of black-market seeds.

821. Accordingly, CannTrust overstated its revenue because it recognized revenue from illicitly grown and black-market cannabis that was not recognizable under the relevant IFRS and KPMG accounting standards set forth above.

2. KPMG Issued A Clean Audit Report That Containd False and Misleading Statements

822. In addition to the false and misleading revenue, biological assets, and inventory figures set forth in CannTrust's KPMG audited consolidated financial statements filed on March 27, 2019, KPMG made numerous false and misleading statements in its Audit Report.

823. Specifically, KPMG's Audit Report misleadingly told investors that KPMG audited the March 27, 2019 Consolidated Financial Statements and that "***the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018***."

824. KPMG's Audit Report claimed that the auditor had audited the 2018 Annual Financial Statements "***in accordance with the standards of the PCAOB. Those standards require that we 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***."

825. In addition the Audit Report misleadingly reassured investors that "***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***."

826. The Audit Report continued "***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 "[KPMG] believe[d] that the audit provide[d] a reasonable basis for [its] opinion."

827. Finally, the Audit Report stated "***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***."

828. KPMG prepared and consented to the filing of the Audit Report which contained materially false and misleading consolidated financial statements and were incorporated into the Offering Materials. Specifically, the consolidated financial statements contained overstated revenue, biological assets, and inventory amounts that were disseminated to investors in the Offering. KPMG audited the consolidated financial statements and issued a clean Audit Report despite the fact that these financial figures were materially overstated.

829. Moreover, KPMG's Audit Report contained the false and misleading statements set forth in paragraphs 823-827. These statements were false and misleading because they falsely represented that KPMG performed a thorough audit in accordance with PCAOB Standards and relevant audit procedures, when in fact they had not, and that, as a result, CannTrust's consolidated financial statements were free of material misstatement, whether due to error or fraud, when in fact they contained overstated revenue, biological assets, and inventory figures.

3. The Underwriter Defendants Failed to Perform Adequate Due Diligence

830. Merrill Lynch, Citigroup, Credit Suisse, Jefferies, RBC, and Canaccord underwrote the Offering yet failed to perform satisfactory due diligence with respect to the offering and issuance of CannTrust shares in accordance with their responsibilities.

831. Underwriters are intended to be gatekeepers and are supposed to serve as independent checks on management and to bring to light critical negative information and risks about the issuer to investors intending on purchasing shares in the offering. During the due diligence process, the underwriter is charged with reviewing all pertinent documents and interviewing all relevant individuals to identify all aspects of the issuer's operations that need to be disclosed. As the treatise "Due Diligence - Periodic Reports and Securities Offerings" describes it, "[t]he underwriter should look upon due diligence primarily as an attempt to find 'red flags' which indicate potential danger."

832. This process provides comfort that investors receive full and fair disclosure of all material facts. If, during their due diligence investigation, the underwriters learn of material negative information regarding the issuer, they must insist that such information be disclosed to the investing public or withdraw from the offering. Complete and adequate disclosure is the very purpose of due diligence. Thus, no amount of due diligence or investigation can serve as a defense or an excuse to an underwriter who possesses material negative information about an issuer and fails to disclose such information to the public.

833. An underwriter needs to conduct substantial due diligence in connection with each public offering to ensure the timeliness and accuracy of the information as of the date of the offering. Moreover, Underwriters must conduct their due diligence with the reasonable care "required of a prudent man in the management of his own property." *See* 15 U.S.C. §77(k)(c).

834. Likewise, according to well-regarded treatises covering due diligence "[m]aterial federal, state and local regulations affecting the target company should be understood and, where appropriate, reviewed with target company or special counsel." *See* Due Diligence in Business Transactions, Lawrence, release 48, 2018, Law Journal Press, §1.05 [h]. Additionally, it may be

desirable for a member of the target company's management to assemble a list of material licenses and permits that it possesses in connection with the operation of its business or the ownership of its property." *See id.*

835. For issuers that conduct business in regulated industries (such as cannabis) the underwriters (or the underwriters' counsel) are obligated to review the regulatory status of the issuer. First, underwriters ask underwriters' counsel to undertake an investigation of the applicable laws and regulations affecting the issuer; second, underwriters or their counsel review correspondence between the applicable regulatory agencies and the issuer; and third, underwriters interview the issuer's general counsel or other responsible parties concerning regulatory compliance.

836. According to one well-regarded treatise, in such circumstances the Underwriter Defendants (or their counsel) were required to engage in a "comprehensive document review" of CannTrust's regulatory filings, permits, and licenses to ensure that the issuing company was in compliance with applicable regulations. According to one leading treatise on due diligence, "comprehensive document review" should cover:

i. Notices to and from regulatory authorities including notices of violation.

ii. Correspondence with regulatory authorities, including requests and responses…

iii. Audit and inspection reports . . .

iv. Permits and permit applications (especially when pending), related memoranda and correspondence.

v. Management/review committee reports, memoranda, intracompany correspondence…

See Due Diligence – Periodic Reports and Securities Offerings 2014- 2015 Edition, Haft, Haft & Hudson, Thompson Reuters, § 2.23 (e).

837. Critically, in conducting due diligence, an underwriter cannot simply rely on management statements and representations, and instead must conduct a reasonable investigation to independently verify management's statements. Similarly, underwriters may not rely on an accountant's or auditor's report as adequate due diligence for financial statements. Rather, underwriters have a duty to perform their own financial analysis of the issuer and identify for themselves any red flags, inconsistencies, or areas of concern that impact the issuer's business and financial condition, and follow up on any issues that they uncover in their investigation. Underwriters are uniquely positioned to investigate non-audited financial statements and protect investors.

838. As discussed above, there were numerous red flags contained in CannTrust's consolidated financial statements and other documents included in the Offering Materials. For example, in the fourth quarter of 2018, CannTrust's cannabis volume tripled as compared to the three earlier quarters in 2018. As a result, total grams of cannabis sold by CannTrust in Q4 2018 constituted at least 50% of total grams sold during the entire fiscal year 2018. A comprehensive document review of CannTrust's consolidated financial statements and the underlying materials should have included a review of this unprecedented increase in production capacity from the Niagara Facility as well as an inquiry into the source of the cannabis and confirmation that the appropriate regulatory licenses permits were in place.

839. Here, the Underwriters failed to perform any such due diligence. Had they done so, the Underwriter Defendants would have uncovered the fact that CannTrust was materially overstating its revenue, biological assets, and inventory as a result of growing and storing cannabis in unlicensed rooms and growing cannabis from black-market seeds in violation of Health Canada regulations.

XVIII. CLASS ALLEGATIONS

840. Lead Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons and entities who purchased or otherwise acquired CannTrust common stock pursuant and traceable to the Offering Materials issued in connection with the secondary public offering, completed on May 6, 2019 (the "Offering"). Excluded from the Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of CannTrust during the Class Period; (iv) any firm, trust, corporation, or other entity in which any Defendant (or members of the immediate family of any Defendant) has or had a controlling interest; (v) CannTrust's employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person.

841. The members of the Class are so numerous that joinder of all members is impracticable. According to its quarterly and annual reports filed with the SEC, during the Class Period, CannTrust had approximately 136,563,951 shares of common stock outstanding and was actively traded on the NYSE under the ticker symbol "CTST," on the TSX under the ticker symbol "TRST," and, prior to February 25, 2019, on the OTC Market under the ticker symbol "CNTTF." While the exact number of Class members is unknown to Lead Plaintiffs at this time, and such number can only be ascertained through appropriate discovery, Lead Plaintiffs believe that the proposed Class has thousands of members and is widely dispersed geographically. Record owners and other members of the Class may be identified from records maintained by CannTrust and/or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

842. Lead Plaintiffs' claims are typical of the claims of the members of the Class. All members of the Class were similarly affected by the Security Act Defendants' allegedly wrongful conduct in violation of the Security Act as complained of herein.

843. Lead Plaintiffs will fairly and adequately protect the interests of the members of the Class. Lead Plaintiffs have retained counsel competent and experienced in class and securities litigation.

844. Common questions of law and fact exist as to all members of the Class, and predominate over questions solely affecting individual members of the Class. The questions of law and fact common to the Class include, but are not necessarily limited to, the following:

(a) Whether Defendants violated the federal securities laws by their acts and omissions alleged herein;

(b) Whether the Offering Documents were negligently prepared and contained inaccurate statements of material fact and/or omitted material information required to be stated therein;

(c) Whether, and to what extent, the market price of CannTrust common stock and exchange-traded options on such common stock was artificially inflated because of the material misstatements alleged herein;

(d) Whether the Securities Act Individual Defendants were controlling persons of CannTrust; and

(e) Whether the members of the Securities Act Class have sustained damages as a result of the conduct complained of herein, and if so, the proper measure of such damages.

845. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy because, among other things, joinder of all members of the Class is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

XIX. CAUSES OF ACTION

COUNT III

For Violations of Section 11 of the Securities Act Against The Securities Act Defendants

846. Plaintiffs repeat and reallege the allegations contained in paragraphs 707-845 above as if fully set forth herein.

847. This cause of action is predicated upon the Securities Act Defendants' strict liability for making false and materially misleading statements and omissions in the Registration Statement, which incorporated all Offering Materials.

848. This Cause of Action does not sound in fraud. Any proceeding allegations of fraud, fraudulent conduct, or improper motive are specifically excluded from this Cause of Action. Lead Plaintiffs do not allege for this cause of Action that the Securities Act Defendants had scienter or fraudulent intent, which are not elements of this claim.

849. This cause of Action is brought pursuant to Section 11 of the Securities Act of 1933, 15 U.S.C. §77k, on behalf of all persons who purchased CannTrust common stock pursuant to and/or traceable to the Offering, in which shares registered under the Registration Statement were sold.

850. CannTrust is the issuer of the securities purchased by Lead Plaintiffs and the Class. As such, CannTrust is strictly liable for the materially untrue statements contained in the Offering Materials and the failure of the Offering Materials to be complete and accurate.

851. The Individual Securities Act Defendants each signed the Registration Statement or authorized the signing of the Registration Statement on their behalf. As such, each is strictly liable for the materially inaccurate statements contained therein and the failure of the Registration Statement to be complete and accurate, unless they are able to carry their burden of establishing an affirmative "due diligence" defense. The Individual Securities Act Defendants each had a duty to make a reasonable and diligent investigation of the truthfulness and accuracy of the statements contained in the Registration Statement, to ensure that they were true and accurate, that there were no omissions of material facts that would make the Registration Statement misleading, and that the document contained all facts required to be stated therein. These Individual Securities Act Defendants failed to conduct a reasonable investigation and did not possess reasonable grounds for believing that the statements contained therein were true and not materially misleading. Accordingly, the Individual Securities Act Defendants are liable to Lead Plaintiffs and the Class.

852. KPMG is strictly liable for the contents of the Registration Statement as the auditor of CannTrust's 2018 financial statements that consented to the inclusion of its expert report and opinion pursuant to Section 11(a)(4) of the Securities Act.

853. The Underwriter Defendants each served as underwriters in connection with the Offering. As such, each is strictly liable for the materially inaccurate statements contained in the Offering Materials and the failure of the Offering Materials to be complete and accurate, unless they are able to carry their burden of establishing an affirmative "due diligence" defense. These

defendants each had a duty to make a reasonable and diligent investigation of the truthfulness and accuracy of the statements contained in the Offering Materials. They had a duty to ensure that the Offering Materials were true and accurate, that there were no omissions of material facts that would make the Offering Materials misleading, and that the documents contained all facts required to be stated therein. In the exercise of reasonable care, the Underwriter Defendants should have known of the material misstatements and omissions contained in the Offering Materials and also should have known of the omissions of material facts necessary to make the statements made therein not misleading. Accordingly, each of the Underwriter Defendants is liable to Lead Plaintiffs and the Class.

854. By reason of the conduct herein alleged, each of the Securities Act Defendants named herein violated Section 11 of the Securities Act.

855. Lead Plaintiffs acquired CannTrust common stock pursuant or traceable to the Registration Statement used for the Offering and without knowledge of the material omissions or misrepresentations alleged herein.

856. Lead Plaintiffs and the Class have sustained damages, as the value of CannTrust common stock has declined substantially subsequent to and due to the Securities Act Defendants' violations.

857. This claim was brought within one year after the discovery of the untrue statements and omissions and within three years of the date of the Offering.

858. By virtue of the foregoing, Lead Plaintiffs and the other members of the Class are entitled to damages under Section 11 as measured by the provisions of Section 11(e), from the Securities Act Defendants, jointly and severally.

COUNT IV

For Violation of Section 12 (a)(2) of the Securities Act of 1933 Against The Securities Act Defendants

859. Lead Plaintiffs repeat and reallege the allegations contained in paragraphs 707-845 above as if fully set forth herein.

860. This cause of action is brought pursuant to Section 12(a)(2) of the Securities Act, 15 U.S.C. § 771(a)(2), on behalf of the Class, against the Securities Act Defendants.

861. This cause of action does not sound in fraud. Lead Plaintiffs do not allege that any of the Defendants committed intentional or reckless misconduct or that any of the Defendants acted with scienter or fraudulent intent, which are not elements of a Section 12(a)(2) claim. This Count is based solely on negligence and/or strict liability. Lead Plaintiffs expressly disclaim any allegations of scienter or fraudulent intent in these non-fraud claims except that any challenged statements of opinion or belief made in connection with the Offering are alleged to have been materially misstated statements of opinion or belief when made.

862. Each of the Defendants named in this Count were sellers, offerors, and/or solicitors of purchasers of the Company's common stock pursuant to the defective Offering Documents. The actions of solicitation by the Defendants named in this Count included participating in the preparation of the false and misleading Offering Documents, roadshow, and marketing of CannTrust common stock to investors, such as Lead Plaintiffs and the other members of the Class.

863. The Prospectus contained untrue statements of material fact, omitted to state other facts necessary to make the statements made therein not misleading, and omitted to state material facts required to be stated therein.

864. Each of Defendants named in this Count owed to the purchasers of CannTrust's common stock, including Lead Plaintiffs and other members of the Class, the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. By virtue of each of these Defendants' failure to exercise reasonable care, the Registration Statement contained misrepresentations of material facts and omissions of material facts necessary to make the statements therein not misleading.

865. Lead Plaintiffs did not know, nor in the exercise of reasonable diligence could Lead Plaintiffs have known, of the untruths and omissions contained in the Prospectus at the time Lead Plaintiffs purchased CannTrust shares.

866. By reason of the conduct alleged herein, the Defendants named in this Count violated Section 12(a)(2) of the Securities Act. As a direct and proximate result of such violation, Lead Plaintiffs and the other members of the Class who purchased CannTrust shares pursuant to the Registration Statement sustained substantial damages in connection with their share purchases. Accordingly, Lead Plaintiffs and the other members of the Class who hold the shares issued pursuant to the Registration Statement have the right to rescind and recover the consideration paid for their shares with interest thereon or damages as allowed by law or in equity. Class members who have sold their CannTrust shares seek damages to the extent permitted by law.

COUNT V

For Violation of Section 15 of the Securities Act of 1933
Against CannTrust, the Individual Securities Act Defendants, Cannamed, and Cajun

867. Lead Plaintiffs repeat and reallege the allegations contained in paragraphs 707-845 above as if fully set forth herein.

868. This cause of action is brought pursuant to Section 15 of the Securities Act of 1933, 15 U.S.C. §77o, on behalf of all persons who purchased CannTrust common stock pursuant to and/or traceable to the Offering, against CannTrust, the Individual Securities Act Defendants, Cannamed and Cajun. This count is based solely on claims of strict liability and/or negligence under the Securities Act.

869. At all relevant times, the Individual Securities Act Defendants each were control persons of CannTrust by virtue of their positions as directors and/or senior officers of the Company. Each of the Individual Defendants had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major stockholders of CannTrust.

870. At all relevant times, Cannamed and Cajun were control persons of CannTrust by virtue of their stockholdings in the Company and their affiliated Board members. CannTrust controlled the Individual Securities Act Defendants and all of its employees.

871. CannTrust, Cannamed, Cajun and the Individual Securities Act Defendants did not conduct a reasonable investigation or possess a reasonable basis for the belief that the statements contained in the Offering Materials were true, were without omission of material fact, and were not misleading.

872. CannTrust, and the Individual Securities Act Defendants each were culpable participants in the violations of Section 11 of the Securities Act alleged in the First Cause of

Action above, based on their having signed or authorized the signing of the Registration Statement and having otherwise participated in the process which allowed the Offering to be successfully completed.

873. As a direct result of the aforementioned conduct, these Class members suffered damages in connection with their purchase of CannTrust common stock. This claim was brought within one year after the discovery of the untrue statements and omissions and within three years of the date of the Offering.

PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs pray for relief and judgment as follows:

A. Determining that this action is a proper class action, and certifying Lead Plaintiffs as the Securities Act Class representative under Rule 23 of the Federal Rules of Civil Procedure and Lead Plaintiffs' counsel as Lead Counsel for the Securities Act Class;

B. Awarding compensatory damages in favor of Lead Plaintiffs and the other Securities Act Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be determined at trial, including pre-judgment and post-judgment interest, as allowed by law;

C. Awarding Lead Plaintiffs and the Securities Act Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such equitable/injunctive or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiffs demand a trial by jury as to both the Exchange Act Claims and the Securities Act Claims.

DATED: June 26, 2020

Respectfully submitted,

/s/ James W. Johnson

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This is Exhibit "C" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

J Smith

A Commissioner for taking Affidavits

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	FRIDAY, THE 29th
	)	
MR. JUSTICE HAINEY	)	OF JANUARY, 2021

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

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

Applicants

ORDER

(CCAA Representatives and CCAA Representative Counsel Appointment Order)

THIS MOTION made by the Applicants pursuant to the *Companies' Creditors Arrangement* Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for, among other things, an order appointing representatives and representative counsel for Securities Claimants (as defined below), was heard this day by way of Zoom judicial video conference due to the COVID-19 pandemic.

ON READING (i) the Notice of Motion of the Applicants dated January 20, 2021, (ii) the affidavit of Greg Guyatt sworn January 20, 2021 (the "**Guyatt Affidavit**") and the exhibits thereto, (iii) the affidavit of Serge Kalloghlian sworn January 20, 2021 and the exhibits thereto, (iv) the affidavit of James W. Johnson sworn January 20, 2021 and the exhibits thereto, and (v) the Sixth Report of Ernst & Young Inc. in its capacity as the monitor of the Applicants (the "**Monitor**") dated January 25, 2021 (the "**Sixth Report**"), and on hearing the submissions of counsel for the Applicants, the Monitor and such other counsel as were present as listed on the counsel slip, no one else appearing although duly served as appears from the Affidavit of Service of Alexander Steele sworn January 27, 2021:

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and the Motion Record of the Applicants in support of this motion and the Sixth Report is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

DEFINITIONS

2. **THIS COURT ORDERS** that, in addition to the capitalized terms defined elsewhere in this Order, the capitalized terms set out in Schedule "A" have the meanings given to them in that schedule.

APPOINTMENT OF CCAA REPRESENTATIVES AND CCAA REPRESENTATIVE COUNSEL

3. **THIS COURT ORDERS** that, subject to paragraph 7, Dharambir Singh and Patrick Hrusa (the **"CCAA Canadian Representatives"**) are hereby appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants in these proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation.

4. **THIS COURT ORDERS** that, subject to paragraph 7, Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (the **"CCAA U.S. Representatives"**, and collectively with the CCAA Canadian Representatives, the **"CCAA Representatives"**) are hereby appointed to represent the interests of the U.S. Securities Claimants in these proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation.

5. **THIS COURT ORDERS** that, subject to paragraph 7, A. Dimitri Lascaris Law Professional Corporation, Henein Hutchinson LLP, Kalloghlian Myers LLP and

Strosberg Sasso Sutts LLP (**"CCAA Canadian Representative Counsel"**) are hereby appointed as counsel for the Canadian and Non-U.S. Securities Claimants in these proceedings in relation to their Securities Claims and any related claims, and are authorized and directed to take instructions from the CCAA Canadian Representatives, when and to the extent instructions are provided by them on matters from time to time, and otherwise are authorized to act on behalf of the Canadian and Non-U.S. Securities Claimants from time to time in these proceedings in relation to their Securities Claims and any related claims.

6. **THIS COURT ORDERS** that, subject to paragraph 7, Weisz Fell Kour LLP in association with U.S. Class Action counsel Labaton Sucharow LLP, ("**CCAA U.S. Representative Counsel**" and collectively with CCAA Canadian Representative Counsel, "**CCAA Representative Counsel**") are hereby appointed as counsel for the U.S. Securities Claimants in these proceedings in relation to their Securities Claims and any related claims, and are authorized and directed to take instructions from the CCAA U.S. Representatives, when and to the extent instructions are provided by them on matters from time to time, and otherwise are authorized to act on behalf of the U.S. Securities Claimants from time to time in these proceedings in relation to their Securities Claims and any related claims.

7. **THIS COURT ORDERS** that: Zola Finance Holdings Ltd and Igor Gimelshtein; 1604070 Alberta Ltd., Jeff Dyck, and Diran Avedian; and Shmuel Farhi and their respective counsel are not subject to paragraphs 3, 4, 5, and 6 of this Order (collectively, together with any other person who this Court orders is not subject to paragraphs 3, 4, 5, or 6 of this Order, the "**Excluded Securities Claimants**").

8. **THIS COURT ORDERS** that, without limiting the scope of the authorizations granted in paragraphs 3, 4, 5, 6 and 9:

(a) the CCAA Representatives and CCAA Representative Counsel shall be at liberty to consult with each other, the Monitor and its counsel, the Applicants and their counsel, and other stakeholders and their respective counsel, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

(b) the CCAA Representatives and CCAA Representative Counsel shall be at liberty to consult with and obtain input from Securities Claimants in relation to their activities in their respective roles under this Order;

(c) the CCAA Representatives and CCAA Representative Counsel, in their respective capacities as such, shall be at liberty to enter into one or more non-disclosure agreements with the Applicants in relation to confidential information of, or relating to, the Applicants or relating to the Securities Claims;

(d) the CCAA Representatives and CCAA Representative Counsel, in their capacities as such, shall be at liberty to agree to become parties to, and be bound by, the Restructuring Support Agreement (provided that nothing in this Order constitutes approval of the Restructuring Support Agreement or the transactions contemplated thereby); and

(e) the CCAA Representatives and CCAA Representative Counsel shall be at liberty to apply to this Court, on notice to the Monitor and the Applicants, for advice and directions at such times as they may so require.

9. **THIS COURT ORDERS** that the CCAA Representatives and CCAA Representative Counsel are authorized to take all steps and to do all acts necessary or desirable to carry out the terms of this Order, including dealing with any other court, regulatory body and other government ministry, department or agency, and to take all such steps as are necessary or incidental hereto.

NOTICE PROCEDURE

10. **THIS COURT ORDERS** that each of the Applicants and CCAA Representative Counsel are authorized and directed to provide to the Monitor without delay and without charge, the names, last known addresses and last known e-mail addresses (if any) of all Securities Claimants of which they are specifically aware currently or from whom they have received written notice, including the plaintiffs named in any of the Actions ("**Known Securities Claimants**"), and the Applicants and CCAA Representative Counsel are hereby permitted to do so pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended.

11. **THIS COURT ORDERS** that the Monitor shall not disclose the names of any Securities Claimants or Known Securities Claimants, other than to the Applicants, without prior written notice from CCAA Representative Counsel.

12. **THIS COURT ORDERS** that notice of the granting of this Order shall be provided as follows:

(a) notice in substantially the form set out in Schedule "B" hereto (the "**Notice**") shall be published by the Applicants in *The Globe and Mail* (National Edition) and the Wall Street Journal on at least one occasion within five (5) Business Days of the date of this Order;

(b) the Applicants shall issue a press release consisting of, or that includes, the Notice, in form and content satisfactory to the Monitor, and make a corresponding filing on SEDAR, within five (5) Business Days of the date of this Order;

(c) the Monitor shall send a copy of the Notice to each of the Known Securities Claimants within three (3) Business Days of this Order by email (if known) or by first class mail, addressed to the Known Securities Claimants at the addresses provided by the Applicants and CCAA Representative Counsel pursuant to paragraph 10; and

(d) the Monitor shall post a copy of the Notice to the Monitor's Website.

13. **THIS COURT ORDERS** that treatment of the Securities Claims of the Excluded Securities Claimants pursuant to any CCAA Plan proposed by the Applicants or any further Order of the Court in these proceedings is not changed, limited, or otherwise affected by their status as Excluded Securities Claimants under this Order.

PROTECTIONS

14. **THIS COURT ORDERS** that the CCAA Representatives and CCAA Representative Counsel shall have no liability as a result of their appointment or the fulfillment of their duties in carrying out the provisions of this Order or any further Order of the Court in these proceedings, save and except for any gross negligence or wilful misconduct on their part.

15. **THIS COURT ORDERS** that the appointment of CCAA Representative Counsel pursuant to this Order shall not prevent any of the individual lawyers from the firms that comprise CCAA Representative Counsel from acting as trustee(s) of any trust established for the benefit of Securities Claimants pursuant to the CCAA Plan.

MISCELLANEOUS

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

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

18. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, or abroad, to give effect to this Order and to assist the Applicants, the Monitor, the CCAA Representatives and CCAA Representative Counsel in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the

Applicants, the Monitor, the CCAA Representatives and CCAA Representative Counsel as may be necessary or desirable to give effect to this Order, or to assist the Applicants, the Monitor, the CCAA Representatives and CCAA Representative Counsel in carrying out the terms of this Order.

19. **THIS COURT ORDERS** that each of the Applicants, the Monitor, the CCAA Representatives and CCAA Representative Counsel be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

FEB 0 1 2021

PER / PAR:

SCHEDULE "A"

DEFINITIONS

"**Actions**" means the actions and other litigation set out in Schedule "D".

"**Business Day**" means a day other than a Saturday or Sunday on which banks are generally open for business in Toronto, Ontario.

"**Canadian and Non-U.S. Securities Claimants**" means all Persons having Securities Claims, excluding U.S. Securities Claimants.

"**CannTrust Holdings**" means CannTrust Holdings Inc.

"**CCAA Plan**" means the plan of compromise, arrangement and reorganization of the Applicants to be filed in these proceedings to effect, among other things, a settlement of Securities Claims (as such plan may be amended from time to time in accordance with its terms).

"**Claim**" means any right or claim of any Person that may be asserted or made in whole or in part against CannTrust Holdings, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive, or otherwise), and whether or not any such indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not such right or claim is executory or anticipatory in nature (including any right or claim in connection with the sale of any securities by CannTrust Holdings or others pursuant to the public distribution of its securities or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future), which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts existing prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) had CannTrust Holdings become bankrupt on the Filing Date.

"**Filing Date**" means March 31, 2020.

"**Person**" means any individual, corporation, firm, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity, wherever situate or domiciled, and whether or not having legal status.

"Restructuring Support Agreement" means the restructuring support agreement dated January 18, 2021 between, among others, CannTrust Holdings and CCAA Representative Counsel.

"**Securities Claim**" means:

(i) any Claim against CannTrust Holdings asserted by a plaintiff or putative plaintiff in an Action; and

(ii) any other Claim against CannTrust Holdings that has been or could be asserted by or on behalf of a current or former shareholder of CannTrust Holdings or another Person in relation to the purchase, sale or ownership by such Person (including as a legal, registered or beneficial purchaser, seller or owner) on or before the Filing Date of an equity interest (as defined in the CCAA) in CannTrust Holdings,

other than a Securities-Related Indemnity Claim.

"**Securities Claimants**" means the holders of Securities Claims.

"Securities-Related Indemnity Claim" means any claim of any Person that has been or may be asserted against CannTrust Holdings (whether pursuant to an agreement, under applicable law or otherwise) for indemnity, advancement, contribution, reimbursement, set-off or otherwise, arising from or in connection with any Securities Claim or securities-related claim asserted against such Person or arising from or in connection with any other claim asserted by a co-defendant in an Action against such Person.

"U.S. Securities Claimants" means all Securities Claimants who purchased the publicly traded common shares of CannTrust Holdings on the New York Stock Exchange or on any other U.S. based trading platform.

SCHEDULE "B"

NOTICE

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. (the "Applicants")

NOTICE OF CCAA REPRESENTATION ORDER

On March 31, 2020, the Applicants commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"). Ernst & Young Inc. has been appointed as the monitor of the Applicants (the "**Monitor**") by the Court.

On January 29, 2021, the Court issued an order (the "**CCAA Representation Order**") appointing certain representatives and representative counsel, as detailed further below. All capitalized terms used but not defined in this Notice have the meaning given to them in the CCAA Representation Order.

TAKE NOTICE THAT, pursuant to the CCAA Representation Order, subject to certain limited exceptions set out therein:

1. the CCAA Canadian Representatives have been appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims;

2. the CCAA U.S. Representatives have been appointed to represent the interests of the U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims;

3. A. Dimitri Lascaris Law Professional Corporation, Henein Hutchinson LLP, Kalloghlian Myers LLP and Strosberg Sasso Sutts LLP ("**CCAA Canadian Representative Counsel**") have been appointed as counsel for the Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, and are authorized and directed to take instructions from the CCAA Canadian Representatives;

4. Weisz Fell Kour LLP in association with Labaton Sucharow LLP ("**CCAA U.S. Representative Counsel**" and collectively with CCAA Canadian Representative Counsel, "**CCAA Representative Counsel**") have been appointed as counsel for the U.S. Securities Claimants in the CCAA Proceedings in relation to their

Securities Claims and any related claims, and are authorized and directed to take instructions from the CCAA U.S. Representatives; and

5. the CCAA Representatives and CCAA Representative Counsel are authorized to, among other things, negotiate with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation.

Copies of the CCAA Representation Order and other documents related to the CCAA Proceedings may be obtained from the case website maintained by the Monitor at http://www.ey.com/ca/canntrust.

If you have any questions regarding these matters, you may contact CCAA Canadian Representative Counsel, CCAA U.S. Representative Counsel and/or the Monitor as follows:

CCAA Canadian Representative Counsel:

A. Dimitri Lascaris Law Professional Corporation, Henein Hutchinson LLP, Kalloghlian Myers LLP and Strosberg Sasso Sutts LLP

Email: canntrust@strosbergco.com
Tel: 519-561-6296

CCAA U.S. Representative Counsel:

Weisz Fell Kour LLP

Email: sweisz@wfklaw.ca
Tel: 416-613-8281

Labaton Sucharow LLP

Email: jjohnson@labaton.com
Tel: 212-907-0859

Monitor:

Ernst & Young Inc.
Telephone: 1-855-224-0800 or 416-943-2091
Fax: 416-943-3300
Email: CannTrust.Monitor@ca.ey.com

SCHEDULE "C"

EMAIL ADDRESSES FOR NOTIFICATION OF MONITOR AND CCAA REPRESENTATIVE COUNSEL

The Monitor (Ernst & Young Inc.)	canntrust.monitor@ca.ey.com
A. Dimitri Lascaris Law Professional Corporation	alexander.lascaris@gmail.com
Henein Hutchinson LLP	mhenein@hhllp.ca shutchison@hhllp.ca
Kalloghlian Myers LLP	serge@kalloghlianmyers.com
Strosberg Sasso Sutts LLP	dwingfield@strosbergco.com
Labaton Sucharow LLP Weisz Fell Kour LLP	jjohnson@labaton.com MRogers@labaton.com sweisz@wfklaw.ca skour@wfklaw.ca

SCHEDULE "D"

ACTIONS

Hrusa et al. v. CannTrust Holdings Inc. et al., Court File No. CV-19-00623567-00CP (ON SC)

Webb v. CannTrust Holdings Inc. et al., Court File No. CV-19-1554 (ON SC)

Jeff Dyck v. CannTrust Holdings Inc. et al., Court File No. 217559 (BC SC)

Selanders v. CannTrust Holdings Inc. et al., Court File No. 1910983 (AB QB)

Diran Avedian v. CannTrust Holdings Inc. et al., Court File No. 500-06-001011-192 (QC CS)

Zola Finance Holdings Ltd. v. CannTrust Holdings Inc. et al., Court File No. CV-19-00002329-00CP (ON SC)

In Re: CannTrust Holdings Inc. Securities Litigation, No. 1:19-cv-06396 (JPO)

Alvarado v. CannTrust Holdings Inc. et al., 1:19-cv-6438 (JPO)

Jones v. CannTrust Holdings Inc. et al., 1:19-cv-6883 (JPO)

Justiss v. CannTrust Holdings Inc. et al., 1:19-cv-7164 (JPO)

Huang v. CannTrust Holdings Inc. et al., 1:19-cv-6396 (JPO)

Owens v. CannTrust Holdings Inc. et al., Court File No. 19CV352374 (California Superior Court, Santa Clara County)

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. ET AL.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

ORDER
(CCAA Representative and CCAA Representative Counsel Appointment Order)

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Toronto ON M5K 1E6
Fax: 416-868-0673

James Gage LSO#: 34676I
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Alexander Steele LSO#: 475719P
Tel: 416-601-8370
Email: asteele@mccarthy.ca

Lawyers for the Applicants

MT DOCS 20931508

This is Exhibit "D" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

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.

AFFIDAVIT OF SERGE KALLOGHLIAN

(Sworn January 20, 2021)

I, SERGE KALLOGHLIAN, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a partner at Kalloghlian Myers LLP, co-counsel for the plaintiffs, Patrick Hrusa and Dharambir Singh ("**Ontario Class Action Plaintiffs**"), in the proposed class action against CannTrust Holdings Inc. ("**CannTrust**") and others bearing (Toronto) Court File No. 19-000625181-00CP in the Ontario Superior Court of Justice ("**Ontario Class Action**").

2. I have been involved in the prosecution of the Ontario Class Action since its inception and I participated in the mediation process described below. As such, I have knowledge of the matters contained in this affidavit, except where stated to be based on information and belief, in

which case I have indicated the source of that information and believe that information to be true.

3. I swear this affidavit in support of the Applicants' motion for an order appointing representatives and representative counsel for all (subject to certain exclusions) Securities Claimants (defined below), under the *Companies' Creditors Arrangement Act* (the "**CCAA**") in these proceedings (the "**CCAA Proceedings**").

4. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THIS MOTION

The Class Actions and Settlement Framework

5. Counsel for the Ontario Class Action Plaintiffs in the Ontario Class Action is comprised of Henein Hutchison LLP ("**Henein**"), Strosberg Sasso Sutts LLP ("**Strosberg**"), A Dimitri Lascaris Law Professional Corporation ("**Lascaris**"), and Kalloghlian Myers LLP ("**Kalloghlian**") (collectively "**Ontario Class Action Counsel**").

6. Granite Point Master Fund, LP and Granite Point Capital Scorpion Focussed Ideas Fund (the "**U.S. Class Action Plaintiffs**") commenced a class action against CannTrust and others in the Southern District of New York bearing court file No. 1:19-CV-06396 (JPO) (the "**U.S. Class Action**"). Counsel to the U.S. Class Action Plaintiffs is Labaton Sucharow LLP in the United States and Weisz Fell Kour LLP in Canada ("**U.S. Class Action Counsel**").

7. The Ontario Class Action and U.S. Class Action (together, the "**Class Actions**") assert claims against CannTrust and others on behalf of a global class of CannTrust shareholders.

8. Following the issuance of the Mediation Order in these proceedings, Ontario and U.S. Class Action Counsel (together, "**Class Action Counsel**") began to work cooperatively to resolve the claims of all affected shareholders. Following months of complex negotiations with multiple parties, CannTrust and Class Action Counsel have agreed to a framework to resolve the securities claims against CannTrust and certain other defendants.

9. The agreement is reflected in the Restructuring Support Agreement, which is attached to the affidavit of Greg Guyatt, sworn January 20, 2021 at Exhibit "I" (the "**RSA**").

10. The RSA contemplates the resolution of all Securities Claims[1] against CannTrust (and certain others) pursuant to a CCAA plan of compromise, arrangement, and reorganization (the "**CCAA Plan**"). Upon the implementation of the CCAA Plan and satisfaction of certain preconditions, CannTrust will (among other things):

(a) pay the amount of CAD $50 million into a trust (the "**Securities Claimants Trust**") for the benefit of all holders of Securities Claims ("**Securities Claimants**"); and

(b) assign to the Securities Claimants Trust all claims that CannTrust has against other defendants to the class action or its insurers ("**Assigned Claims**").

11. Following implementation of the CCAA Plan, CannTrust will consent to orders permitting the plaintiffs in the Class Actions and the Securities Claimants Trust to obtain on an expedited

[1] As defined in the RSA.

basis a joint trial date for the prosecution of the Class Actions and Assigned Claims against the remaining defendants.

Scope of the CCAA Representation Order Sought

12. On this motion, the Applicants seek an order (the "**CCAA Representation Order**") appointing representatives and representative counsel to all Securities Claimants (subject to the exclusions identified at paragraph 28 below) as follows:

(a) appointing the Ontario Class Action Plaintiffs ("**CCAA Canadian Representatives**") to represent the interests of all Securities Claimants that acquired shares on an exchange anywhere in the world except an exchange in the United States ("**Canadian and Non-U.S. Securities Claimants**");

(b) appointing Ontario Class Action Counsel ("**CCAA Canadian Representative Counsel**") as counsel to the Canadian and Non-U.S. Securities Claimants;

(c) appointing the U.S. Class Action Plaintiffs ("**CCAA U.S. Representatives**") to represent the interests of all Securities Claimants that acquired shares on an exchange in the United States ("**U.S. Securities Claimants**");

(d) appointing Weisz Fell Kour LLP in association with Labaton Sucharow LLP as counsel ("**CCAA U.S. Representative Counsel**") to the U.S. Securities Claimants.

13. The CCAA Representation Order authorizes CCAA Canadian Representative Counsel and U.S. Representative Counsel (together, **"CCAA Representative Counsel**") to take instructions from the CCAA Canadian Representatives and CCAA U.S. Representatives ("together, "**CCAA Representatives"**) and to act on behalf of the Securities Claimants in respect of their Securities Claims and related claims.

14. The CCAA Representation Order would, among other things, authorize the CCAA Representatives and CCAA Representative Counsel to enter into the RSA and to negotiate,

settle, and prosecute Securities Claimants' related claims against other defendants and their insurers.

BACKGROUND TO THIS MOTION

<u>The Class Actions</u>

15. CannTrust is a publicly traded company and its shares were traded on the Toronto Stock Exchange ("**TSX**") and on the New York Stock Exchange ("**NYSE**"), under the ticker symbols "TRST" and "CTST" respectively, and elsewhere.

16. The Ontario and U.S. Class Actions arise out of the same circumstances and make substantially similar allegations. They allege that, among other things, CannTrust, its officers, and directors, made, or were involved in making, misrepresentations and failed to disclose material facts about CannTrust's compliance with applicable laws, regulations, and standards.

17. The Ontario and U.S. Class Actions allege, respectively, that CannTrust is liable for misrepresentations under Parts XXIII and XXIII of the Ontario *Securities Act* and under Rule 10b-5 and s 10(b) of the United States Securities Exchange Act of 1934 and ss 11, 12(a)(2) and 15 of the United States Securities Act of 1933 (among other claims asserted).

18. They also allege that CannTrust's auditor (KPMG LLP) made misrepresentations regarding its audit of CannTrust's financial statements, and that its underwriters made misrepresentations in connection with its US$200 million May 2019 prospectus offering.

19. Following CannTrust's announcement on July 8, 2019 that it was in breach of regulations, the price of CannTrust shares fell significantly on the TSX and the NYSE.

20. The Class Actions alleges that CannTrust securities traded at artificially inflated prices during the Class Period. They seek recovery of the losses sustained by the Class Members because of CannTrust's misrepresentations.

Ontario Carriage Order

21. Following CannTrust's disclosures on July 8, 2019, several class actions were commenced in Ontario making substantially similar allegations on behalf of CannTrust shareholders. By Order dated January 28, 2020, carriage of the CannTrust securities class actions was granted to the Ontario Class Action Counsel and all other proposed class actions in Ontario relating to the same subject matter were stayed. A copy of the carriage Order of Justice Hainey dated January 28, 2020 is attached as **Exhibit "A"**. A copy of the Reasons of Justice Hainey is attached as **Exhibit "B"**.

22. One of the law firms that was unsuccessful in the carriage motion sought leave to appeal this decision to the Divisional Court of Ontario. After the commencement of these CCAA Proceedings, that law firm sought to schedule a determination of its leave to appeal motion. On July 14, 2020, the Honourable Mr. Justice Penny of the Divisional Court of Ontario determined that the application for leave to appeal was stayed and the law firm was required to bring a motion before this Court to lift the stay of proceedings in order to proceed. No such motion was brought before this Court. A copy of the Honourable Mr. Justice Penny's endorsement is attached hereto as **Exhibit "C"**.

23. The proposed Fresh as Amended Statement of Claim in the Ontario Class Action is attached as Schedule A to the carriage Order of Justice Hainey. The Fresh as Amended

Statement of Claim had not been filed as of the date of the Initial Order in the CCAA Proceedings. The Ontario Class Action Counsel, on behalf of Messrs. Hrusa and Singh, commenced an action on October 24, 2019 bearing Court File No. CV-19-00629743-00CP that, apart from naming additional financial institutions as defendants, is materially identical to the Fresh as Amended Statement of Claim. A copy of the statement of claim in that action is attached as **Exhibit "D"**.

<u>Other Actions</u>

24. Several class actions making substantially similar allegations as the Class Actions were commenced in Ontario following July 8, 2019. All such actions were stayed pursuant to the carriage Order. I am not aware of any other carriage motion having taken place in Canada concerning the subject matter of the Class Actions.

25. Proposed class actions were also commenced in British Columbia, Alberta and Québec by the Merchant Law Group. Based on information obtained from Morningstar, Ontario Class Action Counsel estimates that of the damaged CannTrust shares held by Canadian residents at the start of these CCAA Proceedings, well over 90% of such shares were held by Ontario residents. Investors resident in British Columbia, Alberta and Québec would make up a fraction of the remaining percentage.

26. The pleadings in the Merchant Law Group class actions (or excerpts thereof) are attached and marked as **Exhibits "E-1" to "E-3".** None of those actions have been certified. None of

those actions name any defendants apart from CannTrust and certain individual directors or officers.[2]

27. I am also aware of other individual CannTrust shareholders that have commenced or asserted similar claims to the Class Actions. Counsel to the individual plaintiffs in those actions have appeared in these CCAA Proceedings on behalf of their individual clients. All of these shareholders fall under the definition of Securities Claimant:

(a) Zola Finance Holdings Ltd and Igor Gimelshtein (represented by Siskinds LLP and Wright Henry LLP);

(b) 1604070 Alberta Ltd., Jeff Dyck, and Diran Avedian (represented by Merchant Law Group);

(c) Stephen Rosen and Albert Wahbe (represented by Rochon Genova LLP); and

(d) Shmuel Farhi (represented by Miller Thomson LLP).

28. The shareholders identified above will be excluded from the Securities Claimants represented by the CCAA Representatives and Representative Counsel because they are already formally represented by counsel.

CannTrust's Insolvency and Mediation Process

29. On March 31, 2020, CannTrust commenced these CCAA Proceedings and obtained an order for a stay of proceedings against it, including stays of the Class Actions.

30. Ontario Class Action counsel immediately appeared in the CCAA Proceedings and took steps to ensure that the rights of Securities Claimants would not be unfairly compromised.

[2] For example, the Merchant Law Group's Alberta action names only CannTrust and Greg Guyatt as defendants. With the consent of CannTrust, the plaintiff in that action obtained an

31. On May 8, 2020, the Court made an order ("**Mediation Order**") appointing the Hon. Dennis O'Connor, Q.C. (the "**Court-Appointed Mediator**") as a neutral third party to mediate a global settlement of the various actions and claims made against CannTrust (the "**Mediation Process**").

32. In addition to Ontario and US Class Action Counsel, counsel to each of the plaintiffs identified at paragraph 27 sought to participate in the Mediation Process. It soon became clear that such a multi-party mediation would be unworkable.

33. Ontario and U.S. Class Action Counsel therefore agreed to work together as a single negotiating unit (the "**Coalition**") to advance the interests of all Securities Claimants represented by them in the Mediation Process. The Coalition estimates that the proposed classes it represents make up an estimated 98% of total damages suffered by Securities Claimants represented in these proceedings.

34. Throughout the Mediation Process, only the Coalition conducted negotiations on behalf of all Securities Claimants. All other mediation participants with claims negotiated only on behalf of themselves.

35. Since the beginning of the Mediation Process, the Coalition, on behalf of the Securities Claimants, attended numerous formal mediation sessions with CannTrust and other defendants and many additional informal discussions with the Mediator and other mediation participants.

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order for leave to assert the secondary market claim under s. 211.08 of the Alberta *Securities Act*.

36. Following protracted negotiations taking place over six months, the Coalition and CannTrust reached the agreement reflected in the RSA. In coming to this agreement, the Coalition conducted extensive legal and factual investigation, including:

(a) reviewing CannTrust's public disclosure documents and other publicly available information regarding CannTrust;

(b) holding discussions with a CannTrust whistleblower and obtaining relevant emails;

(c) retaining and communicating with private "fact" investigators;

(d) identifying and interviewing potential "fact" witnesses;

(e) communicating with numerous individual Securities Claimants;

(f) retaining a cannabis consultant to advise counsel;

(g) retaining Sunita Surana, Ph.D., of Forensic Economics to provide an expert economic opinion on market efficiency, materiality, and damages;

(h) retaining Cyrus Khory, managing director at Froese Forensic Partners Ltd., to provide an expert opinion regarding applicable accounting standards;

(i) retaining Professor Efrim Boritz, Ph.D., FCPA, FCA, CISA, to provide an expert opinion regarding applicable auditing standards;

(j) retaining James Miller to provide an expert opinion regarding applicable underwriting standards;

(k) reviewing CannTrust's responsive insurance policies and other non-public information provided to the Coalition in the course of the Mediation Process; and

(l) considering the written mediation briefs and positions taken by the parties during the Mediation Process.

EVIDENCE TO SUPPORT A REPRESENTATION ORDER

Vulnerability of the Security Holders

37. Based on my experience prosecuting securities class actions, and my knowledge of the various Securities Claimants that have communicated with Ontario Class Action Counsel, I believe that most of the Securities Claimants are retail investors who likely lack the financial resources to pursue litigation of this type and scale on an individual basis. The losses of some of the individual Securities Claimants may well be significant from a personal perspective. For example, Dharambir Singh suffered investment losses of over $250,000. However, in the absence of the Ontario Class Action, he likely would not have commenced litigation against the defendants, including CannTrust, due to the high cost of advancing a securities action on that scale.

38. In my view, even significant individual losses such as those suffered by the plaintiffs do not justify the legal and expert costs of advancing these claims as individual actions or participating individually in these CCAA Proceedings.

39. The vast majority of Securities Claimants would generally not have the financial ability to pay these costs. Absent the CCAA Representation Order, individual Securities Claimants would either have no representation in these proceedings, or be forced to participate individually (assuming they had the capacity to do so). The latter scenario would result in a multiplicity of legal retainers, which would compromise judicial economy and risk the possibility of inconsistent claims and results.

<u>The CCAA Representation Order Benefits CannTrust</u>

40. One of the Applicants' main stated goals in entering these CCAA Proceedings was to provide a single forum for global resolution of all claims against them. The CCAA Representation Order accords with this goal and benefits the Applicants by providing a method for the Applicants to resolve all such claims by Securities Claimants through the RSA.

<u>The CCAA Representation Order Provides a Social Benefit</u>

41. The Class Actions seek to provide harmed investors with access to justice. The Ontario Class Action asserts claims under Part XXIII.1 of the Ontario *Securities Act*, which has as its core the twin goals of deterrence of corporate malfeasance and compensation of investors. The CCAA Representation Order sought is consistent with those goals because it allows the goal of the legislation to be realized.

<u>The CCAA Representation Order Facilitates the Administration of the CCAA Proceedings</u>

42. The Securities Claimants have commonality in interest in recovering compensation for damages arising from their acquisition and holding of CannTrust securities. The CCAA Representation Order will allow CannTrust to deal with the adjudication of the Securities Claimants' claims, in a consistent and localized manner, and will avoid the need for CannTrust and the Court to deal with a potentially large number of individual unrepresented Securities Claimants advancing individual and possibly inconsistent claims.

43. If appointed as CCAA Representative Counsel, the Coalition will not make a funding request from CannTrust in the CCAA Proceedings. The members of the Coalition have assumed responsibility for funding the litigation and have ample resources to ensure that the litigation is

advanced expeditiously, efficiently and vigorously. As such, I believe there should not be any tangible prejudice to the CCAA Proceedings and/or the other interested parties if the CCAA Representation Order sought on this motion is made by the Court.

Suitability of the CCAA Representatives to Serve as Securities Claimants' Representatives

44. The proposed CCAA Representatives are suitable to serve as representatives of the Securities Claimants. Copies of the affidavits of the respective Ontario Class Action Plaintiffs as proffered on the carriage motion in the Ontario Class Action (without exhibits) are attached as **Exhibits "F-1" and "F-2".**

45. The individual Ontario Class Action Plaintiffs have advised me and my co-counsel that just as they remain prepared to act as representative plaintiffs for the Class Members in the Ontario Class Action, they are also willing and able to fulfill a similar role if appointed as CCAA Representatives. They understand that, as CCAA Representatives, they would be required to give instructions to the CCAA Representative Counsel, and to act in the best interests of the Securities Claimants, among other responsibilities.

46. To date, the Ontario Class Action Plaintiffs have fairly and adequately represented the interests of the proposed Class by retaining, interacting with and instructing the Ontario Class Action Counsel as necessary. It is my belief that they can and will serve in a similarly beneficial capacity if appointed as CCAA Representatives in the CCAA Proceedings.

Suitability of the Ontario Class Action Counsel to Serve as Representative Counsel

47. CCAA Representative Counsel are suitable to act as counsel to the CCAA Representatives and the Securities Claimants in these proceedings.

48. They have extensive experience prosecuting complex class action litigation, including securities litigation. I have been advised of the information that follows by my co-counsel David Wingfield, Jay Strosberg, A. Dimitri Lascaris, Marie Henein, and Scott Hutchison.

49. Strosberg is a boutique litigation firm with offices in Windsor and Toronto focusing on class actions and commercial litigation. Strosberg was one of the early pioneers in the development of class actions in Ontario, and continues to be involved in many important regional, national, and international class actions, including securities and regulatory compliance class actions. Strosberg has also been ranked as a leading plaintiff-side practice in Canada by Chambers Global. Among other jurisprudential milestones, Strosberg's class action lawyers were involved in:

(a) the first securities class action commenced in Ontario (*Bre-X*);

(b) the first securities class action where leave was sought under Part XXIII.1 of the Ontario Securities Act (*Southwestern Resources*); and

(c) the first securities class action where the court granted leave to commence an action under Part XXIII.1 of the Ontario Securities Act (*Silver v. Imax*).

50. David R. Wingfield, a partner at Strosberg, has particular experience in Commercial List matters, including those involving insolvency and the CCAA. For example, Mr. Wingfield has acted as:

(a) counsel to the Attorney General of Canada on whether wireless spectrum licences may be transferred under the CCAA without the Minister of Industry's consent;

(b) counsel for the Appellant (the Province of Newfoundland and Labrador) in the Supreme Court of Canada on whether Canada's bankruptcy and insolvency laws permit an insolvent debtor to avoid provincial environmental laws (*Newfoundland and Labrador v. AbitibiBowater Inc.*, [2012] 3 S.C.R. 443);

(c) counsel to The Ravelston Corporation (the parent company of the Hollinger newspaper group) in its Canadian and U.S. litigation over control of the Sun-Times Media Group (see *Ravelston Corporation Limited (Re)*, 2007 ONCA 272); and

(d) counsel to one of the Hollinger Group directors following allegations of misconduct (see *Catalyst Fund General Partner I Inc. v. Hollinger Inc*., 2006 CanLII 7392 (ON CA)).

51. A. Dimitri Lascaris, principal at Lascaris, was a partner in the class actions department of Siskinds LLP until 2016. Since 2004, his practice focused almost exclusively on securities and derivative actions against companies listed on the TSX and other global stock exchanges. He successfully argued the first two contested leave motions under Part XXIII.1 of the Ontario *Securities Act* – *Imax* and *Arctic Glacier* – and argued or participated in arguing numerous other successful Part XXIII.1 leave motions. He has also negotiated, with and without the assistance of a mediator, settlements in over twenty-five securities class actions and shareholders derivative cases. Mr. Lascaris has acted and continues to act in many multi-jurisdictional class actions involving parallel class actions in the United States.

52. Several of the securities class actions in which Mr. Lascaris acted for the plaintiffs were resolved successfully after the issuer of the securities had filed for insolvency. One such action was the Sino-Forest securities litigation.

53. Marie Henein is one of Canada's top trial lawyers. She has appeared before all levels of Ontario courts and the courts of certain other Canadian provinces as well as the Supreme Court of Canada. Ms. Henein is Past President of the Advocates Society (2010-2011) and is a fellow of the American College of Trial Lawyers. Ms. Henein has been counsel on numerous high-profile cases and has been repeatedly named one of Canada's 25 most influential lawyers.

54. Scott Hutchison is an experienced litigator and has appeared at all levels of the Canadian court system, including more than two dozen appearances at the Supreme Court of Canada, generating numerous reported decisions. Mr. Hutchison's recent practice includes advising in relation to both the prosecution and defence of complex class actions. Mr. Hutchison sits on the Class Proceedings Committee of the Law Foundation of Ontario (appointed by the Attorney General of Ontario). Mr. Hutchison appears regularly before senior professional discipline tribunals, including the Ontario Securities Commission. Mr. Hutchison is a Fellow of the American College of Trial Lawyers.

55. Kalloghlian's practice is dedicated almost exclusively to class actions and investor rights litigation. Prior to forming Kalloghlian, I worked at the Toronto office of Siskinds LLP since 2012, specializing in securities class actions. My practice has focused on class actions since my call to the bar in 2008. I have appeared before all levels of Ontario courts as well as the Supreme Court of Canada in connection with securities class actions, including in the landmark decision in *Green v. CIBC*, 2015 SCC 60.

56. I have acted for plaintiffs in securities class actions which were resolved successfully after the issuer entered into insolvency proceedings, including the *Sino-Forest* and *The Cash Store Financial Services Inc.*, securities litigation.

57. Class Action Counsel are willing and able to continue to serve these above functions if appointed as Representative Counsel in the CCAA Proceedings.

AFFIRMED BEFORE ME over video-teleconference in accordance with Ontario Regulation 431/20, with the affiant and the commissioner being located in the City of Toronto, in the Province of Ontario, this 20th day of January, 2021.

A Commissioner for taking Affidavits *(or as may be)*

Serge Kalloghlian

This is Exhibit "E" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

J Smith

A Commissioner for taking Affidavits

RESTRUCTURING SUPPORT AGREEMENT

THIS AGREEMENT is made as of January 19, 2021 between:

CannTrust Holdings Inc.,
CannTrust Inc.,
CTI Holdings (Osoyoos) Inc. and
Elmcliffe Investments Inc.

(the "**CannTrust Group**")

– and –

Patrick Hrusa and Dharambir Singh

(the "**Ontario Class Action Lead Plaintiffs**")

– and –

A. Dimitri Lascaris Law Professional Corporation,
Henein Hutchinson LLP,
Kalloghlian Myers LLP and
Strosberg Sasso Sutts LLP

(**"Ontario Class Action Counsel"**)

– and –

Granite Point Master Fund, LP and
Granite Point Capital Scorpion Focussed Ideas Fund

(the "**U.S. Class Action Lead Plaintiffs**", and collectively with the Ontario Class Action Lead Plaintiffs, the "**Class Action Lead Plaintiffs**")

– and –

Labaton Sucharow LLP and Weisz Fell Kour LLP

(**"U.S. Class Action Counsel"**, and collectively with Ontario Class Action Counsel, **"Class Action Counsel"**)

RECITALS:

A. Capitalized terms used in this Agreement and not defined above have the meanings given to them in Section 1.01.

B. The CannTrust Group commenced the CCAA Proceedings on the Filing Date.

C. Pursuant to the Mediation being conducted within the CCAA Proceedings, the CannTrust Group has been engaged in negotiations with the Class Action Lead Plaintiffs and Class Action Counsel, among others, regarding the restructuring of the CannTrust Group, including negotiations with respect to the settlement of the Securities Claims and any related claims.

D. Pursuant to those negotiations, the Agreement Parties have agreed upon terms for the settlement of the Securities Claims that will form part of the restructuring of the CannTrust Group pursuant to a CCAA Plan and related arrangements, which terms are reflected in the Term Sheet.

E. The Agreement Parties wish to enter into this Agreement to set forth their agreements concerning the CCAA Plan, the related process to implement it, and the commitment of the Class Action Lead Plaintiffs and Class Action Counsel to support the CCAA Plan.

NOW THEREFORE, in consideration of the premises, the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Agreement Parties, the Agreement Parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement:

"**Actions**" means the actions and other litigation set out in Schedule A.

"**Additional Settlement Party**" means any Co-Defendant or Insurer that has been designated as an Additional Settlement Party in accordance with Section 3.04 of this Agreement or the terms of the CCAA Plan.

"Affected Claims" means the Securities Claims and all other Claims that the CannTrust Group seeks, in its sole discretion, to compromise, settle and/or release pursuant to the CCAA Plan to effect its restructuring.

"Affected Creditor" means a holder of an Affected Claim.

"**Agreement**" means this agreement, including its recitals and Schedules, as amended from time to time.

"**Agreement Parties**" means the CannTrust Group, the Class Action Lead Plaintiffs and Class Action Counsel.

"**Allocation and Distribution Scheme**" means the scheme to be developed by the Class Action Lead Plaintiffs and Class Action Counsel and approved by the CCAA Court, for the allocation and distribution by the Trustee (or its designate, as approved by the CCAA Court) of the funds held by the Securities Claimant Trust from time to time among and to Securities Claimants, among others, which scheme will be included within the terms of, or will be a schedule to, the Trust Declaration and/or the CCAA Plan.

"**Assigned Claims**" means the claims of CannTrust Holdings against any Co-Defendant that is a Non-Settlement Party and, if applicable, the claims of CannTrust Holdings and the other Settlement Parties against any Insurer that is a Non-Settlement Party, in each case to the extent such claims are for loss or damage up to the date of the CCAA Sanction Order and arise from or relate to the Securities-Related Matters.

"Bar Order" is defined in Section 3.02(c).

"**Business Day**" means a day other than a Saturday or Sunday on which banks are generally open for business in Toronto, Ontario.

"California Action" means *Owens v. CannTrust Holdings Inc. et al.,* Court File No. 19CV352374 (California Superior Court, Santa Clara County).

"Canadian and Non-U.S. Securities Claimants" means all Securities Claimants other than U.S. Securities Claimants.

"**CannTrust Holdings**" means CannTrust Holdings Inc.

"**Cash Contributions**" means, collectively:

(i) the contribution of $50 million to the Securities Claimant Trust to be made by CannTrust Holdings pursuant to the CCAA Plan, as contemplated by the Term Sheet; and

(ii) each cash contribution to the Securities Claimant Trust to be made by an Additional Settlement Party, in the amount agreed between the Additional Settlement Party, the Class Action Lead Plaintiffs and the CannTrust Group.

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

"CCAA Canadian Representatives" is defined in Section 2.02(1).

"CCAA Canadian Representative Counsel" is defined in Section 2.02(1).

"**CCAA Court**" means the Ontario Superior Court of Justice (Commercial List).

"**CCAA Plan**" means the plan of compromise, arrangement and reorganization of the CannTrust Group to be proposed by it pursuant to the CCAA, consistent with the Term Sheet and this Agreement, and otherwise in form and content satisfactory to the CannTrust Group in its sole discretion, as may be amended from time to time in accordance with the provisions of the CCAA Plan and the Meeting Order.

"**CCAA Proceedings**" means the proceedings under the CCAA in respect of the CannTrust Group commenced by the Initial Order.

"CCAA Representation Order" is defined in Section 2.02(1).

"CCAA Representative Counsel" is defined in Section 2.02(1).

"CCAA Representatives" is defined in Section 2.02(1).

"**CCAA Sanction Order**" means the order to be made under the CCAA sanctioning the CCAA Plan and providing for the Bar Order and other relief contemplated in the CCAA Plan, as such order may be amended from time to time, in form and content satisfactory to the CannTrust Group in its sole discretion and otherwise consistent with the Term Sheet and this Agreement.

"**Claim**" means any right or claim of any Person that may be asserted or made in whole or in part against any of member of the CannTrust Group, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any such indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not such right or claim is executory or anticipatory in nature (including any right or claim in connection with the sale of any securities by CannTrust Holdings or others pursuant to the public distribution of its securities or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future), which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts existing prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable in bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada) had such member of the CannTrust Group become bankrupt on the Filing Date, including any Securities Claim and any Securities-Related Indemnity Claim.

"**Claims Procedure Order**" means the claims procedure order of the CCAA Court made in the CCAA Proceedings on October 13, 2020 and any supplemental claims procedure order made in respect of the process governing the proof of claims, in each case as amended from time to time.

"Co-Defendant" means, at the relevant time (i) any Person named as a defendant in an Action that is not a Settlement Party, and (ii) any Person that could be named as a co-defendant in an Action based on or arising out of the Securities-Related Matters and who has or could have a Securities-Related Indemnity Claim against a Released Party.

"Cooperation Agreement" means an agreement between the Agreement Parties consistent with the general principles set out in Schedule C, in form and content satisfactory to the Agreement Parties.

"**Cross-Border Action**" is defined in Section 3.01(d)(i).

"**Definitive Documents**" means the CCAA Plan, the Settlement-Related Agreements, the CCAA Sanction Order, the U.S. Approval Order, the Bar Order and all other agreements, releases, consents, documents and orders contemplated by, or necessary or desirable to implement the transactions contemplated by, this Agreement, the Supplemental Letter Agreement or any of the foregoing.

"Director" means any Person who, as at the Effective Time, is a former or current director or officer of any member of the CannTrust Group or any other Person of a similar position or who by applicable law is deemed to be or is treated similarly to a director or officer of a member of the CannTrust Group or who currently manages or supervises the management of the business and affairs of a member of the CannTrust Group or did so in the past.

"**Effective Time**" means the first moment on the Plan Implementation Date or such other time on the Plan Implementation Date as may be designated by the CannTrust Group in accordance with the CCAA Plan.

"**Filing Date**" means March 31, 2020.

"**Initial Order**" means the initial order made by the CCAA Court on the Filing Date under the CCAA upon application by the CannTrust Group, as amended and/or amended and restated from time to time.

"**Insurer**" means an insurer that has provided insurance with respect to Securities-Related Matters to (i) an Original Settlement Party, or (ii) a Co-Defendant that is or was a Director of CannTrust Holdings.

"**Mediation**" means the mediation being conducted in the CCAA Proceedings pursuant to the order made on May 8, 2020.

"Meeting Order" is defined in Section 2.02(1).

"**Meetings**" means, collectively, each meeting of a class of Affected Creditors of the CannTrust Group, including a class that includes Securities Claimants if necessary, called for the purpose of considering and voting on the CCAA Plan.

"**Monitor**" means Ernst & Young Inc., in its capacity as the monitor appointed pursuant to the Initial Order.

"**Non-Released CannTrust Claims**" means:

(i) the right to enforce against the applicable member(s) of the CannTrust Group its obligations under the CCAA Plan;

(ii) the right to enforce the Unaffected Claims against the applicable member(s) of the CannTrust Group;

(iii) solely as against a director in his or her capacity as such, any claim that is not permitted to be compromised pursuant to section 5.1(2) of the CCAA;

(iv) any claim against a member of the CannTrust Group for the purchase or supply of goods or services delivered after the Filing Date; and

(v) the right to enforce against the applicable member(s) of the CannTrust Group any agreement in force at the Effective Time that was entered into by such member(s) between the Filing Date and the Plan Implementation Date, or that was entered into prior to the Filing Date and not disclaimed during the CCAA Proceedings pursuant to the applicable paragraph of the Initial Order and related provision by the CCAA.

"Non-Settlement Party" means, at the relevant time, any Co-Defendant or Insurer that is not a Settlement Party.

"Ontario Class Action" means *Hrusa et al. v. CannTrust Holdings Inc. et al.,* Court File No. CV-19-00623567-00CP (ON SC).

"Opt Out Claimant" means, to the extent an opt out process is imposed by the CCAA Representation Order or the Meeting Order, any Securities Claimant that provides notice to the Monitor and CCAA Representative Counsel that they do not want the CCAA Representatives and/or CCAA Representative Counsel to represent them or act as their proxy, as applicable.

"**Original Settlement Parties**" means each member of the CannTrust Group, Mark Dawber, Greg Guyatt, John Kaden, Robert Marcovitch, Shawna Page, Ilana Platt, Mitchell Sanders and Cajun Capital Corporation.

"Outside Date" means December 31, 2021.

"**Person**" means any individual, corporation, firm, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity, wherever situate or domiciled, and whether or not having legal status.

"**Plan Implementation Date**" means the date upon which all of the conditions to the CCAA Plan and other Definitive Documents have been satisfied or waived and the transactions contemplated by the CCAA Plan and the other Definitive Documents are to be implemented.

"**Released Additional Settlement Parties**" means the Additional Settlement Parties and their respective Representatives.

"**Released CannTrust Claims**" means (A) any and all Claims and (B) any and all other demands, claims (including claims for contribution or indemnity), actions, causes of action, counterclaims, suits, debts, sums of money, liabilities, accounts, covenants, damages, judgments, orders (including orders for injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and recoveries on account of any liability, obligation, demand or cause of action of whatever nature (including for, alleged oppression, misrepresentation, wrongful conduct, fraud or breach of fiduciary duty by any Released CannTrust Party) that any Affected Creditor or other Person has or may be entitled to assert against any of the Released CannTrust Parties, whether known or unknown, matured or unmatured, contingent or actual, direct, indirect or derivative, at common law, in equity or under statute, foreseen or unforeseen, existing or hereafter arising, in any jurisdiction, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing, matter or occurrence existing or taking place at or prior to the Effective Time that in any way relate to or arise out of or in connection with:

(i) any Claim, including any Claim that is enumerated in section 19(2) of the CCAA and that is compromised under the CCAA Plan in accordance with such section as a consequence of the applicable creditor's vote in favour of or other form of consent to the CCAA Plan;

(ii) any of the assets, obligations, business or affairs of a member of the CannTrust Group; or

(iii) the CCAA Proceedings or any matter or transaction involving any member of the CannTrust Group occurring in or in connection with the CCAA Proceedings (including the CCAA Plan and the development of it),

but excluding Non-Released CannTrust Claims.

"**Released CannTrust Parties**" means the Original Settlement Parties, the Monitor and their respective Representatives, but excluding the Directors named as defendants in one or more of the Actions who are not Original Settlement Parties and the Representatives of each such excluded Director.

"**Released Claims**" means the Released CannTrust Claims and the Released Securities-Related Claims.

"**Released Parties**" means the Released CannTrust Parties and the Released Additional Settlement Parties.

"**Released Securities-Related Claims**" means (A) any and all Securities Claims and Securities-Related Claims against any of the Released Parties, (B) any and all Securities-Related Indemnity Claims against any of the Released Parties, and (C) any and all other demands, claims (including claims for contribution or indemnity), actions, causes of action, counterclaims, suits, debts, sums of money, liabilities, accounts, covenants, damages, judgments, orders (including orders for injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and recoveries on account of any liability, obligation, demand or cause of action of whatever nature (including for, alleged oppression, misrepresentation, wrongful conduct, fraud or breach of fiduciary duty by any Settlement Party) that any Securities Claimant or Co-Defendant has or may be entitled to assert against any of the Released Parties, whether known or unknown, matured or unmatured, contingent or actual, direct, indirect or derivative, at common law, in equity or under statute, foreseen or unforeseen, existing or hereafter arising, in any jurisdiction, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing, matter or occurrence existing or taking place at or prior to the Effective Time that in any way relate to or arise out of or in connection with:

(i) any of the Actions;

(ii) any of the Securities Claims, Securities-Related Claims, Securities-Related Indemnity Claims or Securities-Related Matters; or

(iii) the CCAA Proceedings or any matter or transaction involving any member of the CannTrust Group occurring in or in connection with the CCAA Proceedings (including the CCAA Plan and the development of it),

but excluding Non-Released CannTrust Claims.

"**Representatives**" means, in relation to a Person, such Person's current and former directors, officers, partners, employees, consultants, legal counsel, advisers and agents, including their respective heirs, executors, administrators and other legal representatives, successors and assigns, and each of their respective employees and partners.

"Represented Securities Claimants" means all Canadian and Non-U.S. Securities Claimants and all U.S. Securities Claimants, excluding Opt Out Claimants (if any).

"Schedules" is defined in Section 1.03.

"**Securities Claim**" means:

(i) any Claim against CannTrust Holdings asserted by a plaintiff or putative plaintiff in an Action; and

(ii) any other Claim against CannTrust Holdings that has been or could be asserted by or on behalf of a current or former shareholder of CannTrust Holdings or another Person in relation to the purchase, sale or ownership by such Person (including as a legal, registered or beneficial purchaser, seller or owner) on or before the Filing Date of an equity interest (as defined in the CCAA) in CannTrust Holdings,

other than a Securities-Related Indemnity Claim.

"Securities Claimants" means the holders of Securities Claims.

"**Securities Claimant Trust**" means the trust, to be established pursuant to the Trust Declaration on or before the Plan Implementation Date, to which the Cash Contributions will be paid and the Assigned Claims will be assigned on the Plan Implementation Date for the benefit of Securities Claimants, among others.

"**Securities-Related Claim**" means:

(i) any claim against a Settlement Party or Co-Defendant asserted by a plaintiff or putative plaintiff in an Action; and

(ii) any other claim against a Settlement Party or a Co-Defendant that has been or could be asserted by or on behalf of a current or former shareholder of CannTrust Holdings or another Person in relation to the purchase, sale or ownership by such Person (including as a legal, registered or beneficial purchaser, seller or owner) on or before the Filing Date of an equity interest (as defined in the CCAA) in CannTrust Holdings,

other than a Securities Claim or Securities-Related Indemnity Claim.

"Securities-Related Indemnity Claim" means any claim of any Person that has been or could be asserted against a Settlement Party (whether pursuant to an agreement, under applicable law or otherwise) for indemnity, advancement, contribution, reimbursement, set-off or otherwise, arising from or in connection with any Securities Claim or Securities-Related Claim asserted against such Person or arising from or in connection with any other claim asserted by a Co-Defendant against such Person.

"Securities-Related Matters" means the facts, events and transactions alleged in one or more of the Actions giving rise to the claims asserted therein or that could give rise to claims similar to the ones asserted therein.

"**Securities-Related Section 5.1(2) Claims**" means any Securities-Related Claim against a Director who is an Original Settlement Party and which claim is not permitted to be compromised pursuant to Section 5.1(2) of the CCAA.

"**Settlement-Related Agreements**" means the Trust Declaration, the Allocation and Distribution Scheme, the Cooperation Agreement and all other agreements, releases, consents or other documents contemplated by, or necessary or desirable to implement the transactions contemplated by, this Agreement or the CCAA Plan to settle the Securities Claims and any related claims, in each case in form and content satisfactory to the Agreement Parties.

"Settlement Parties" means the Original Settlement Parties and the Additional Settlement Parties.

"Supplemental Letter Agreement" means the letter agreement dated the date hereof between the Agreement Parties supplemental to this Agreement, containing certain additional terms that are confidential.

"Term Sheet" means the term sheet attached as Schedule B.

"**Trust Declaration**" means the declaration of trust in respect of, among other things, the creation of the Securities Claimant Trust and appointment of the Trustees, in form and content satisfactory to the Agreement Parties, acting reasonably.

"**Trustees**" means the individual lawyers from the firms that comprise Class Action Counsel, in their capacity as the trustees of the Securities Claimant Trust, to be appointed pursuant to the Trust Declaration on the basis contemplated in Section 3.03.

"Unaffected Claims" means any Claims designated as unaffected Claims in and for the purposes of the CCAA Plan.

"U.S. Approval Order" means a court order entered in the U.S. Class Action, (i) approving a settlement and final judgment in the U.S. Class Action; (ii) containing a bar order in customary form containing such judgment reduction provisions as may be required by the *Private Securities Litigation Reform Act*; and (iii) approving customary broad releases by Securities Claimants within the putative class of any claims that were or could have been asserted in the Actions (including the California Action), in form and content satisfactory to the CannTrust Group and the U.S. Class Action Lead Plaintiffs.

"U.S. Class Action" means *In Re: CannTrust Holdings Inc. Securities Litigation*, No. 1:19-CV-06396 (JPO).

"U.S. Securities Claimants" means all Securities Claimants who purchased the publicly traded common shares of CannTrust Holdings on the New York Stock Exchange or on any other U.S. based trading platform.

1.02 **Construction**

In this Agreement, unless otherwise stated or the context otherwise requires:

(a) the division of this Agreement into Sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;

(b) the words "hereunder", "hereof" and similar expressions refer to this Agreement and not to any particular Section or Schedule and references to "Sections" and "Schedules" are to Sections of and Schedules to this Agreement;

(c) words importing the singular include the plural and *vice versa* and words importing any gender include all genders;

(d) the word "including" means "including without limiting the generality of the foregoing";

(e) a reference to any statute is to that statute as now enacted or as the statute may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder;

(f) references to dollar amounts are to Canadian dollars;

(g) references to times are to local time in Toronto;

(h) references to the "CannTrust Group" refer to each member of the CannTrust Group;

(i) if the CCAA Representation Order is granted, references to the "Class Action Lead Plaintiffs" and "Class Action Counsel" will include the CCAA Representatives and CCAA Representative Counsel after the agreement of the CCAA Class Representatives and CCAA Representative Counsel to become parties to and bound by this Agreement in accordance with Section 2.03(d) has become effective;

(j) any reference in this Agreement to a requirement or condition that (i) the CCAA Plan or another Definitive Document must be consistent with this Agreement means that such document must be consistent with this Agreement and the Supplemental Letter Agreement, and (ii) something be done as contemplated in or by this Agreement means as contemplated in or by this Agreement or the Supplemental Letter Agreement; and

(k) if there is a conflict between the terms of a Schedule and this Agreement (excluding the Schedules), the terms of this Agreement (excluding the Schedules) will govern, and any reference in this Agreement to a requirement or condition that the CCAA Plan or another Definitive Document must be consistent with the Term Sheet means that such Definitive Document must be consistent with the terms of this Agreement (excluding the Term Sheet) to the extent of any conflict between this Agreement (excluding the Term Sheet) and the Term Sheet.

1.03 **Schedules**

The following are the schedules (the **"Schedules"**) to this Agreement:

Schedule A	−	Actions
Schedule B	−	Term Sheet
Schedule C	−	Cooperation Agreement – General Principles

ARTICLE 2 - THE CCAA PLAN

2.01 **Settlement of Securities Claims Pursuant to CCAA Plan**

Each Agreement Party agrees that:

(a) all Securities Claims, Securities-Related Claims, Securities-Related Section 5.1(2) Claims and Securities-Related Indemnity Claims against the Released Parties will be settled or otherwise addressed pursuant to and in accordance with the CCAA Plan and the other Definitive Documents;

(b) the terms of the CCAA Plan and other Definitive Documents that relate to the treatment of the Securities Claims, Securities-Related Claims, Securities-Related Section 5.1(2) Claims and Securities-Related Indemnity Claims against the Released Parties will be consistent with the Term Sheet and this Agreement;

(c) it will negotiate in good faith with the other Agreement Parties to finalize the terms of the CCAA Plan and the other Definitive Documents on terms consistent with the Term Sheet and this Agreement;

(d) it will cooperate with the other Agreement Parties in good faith during the Mediation and the pendency of the CCAA Proceedings to seek a contribution from and settlement with each Co-Defendant and Insurer that is acceptable to the Class Action Lead Plaintiffs and Class Action Counsel and to cause it to become an Additional Settlement Party; and

(e) it will do all such things and take all such actions as may be reasonably necessary to carry out the purposes and intent of this Agreement and will refrain from doing anything or taking any action that would frustrate the purposes and intent of this Agreement, including refraining from bringing motions or supporting motions brought by third parties seeking relief that is not consistent with this Agreement.

2.02 **Process and Timetable to Implement CCAA Plan**

(1) The CannTrust Group will:

(a) file a motion on or before January 31, 2021, returnable at a hearing to be held on or before February 12, 2021 (or as soon after that date as the CCAA Court will hear the motion), seeking an order in the CCAA Proceedings (the "**CCAA Representation Order**") that, among other things:

(i) appoints the Ontario Class Action Lead Plaintiffs (or such other Person(s) as may be agreed by the Agreement Parties) to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims (the "**CCAA Canadian Representatives**");

(ii) appoints the U.S. Class Action Lead Plaintiffs (or such other Person(s) as may be agreed by the Agreement Parties) to represent the interests of the U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims (together with the CCAA Canadian Representatives, the "**CCAA Representatives**");

(iii) appoints Ontario Class Action Counsel as counsel for the Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims ("**CCAA Canadian Representative Counsel**");

(iv) appoints Weisz Fell Kour LLP in association with Labaton Sucharow LLP as counsel for the U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims (together with CCAA Canadian Representative Counsel, "**CCAA Representative Counsel**");

(v) authorizes the Class Action Lead Plaintiffs and Class Action Counsel, each in their capacity as such, to agree to become parties to and be bound by this Agreement;

(vi) approves the manner in which notice of the CCAA Representation Order and this Agreement is to be provided to Securities Claimants; and

(vii) approves the process, if any, by which Securities Claimants may opt out of representation by the CCAA Representatives and CCAA Representative Counsel in the CCAA Proceedings (but on a basis that is without prejudice to, and does not limit or otherwise affect, the treatment that may be proposed by the CannTrust Group in the CCAA Plan of Securities Claims held by Securities Claimants that opt out);

(b) file a motion on or before February 26, 2021, returnable at a hearing to be held on or before March 12, 2021 (or as soon after such date as the CCAA Court will hear the motion), seeking an order in the CCAA Proceedings (the "**Meeting Order**") that, among other things:

(i) authorizes the CannTrust Group to file the CCAA Plan with the Court;

(ii) approves the classification of Affected Creditors contemplated by the CCAA Plan;

(iii) authorizes the CannTrust Group to send the CCAA Plan and other meeting materials to Affected Creditors in the manner provided in the order;

(iv) directs that Meetings of Affected Creditors be held;

(v) if necessary, establishes a claims procedure supplemental to the one established by the Claims Procedure Order to require Securities Claimants to prove their claims prior to a claims bar date;

(vi) if proofs of claim are required in respect of Securities Claims, authorizes the CCAA Representatives and CCAA Representative Counsel to file one or more proofs of claim on behalf of all Represented Securities Claimants;

(vii) if a vote of Securities Claimants is conducted, appoints CCAA Representative Counsel to act as proxy for the Represented Securities Claimants at the applicable Meeting; and

(viii) authorizes the Monitor, with the approval of the applicable member of the CannTrust Group, to agree to the amount of any Claim for voting purposes, including the amount of the Securities Claims of Represented Securities Claimants and Opt Out Claimants (if any);

(c) if the Meeting Order is granted, seek approval of the CCAA Plan by Affected Creditors at the Meetings;

(d) if the CCAA Plan is approved by the required majorities of Affected Creditors at the Meetings, seek approval of the CCAA Plan by the CCAA Court pursuant to the CCAA Sanction Order within ten (10) Business Days after the Meetings (or the first available date thereafter if the CannTrust Group is unable to obtain a hearing date within such period);

(e) seek to obtain the final U.S. Approval Order (with the settlement to be effective on the Plan Implementation Date); and

(f) if the CCAA Sanction Order and U.S. Approval Order are granted, seek to implement the CCAA Plan in the manner contemplated by the CCAA Plan as soon as possible and in any event, on or before the Outside Date.

(2) Any of the dates referenced in Section 2.02(1), and the Outside Date, may be extended by agreement in writing between CannTrust Holdings and Class Action Counsel.

2.03 **Support for the CCAA Plan**

The Class Action Lead Plaintiffs and Class Action Counsel agree:

(a) to cooperate with the CannTrust Group in good faith to pursue and support the restructuring of the CannTrust Group and the settlement of the Securities Claims, Securities-Related Claims and Securities-Related Section 5.1(2) Claims against the Released Parties and the treatment of the Securities-Related Indemnity Claims in the manner contemplated by this Agreement;

(b) to use all reasonable efforts to assist the CannTrust Group to meet the timetable and obtain the orders and approvals contemplated by Section 2.02(1);

(c) to vote in favour of the CCAA Plan and that, without the consent of the CannTrust Group, they will not in any way support any plan or restructuring in respect of the CannTrust Group other than the CCAA Plan and the restructuring of the CannTrust Group contemplated by this Agreement, and will vote against and otherwise actively oppose any such other plan or restructuring; and

(d) if the CCAA Representation Order is granted, they will agree to become parties to and be bound by this Agreement in their respective capacities as CCAA Representatives and CCAA Representative Counsel.

ARTICLE 3 - ADDITIONAL ACKNOWLEDGEMENTS AND AGREEMENTS

3.01 Additional Acknowledgements and Agreements of CannTrust Holdings

CannTrust Holdings acknowledges and agrees:

(a) prior to the Plan Implementation Date, CannTrust Holdings will not compromise or settle any of its potential claims against any Non-Settlement Party in relation to the Actions (whether as an Additional Settlement Party or on another basis) without the consent of the Class Action Lead Plaintiffs and Class Action Counsel;

(b) it will pay its Cash Contribution and assign its Assigned Claims (if any) to the Securities Claimant Trust on the Plan Implementation Date;

(c) it will be a condition to the CCAA Plan that the Original Settlement Parties assign their Assigned Claims (if any) to the Securities Claimant Trust on the Plan Implementation Date;

(d) pursuant to the CCAA Plan and to take effect after the CCAA Sanction Order and the U.S. Approval Order are granted, CannTrust Holdings will consent to orders:

   (i) appointing the law firm of Weisz Fell Kour LLP as the Canadian representative for plaintiffs in the U.S. Class Action and allowing U.S. Class Action Counsel, in conjunction with U.S. Class Action Lead Plaintiffs to, at their option:

      (A) file an action (with Weisz Fell Kour LLP as counsel) in the Commercial List against any Non-Settlement Parties; or

      (B) establish a subclass in the Ontario Class Action (with Weisz Fell Kour LLP as counsel),

   with a class defined in the same way as the class is defined in the U.S. Class Action and subject to U.S. law in respect to the causes of action (the "**Cross-Border Action**");

   (ii) continuing the CCAA Representation Order permitting the plaintiffs in the Ontario Class Action, U.S. Class Action, and Cross-Border Action to settle such actions or to prosecute the Ontario Class Action and Cross-Border Action against any Non-Settlement Parties under the terms of such order;

   (iii) approving any (A) settlement with the Non-Settlement Parties; (B) notice to members of the Ontario Class Action and U.S. Class Action further to any such settlement; (C) distribution protocol (*i.e.* plan of allocation) setting forth the distribution of the funds to class members from such settlement (less Class Action Counsel's fees and litigation expenses); and (D) Class Action Counsel's request for fees to be paid from such settlement;

(iv) permitting the plaintiffs in the Ontario Class Action to apply to the Commercial List to obtain an expedited hearing for an order granting leave under the *Securities Act* (Ontario) further to their prosecution or settlement of the Ontario Class Action against any Non-Settlement Parties;

(v) at Class Action Counsel's option, permitting the plaintiffs in the Ontario Class Action and Cross-Border Action to apply to the Commercial List to obtain an expedited hearing for an order certifying the Ontario Class Action and Cross-Border Action under the *Class Proceedings Act, 1992* (Ontario) (as necessary) against any Non-Settlement Parties;

(vi) directing an expedited hearing date on the Commercial List of the claims in the Ontario Class Action and Cross-Border Action against any Non-Settlement Parties under the provisions of the *Class Proceedings Act, 1992* (Ontario) (as necessary) or pursuant to the Commercial List's statutory or discretionary powers on behalf of the classes defined in the Ontario Class Action and Cross-Border Action;

(vii) permitting the Securities Claimant Trust to obtain on an expedited basis a joint trial date for the claims in the Ontario Class Action, Cross-Border Action and any of the Assigned Claims including the claims of the Securities Claimant Trust against any Non-Settlement Parties; and

(viii) prohibiting any other action from being commenced or prosecuted in Canada against any Released Parties or any Non-Settlement Parties alleging facts substantially the same or similar as those alleged in the Ontario Class Action, Cross-Border Action or the Assigned Claims held by the Securities Claimant Trust.

3.02 **<u>Additional Acknowledgements and Agreements of Class Action Lead Plaintiffs and Class Action Counsel</u>**

The Class Action Lead Plaintiffs and Class Action Counsel acknowledge and agree:

(a) the terms of the CCAA Plan, other than those terms that relate to the settlement of the Securities Claims and any related claims (which terms will be consistent with the Term Sheet and this Agreement), will be at the sole discretion of the CannTrust Group, including any terms that relate to the proposed treatment of any Claims other than Securities Claims. Class Action Counsel shall have the opportunity to review the CCAA Plan for compliance with the Term Sheet and this Agreement;

(b) the Definitive Documents will provide that when the aggregate amount recovered by Securities Claimants and the Securities Claimant Trust from Additional Settlement Parties and Non-Settlement Parties, whether pursuant to settlements or prosecution of the Actions and Assigned Claims, exceeds $250 million net of litigation fees and expenses, then CannTrust Holdings will be entitled to paid up to $50 million in staged amounts from the Securities Claimant Trust (such staged amounts to be agreed between the Agreement Parties in the Definitive Documents), acting reasonably;

(c) the Definitive Documents will include releases and injunctions in favour of the Released Parties in respect of the Released Claims and Securities-Related Section 5.1(2) Claims, including one or more orders (whether pursuant to the CCAA Sanction Order or otherwise), satisfactory to the CannTrust Group in its sole discretion, enjoining, barring and/or extinguishing the Released Claims and Securities-Related Section 5.1(2) Claims against the Released Parties to the fullest extent permitted by applicable law (including an order "channeling" the Securities-Related Section 5.1(2) Claims to the Securities Claimant Trust) (the "**Bar Order**");

(d) the Definitive Documents will provide that the Securities Claimants and the Securities Claimant Trust jointly and severally agree and undertake (A) not to seek any damages from any Co-Defendant nor threaten, make or settle any claim or take any proceeding against any other Person, which in either case could result in a Securities-Related Indemnity Claim or any other claim for damages against any of the Released Parties in any jurisdiction that is permitted to proceed notwithstanding the Bar Order, and (B) to obtain a full and final release satisfactory to the Released Parties if the Securities Claimants or Securities Claimant Trust settle with any Non-Settlement Parties (with the form of such release to be finalized between the Agreement Parties on or before January 29, 2021 or as soon as practicable thereafter);

(e) with respect to the U.S. Class Action:

(i) U.S. Class Action Lead Plaintiffs and the applicable Released Parties will seek preliminary approval of the settlement in the U.S. Class Action and thereafter final approval of the settlement of the U.S. Class Action after entry of the CCAA Sanction Order. U.S. Class Action Lead Plaintiffs and the applicable Released Parties will cooperate and jointly file any motions in support of preliminary approval and final approval of the settlement in the U.S. Class Action. The California Action will be voluntarily dismissed with prejudice;

(ii) to the extent permitted, notice to the putative class in the U.S. Class Action of the settlement will be given in conjunction with any notice required in connection with the CCAA Proceedings. If a joint notice is not permitted or feasible, notice will be given to the putative class in the U.S. Class Action in a form as may be agreed or as directed by the U.S. court.

(A) Any notice provided in connection with the settlement will caution putative class members that U.S. Class Action Lead Plaintiffs and the applicable Released Parties believe that the claims of any opt-outs will be barred by the Bar Order and principles of comity;

(B) Any notice or administration expenses prior to the CCAA Sanction Order being granted shall be paid by the Applicants, following which such costs will be funded from the Securities Claimant Trust;

(iii) the relevant Agreement Parties will jointly seek entry of the U.S. Approval Order. Such Agreement Parties will request that the U.S. Approval Order recite that it is without prejudice to, and does not limit, the applicability of the Bar Order;

(iv) U.S. Class Action Lead Plaintiffs will request that the U.S. Class Action be stayed against the Non-Settlement Parties to enable the claims to be litigated in the Cross-Border Action;

(i) U.S. Class Action Lead Plaintiffs will request that the U.S. Class Action shall be dismissed after the Cross-Border Action is filed.

(f) all fees and costs of the Class Action Lead Plaintiffs, Class Action Counsel, the Trustee and the Securities Claimant Trust will be paid from amounts held in the Securities Claimant Trust from time to time in accordance with the terms of the Trust Declaration and any other applicable Definitive Documents and following CCAA Court Approval; and

(g) without delay after implementation of the CCAA Plan, they will cause the Actions in Canada to be dismissed against the Settlement Parties without costs.

3.03 **<u>Other Acknowledgements and Agreements</u>**

The Agreement Parties agree that:

(a) half of the Trustees will be designated by Ontario Class Action Counsel and half of the Trustees will be designated by U.S. Class Action Counsel for appointment pursuant to the Trust Declaration;

(b) the Trustees will appoint Class Action Counsel as counsel to the Securities Claimant Trust; and

(c) from and after the Plan Implementation Date, the Trustees of the Securities Claimant Trust will have the sole authority to prosecute and resolve the Assigned Claims.

3.04 **<u>Additional Settlement Parties</u>**

By written agreement between CannTrust Holdings and Class Action Counsel, , such agreement not to be unreasonably withheld, a Co-Defendant or Insurer may be designated as an Additional Settlement Party for the purposes of this Agreement and the CCAA Plan if such proposed Additional Settlement Party has signed a restructuring support agreement, in form and content satisfactory to the Agreement Parties, acting reasonably, pursuant to which such proposed Additional Settlement Party has agreed, among other things:

(a) to make a Cash Contribution to the Securities Claimant Trust on the Plan Implementation Date in an amount acceptable to Class Action Counsel;

(b) to assign its Assigned Claims (if any) to the Securities Claimant Trust on the Plan Implementation Date; and

(c) to support the CCAA Plan in a manner consistent with this Agreement.

ARTICLE 4 - CONDITIONS

4.01 **Conditions to Implementation of CCAA Plan**

(1) Unless otherwise provided in the CCAA Plan or the CCAA Sanction Order, implementation of the CCAA Plan will be conditional on the satisfaction of each of the following conditions on or before the Plan Implementation Date:

(a) the CCAA Plan will have been approved by the required majorities of Affected Creditors at the Meetings;

(b) the CCAA Sanction Order will have been issued by the CCAA Court;

(c) the U.S. Approval Order will have been issued by the U.S. Court;

(d) to the extent not contained within the CCAA Sanction Order, the Bar Order will have been issued by the CCAA Court;

(e) the terms of the Settlement-Related Agreements and any other Definitive Documents not otherwise expressly addressed in this Section 4.01(1) will have been settled in form and substance satisfactory to each of the Agreement Parties, acting reasonably, and each of the Definitive Documents will have become effective in accordance with its terms, subject only to the occurrence of the Plan Implementation Date (if applicable);

(f) the conditions set out in the CCAA Plan and each of the other Definitive Documents will have been satisfied or waived in accordance with the terms of the applicable Definitive Document;

(g) all relevant Persons will have executed, delivered and filed all consents, agreements, documents and other instruments that, in the opinion of the CannTrust Group, acting reasonably, are necessary to implement the provisions of the CCAA Plan and the other Definitive Documents;

(h) all applicable consents, approvals and orders of, and all applicable submissions and filings with, Governmental Authorities having jurisdiction for the completion of the steps and transactions contemplated by the CCAA Plan will have been obtained or made, as the case may be, in each case to the extent deemed necessary or advisable by the CannTrust Group, in form and substance satisfactory to the CannTrust Group, acting reasonably; and

(i) no action or proceeding will be pending by any third party to enjoin or prohibit the implementation of the CCAA Plan.

(2) In the event that any of the foregoing conditions precedent is not satisfied by the Outside Date, this Agreement will be of no further force and effect and each of the Agreement Parties will be released from any and all obligations under this Agreement and the Definitive Documents.

ARTICLE 5 - AMENDMENT AND TERMINATION

5.01 Amendments and Waivers

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Agreement Parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the Agreement Party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

5.02 Termination

(1) This Agreement may be terminated prior to the Outside Date:

(a) by the CannTrust Group, on written notice to the Class Action Lead Plaintiffs and Class Action Counsel, if:

(i) the Class Action Lead Plaintiffs or Class Action Counsel fail materially to comply with any material obligation under this Agreement or any of the Definitive Documents;

(ii) the CCAA Sanction Order or the U.S. Approval Order is refused;

(iii) it is entitled to do so in accordance with the Supplemental Letter Agreement; or

(iv) the consent of the plaintiff and counsel in the California Action to the settlement of Securities Claims, Securities-Related Claims, Securities-Related Section 5.1 (2) Claims and Securities-Related Indemnity Claims on the basis contemplated by this Agreement is not obtained.

(b) by the Class Action Lead Plaintiffs and Class Action Counsel, on written notice to the CannTrust Group, if:

(i) the CannTrust Group fails materially to comply with any material obligation under this Agreement or any of the Definitive Documents, or

(ii) the CCAA Sanction Order or the U.S. Approval Order is refused.

(2) In the event that this Agreement is terminated, this Agreement will be of no further force and effect, each of the Agreement Parties will be released from any and all obligations under this Agreement and the Agreement Parties will be restored to their respective positions prior to this Agreement to the maximum extent possible.

ARTICLE 6 - GENERAL

6.01 Entire Agreement

This Agreement and the Supplemental Letter Agreement constitute the entire agreement between the Agreement Parties with respect to the subject matter hereof and cancels and supersedes any prior understanding and agreements between the Agreement Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Agreement Parties other than as expressly set forth in this Agreement or the Supplemental Letter Agreement.

6.02 Assignment

This Agreement may not be assigned by any Agreement Party without the prior written consent of the other Agreement Parties.

6.03 Benefit of the Agreement

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrator, other legal representatives, successors and permitted assigns of the Agreement Parties.

6.04 No Third Party Beneficiaries

This Agreement is solely for the benefit of the Agreement Parties and their respective heirs, executors, administrators, other legal representatives, successors and permitted assigns, and this Agreement will not be deemed to confer upon or give to any other Person any remedy, claim, liability, reimbursement, cause of action or other right.

6.05 Notices

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To the CannTrust Group:

c/o CannTrust Holdings Inc.
7300 Keele Street, Suite 200
Vaughan ON L4K 0E5

Fax No.:	1-844-295-6641
Attention:	Greg Guyatt
E-mail:	gguyatt@canntrust.ca

with a copy to:

McCarthy Tétrault LLP
Suite 4700, Toronto Dominion Bank Tower
Toronto-Dominion Centre
Toronto, ON M5K 1E6

Fax No.:	416 868-0673
Attention:	Jamey Gage, Paul Steep and Shane D'Souza
E-mail:	jgage@mccathy.ca; psteep@mccarthy.ca; sdsouza@mccarthy.ca

To the Class Action Lead Plaintiffs and Class Action Counsel:

c/o Class Action Counsel at the street addresses, facsimile numbers or e-mail addresses (as the case may be) set forth below on the signature pages for Class Action Counsel,

or to such other street address, facsimile number or e-mail address as may be designated by notice given by an Agreement Party to the other Agreement Parties. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

6.06 **Governing Law**

This Agreement will be governed by and construed in accordance with the laws the Province of Ontario and the laws of Canada applicable therein, without regard to any conflicts of law provision that would require the application of the law of any other jurisdiction.

6.07 **Attornment**

For the purpose of all legal proceedings, this Agreement will be deemed to have been performed in the Province of Ontario and the CCAA Court will have jurisdiction to determine any dispute arising under this Agreement.

6.08 **English Language**

The Agreement Parties hereto have expressly agreed that this Agreement be executed in the English Language. Les parties ont expressément convenu que la présente Convention soit rédigée en langue anglaise.

6.09 **No Curative Provision**

A breach of any term of this Agreement is a breach of the entire agreement by the defaulting or breaching Agreement Party.

6.10 **Counterparts**

This Agreement (and any modifications, amendments, supplements or waivers in respect hereof) may be executed in any number of counterparts by manual or facsimile signature of each undersigned Agreement Party, each of which when executed and delivered will be deemed to be an original and all of which when taken together will constitute one and the same agreement. This Agreement may be delivered by facsimile or email.

IN WITNESS WHEREOF the Agreement Parties have executed this Agreement.

THE CANNTRUST GROUP:

CannTrust Holdings Inc.

By: ______________________
(Authorized Signature)

CannTrust Inc.

By: ______________________
(Authorized Signature)

CTI Holdings (Osoyoos) Inc.

By: ______________________
(Authorized Signature)

Elmcliffe Investments Inc.

By: ______________________
(Authorized Signature)

ONTARIO CLASS ACTION LEAD PLAINTIFFS:

Witness:	Patrick Hrusa
Witness:	Dharambir Singh

ONTARIO CLASS ACTION LEAD PLAINTIFFS:

Witness:	Patrick Hrusa
Gurpreet Kalsi	Dharambir Singh
Witness:	Dharambir Singh
GURPREET KALSI	

ONTARIO CLASS ACTION COUNSEL:

for: **A. Dimitri Lascaris Law Professional Corporation**

By: ______________________________
(Authorized Signature)

Address for Notices:

Street Address: ______________________

Facsimile: ______________________
Attention: Dimitri Lascaris
Email Address: alexander.lascaris@gmail.com

Henein Hutchinson LLP

By: ______________________________
(Authorized Signature) S. HUTCHISON

Address for Notices:

Street Address: 235 KING ST. E.
TORONTO, ONTARIO
M5A 1J9
Facsimile: 416 368-6640
Attention: Marie Henein
Email Address: mhenein@hhllp.ca

Kalloghlian Myers LLP

By: ______________________________
(Authorized Signature)

Address for Notices:

Street Address: ____________________
____
____
Facsimile: ____________________
Attention: Serge Kalloghlian
Email Address: serge@kalloghlianmyers.com

Strosberg Sasso Sutts LLP

By: ______________________________
(Authorized Signature)

Address for Notices:

Street Address: ____________________
____
____
Facsimile: ____________________
Attention: David Wingfield
Email Address: dwingfield@strosbergco.com

U.S. CLASS ACTION LEAD PLAINTIFFS:

Granite Point Master Fund, LP

By: ____________________
(Authorized Signature)

Granite Point Capital Scorpion Focussed Ideas Fund

By: ____________________
(Authorized Signature)

U.S. CLASS ACTION COUNSEL:

Labaton Sucharow LLP

By: ______________________
(Authorized Signature)

Address for Notices

Street Address:	140 BROADWAY
	23RD FLOOR
	NY NY 10005
Facsimile:	212 818 0477
Attention:	JAMES W JOHNSON
Email Address:	JJOHNSON@LABATON.COM

Weisz Fell Kour LLP

By: ______________________
(Authorized Signature)

Address for Notices:

Street Address:	100 King St. W.
	Suite 5600
	Toronto, ON M5X 1C9
Facsimile:	416.613.8290
Attention:	Steve Weisz
Email Address:	sweisz@wfklaw.ca

SCHEDULE A

Actions

Hrusa et al. v. CannTrust Holdings Inc. et al., Court File No. CV-19-00623567-00CP (ON SC)

Webb v. CannTrust Holdings Inc. et al., Court File No. CV-19-1554 (ON SC)

Jeff Dyck v. CannTrust Holdings Inc. et al., Court File No. 217559 (BC SC)

Selanders v. CannTrust Holdings Inc. et al., Court File No. 1910983 (AB QB)

Diran Avedian v. CannTrust Holdings Inc. et al., Court File No. 500-06-001011-192 (QC CS)

Zola Finance Holdings Ltd. v. CannTrust Holdings Inc. et al., Court File No. CV-19-00002329-00CP (ON SC)

In Re: CannTrust Holdings Inc. Securities Litigation, No. 1:19-CV-06396 (JPO)

Alvarado v. CannTrust Holdings Inc. et al., 1:19-CV-6438 (JPO)

Jones v. CannTrust Holdings Inc. et al., 1:19-CV-6883 (JPO)

Justiss v. CannTrust Holdings Inc. et al., 1:19-CV-7164 (JPO)

Huang v. CannTrust Holdings Inc. et al., 1:19-CV-6396 (JPO)

Owens v. CannTrust Holdings Inc. et al., Court File No. 19CV352374 (California Superior Court, Santa Clara County)

SCHEDULE B

Term Sheet

Proposed Settlement Framework
Securities Claimants and CannTrust (collectively, the “Parties”)

Settlement Framework

1. The “**Cash Contribution**” is comprised of:

   (a) a voluntary contribution by the insurers in an amount acceptable to Class Counsel (defined below), failing which the claims of CannTrust and the Original Settlement Parties against the insurers will be assigned to the Securities Claimants Trust (defined below);

   (b) voluntary contributions by any Additional Settlement Parties (defined below) in amounts acceptable to Class Counsel; and

   (c) an additional contribution of $50M by CannTrust.

2. The Cash Contribution will be paid to a trust (the “**Securities Claimants’ Trust**”) for the benefit of the Plaintiffs and putative class members in the proposed class action(s) brought in Ontario by the Consortium (the “**Ontario Class Action**”) and in the United States by Labaton Sucharow (the “**US Class Action**”, and collectively with the Ontario Class Action, the “**Actions**”) (collectively, counsel for the Plaintiffs in the Ontario Class Action and the US Class Action are “**Class Counsel**”) and described below, and such other claimants (collectively, the “**Securities Claimants**”) as may be agreed to by CannTrust and Class Counsel.

3. The trustees of the Securities Claimants’ Trust (the “**Trustees**”) will be those members of the law firms comprising Class Counsel as selected by Class Counsel with half of the Trustees appointed by counsel for the Ontario Class Action and the other half appointed by counsel for the US Class Action. The Trustees will appoint Class Counsel as counsel to the Securities Claimants’ Trust. The Trustees of the Securities Claimants’ Trust will have the power and discretion to prosecute or settle the claims held by the Securities Claimants’ Trust as described herein.

4. This settlement also is contingent on obtaining the agreement of the Plaintiff in the California state court action (the “**California Action**”) to all terms hereof .

5. CannTrust and Class Counsel will cooperate in good faith during the mediation and the pendency of the CCAA proceedings to seek a mutually-agreeable settlement with and contribution from (A) each other person or entity named as a defendant in the Actions and/or (B) that is an insurer of (i) an Original Settlement Party (defined below), or (ii) a defendant in the Actions that is a current or former director or officer of CannTrust (together, the **“Other Parties**” and each such Other Party that settles, an “**Additional Settlement Party**”), except for Shawna Page, Robert Marcovitch, Mark Dawber, John Kaden, Mitchell Sanders,

Greg Guyatt, Ilana Platt and Cajun Capital Corporation (collectively with CannTrust, the "**Original Settlement Parties**"; the Original Settlement Parties and the Additional Settlement Parties, if any, are collectively the "**Released Parties**").

6. During the mediation and pendency of the CCAA proceedings, CannTrust will not compromise or settle any of its potential claims against any of the Other Parties without Class Counsel's consent.

7. In the case of any Other Parties that are not the Released Parties ("**Non-Settlement Parties**") at the time that CannTrust implements its CCAA plan of arrangement (the "**CCAA Plan**"), CannTrust will assign to the Securities Claimants' Trust all claims that CannTrust (or its affiliates) has against the Non-Settlement Parties arising out of loss or damage caused to CannTrust in relation to the allegations in the Actions up to the date the court approves the CCAA Plan (the "**CannTrust Claims**"), and all claims that each of the other Original Settlement Parties has against the insurers in relation to the facts alleged in the Actions (collectively with the CannTrust Claims, the "**Assigned Claims**").

8. Class Counsel, counsel for the Securities Claimants' Trust (collectively, "**Prosecution Counsel**") and CannTrust will negotiate a Cooperation Agreement. The Cooperation Agreement will stipulate, among other things, the general principles stated in Appendix "A".

9. Pursuant to the CCAA Plan, and conditional on the plaintiffs in the Actions or Class Counsel, acting on behalf of the Securities Claimants**,** voting in favour of the CCAA Plan and approval of the CCAA Plan by the Court, CannTrust will consent to orders:

    (i) (a) appointing the law firm of Weisz Fell Kour LLP , in association with Labaton Sucharow LLP, as the Canadian representative for plaintiffs in the US Class Action; and (b) allowing US plaintiffs to file an action (with Weisz Fell Kour LLP as counsel) on the Commercial List against any Non-Settlement Parties, or establish a subclass in the Ontario Class Action, with a class defined in same way as the class is defined in the US Class Action and subject to US law in respect to the causes of action (the "**Cross-Border Action"**);

    (ii) continuing the Representation Order (described below) permitting the plaintiffs in the Actions to settle the Ontario Class Action, US Class Action, and Cross-Border Action or prosecute the Ontario Class Action and Cross-Border Action against any Non-Settlement Parties under the terms of such order;

    (iii) approving any settlement with the Non-Settlement Parties; approving notice to members of the Canadian Class Action and US Class Action further to the such settlements; a distribution protocol (*i.e.* plan of allocation) setting forth the distribution of the funds to class members from the Securities Claimants' Trust (less attorneys' fees and litigation expenses) that is consistent with the Securities Claimants' Trust's obligations in paragraph 11 herein; and approving Class Counsel’s request for attorneys’ fees to be paid from the Securities Claimants’ Trust;

(iv) permitting the plaintiffs in the Ontario Class Action to apply to the Commercial List and obtaining an expedited hearing for an order granting leave under the Securities Act (Ontario) further to their prosecution or settlement of the Ontario Class Action against any Non-Settlement Parties;

(v) at Class Counsel’s option, permitting the plaintiffs in the Ontario Class Action and Cross-Border Action to apply to the Commercial List and obtaining an expedited hearing for an order certifying the Ontario Class Action and Cross-Border Action under the Class Proceedings Act (Ontario) against any Non-Settlement Parties;

(vi) directing an expedited hearing date on the Commercial List of the claims in the Ontario Class Action and Cross-Border Action against any Non-Settlement Parties under the provisions of the Class Proceedings Act (Ontario) or pursuant to the Commercial List’s statutory or discretionary powers on behalf of the classes defined in the Ontario Class Action and Cross-Border Action;

(vii) permitting the Securities Claimants’ Trust to obtain on an expedited basis a joint trial date for the claims in the Ontario Class Action, Cross-Border Action and any of the Assigned Claims including the claims of the Securities Claimants’ Trust against any Non-Settlement Parties; and

(viii) prohibiting any other action from being commenced or prosecuted against any Released Parties or any Non-Settlement Parties alleging facts substantially the same or similar as those alleged in the Actions Cross-Border Action or the Assigned Claims held by the Securities Claimants’ Trust.

10. The Securities Claimants’ Trust and Class Counsel agree that where the aggregate amount recovered from the Additional Settlement Parties and Non-Settlement Parties, whether pursuant to settlements or prosecution of the Class Actions and Assigned Claims, exceeds $250 million net of litigation fees and expenses then CannTrust will be entitled to receive in staged amounts to be agreed up to the settlement amount of $50 million.

11. In relation to the CCAA Plan, whether in the sanction order or a separate order, the Court will grant an order, satisfactory to the Released Parties, enjoining, barring and/or extinguishing to the fullest extent permitted by applicable law all claims against the Released Parties in any jurisdiction that have been asserted in the Actions or are based on the events giving rise to the Actions, and all potential claims relating to those claims, including all indemnity, contribution and set off claims, as well as all claims that relate to or arise out of facts and transactions alleged in any of the pending actions against CannTrust or the Released Parties in any jurisdiction (the "**Bar Order**"). Additionally:

    (a) The Securities Claimants and the Securities Claimants' Trust jointly and severally agree and undertake (i) not to seek any damages from any defendant, (ii) not to threaten, make or settle any claim or take any proceeding against any other person or entity, which in either case might result in a claim over, contribution or indemnity or any other claim for damages, being made against any of the Released Parties in any jurisdiction that is permitted to proceed notwithstanding the Bar Order, and (iii) to obtain a full and final release satisfactory to the Released Parties and to be finalized with the Securities Claimants and the Securities Claimants Trust on or before January 31, 2021, if the Securities Claimants or the Securities Claimants' Trust settle with any Non-Settlement Parties;

    (b) Class Counsel and the representative plaintiffs will enter into a supplemental letter containing additional terms that are confidential.

12. The Securities Claimants will support a CCAA Plan and Court Orders in Canada and the United States, and sign appropriate agreements, releases and other documents acceptable to the Released Parties which shall include, without limitation, releases of all United States and Canadian claims against the Released Parties, and documents reasonably necessary and acceptable to CannTrust in order for it to exit CCAA protection. This also includes settlement papers in the United States class actions, whereby releases will be approved by the Court releasing all United States-based federal and state claims.

13. With respect to the US Action:

    (a) Class Counsel and the applicable Released Parties will seek preliminary approval of the settlement in the US Class Action after the CCAA sanction order is granted. Class Counsel and the applicable Released Parties shall cooperate and jointly file any motions in support of preliminary approval and final approval of the settlement in the US Class Action. The California Action shall be voluntarily dismissed with prejudice;

    (b) The parties shall endeavor to rely on notices given in the CCAA proceedings to the maximum extent practicable.

    (c) Any notice provided in connection with the settlement shall caution putative class members that Class Counsel and the applicable Released Parties believe that the claims of any opt-outs have been barred by the CCAA sanction order and principles of comity;

(d) The final order in the US Class Action (the "**US Approval Order**") shall contain customary broad releases by the putative class of any claims that were or could have been asserted in the Actions (including the California Action).

(e) US Approval Order shall contain a bar order in customary form (the "**US Settlement Discharge**"), which will contain such judgment reduction provisions as may be required by the *Private Securities Litigation Reform Act*. The Parties shall request that the US Approval Order recite that the US Settlement Discharge is without prejudice to and does not limit the applicability of the Bar Order.

(f) Class Counsel shall request that the US Class Action be stayed against the Non-Settlement Parties to enable these claims to be litigated in Cross-Border Action.

(g) The US Class Action shall be dismissed after the Cross-Border Action is initiated.

(h) At the option of the Original Settlement Parties, the settlement may be terminated if: (i) the court in the US Class Action does not approve a settlement containing classwide releases and the US Settlement Discharge in a form acceptable to the Original Settlement Parties; or (ii) if they are otherwise entitled to do so pursuant to the supplemental letter.

Process to Implement Proposed Settlement

1. Pursuant to the Mediation, CannTrust will seek to negotiate and enter into a restructuring support agreement (the "**RSA**") with Class Counsel pursuant to which the Parties would agree to pursue the settlement of all claims by the Securities Claimants and related matters on terms consistent with the "Settlement Framework" above, which will be reflected in a term sheet (the "**Term Sheet**") and attached to the RSA (some of which settlement terms are summarized in paragraph 4 below), following the steps and process described below. The RSA would include other terms customary for a support agreement in a CCAA context and would be in form and content satisfactory to the parties.

2. After the RSA is settled and signed, CannTrust will seek a representation order in the CCAA proceedings ("**Representation Order**"). The order will amongst other things:

(a) appoint the plaintiffs in the Ontario Class Action as the court-appointed representatives of all holders of Securities Claims in Canada ("**Canadian Securities Claimants**") for the purposes of the CCAA proceedings (the "**Canadian Representatives**") and appoint Class Counsel in the Ontario Class Action as counsel for the Canadian Representatives in the CCAA proceedings, with authority to act on behalf of all Canadian Securities Claimants in the CCAA proceedings and for the purposes of carry out the transactions contemplated in the RSA;

(b) appoint the plaintiffs in the US Action as the court-appointed representatives of all holders of Securities Claims in the US ("**US Securities Claimants**") for the purposes of the CCAA proceedings (the "**US Representatives**" and collectively with the Canadian Representatives, the "**Representatives**") and appoint Class Counsel in the

US Action as counsel for the US Representatives in the CCAA proceedings, with authority to act on behalf of all US Securities Claimants in the CCAA proceedings and for the purposes of carry out the transactions contemplated in the RSA; and

(c) establish a process to notify Securities Claimants of the appointment of the Representatives and their counsel and the terms of the settlement contemplated by the RSA, and if necessary, an opportunity for individual Securities Claimants to opt out of representation by the applicable Representatives for the purposes of the CCAA proceedings (the "**Opt Out Claimants**").

3. Any notice or administration expenses prior to the CCAA Sanction Order being granted shall be paid by the Applicants, following which such costs will be funded from the Securities Claimant Trust.

4. CannTrust and the Representatives (with assistance from counsel), consistent with their obligations under the RSA, will negotiate and finalize the terms of the CCAA Plan, the form of CCAA sanction order to be proposed to the court and other definitive documents. The CCAA Plan would contemplate the following features, among other things, consistent with the Term Sheet attached to the RSA:

(a) the creation of the Securities Claimants' Trust on or before the plan implementation date, to which contributions from CannTrust and any Additional Settlement Party would be made to fund distributions to Securities Claimants;

(b) appointing the Trustees and counsel to the Securities Claimants' Trust as contemplated in section 3 of the settlement framework above;

(c) the payment by the insurers, if applicable, on the plan implementation date, of their share of the Cash Contribution to the Securities Claimants Trust;

(d) the payment by CannTrust, on the plan implementation date, of its share of the Cash Contribution to the Securities Claimants Trust;

(e) the payment by the other Settlement Parties, if applicable, on the plan implementation date, of their respective contributions to the Securities Claimants Trust;

(f) the assignment of the Assigned Claims to the Securities Claimants Trust on the plan implementation date;

(g) broad releases in favour of the Released Parties by way of:

(i) the CCAA Plan and sanction order;

(ii) the US Approval Order; and

(iii) a contractual release, authorized by the CCAA Plan and sanction order and delivered by the Representatives on behalf of Securities Claimants (other than Opt Out Claimants);

(h) to the fullest extent permitted by applicable law and without limitation to the releases described above, a sanction order that enjoins Non-Settlement Parties in any jurisdiction from asserting any claims against the Released Parties that have been asserted in the Actions or are based on the events giving rise to the Actions, and all potential claims relating to those claims, including all indemnity, contribution and set off claims, as well as all claims that relate to or arise out of facts and transactions alleged in any of the pending actions against CannTrust or the Released Parties; and

(i) after the CCAA sanction order and US approval order are obtained, CannTrust will consent to:

(i) (a) appointing the law firm of Weisz Fell Kour LLP as the Canadian representative for plaintiffs in the US Class Action; and (b) allowing US plaintiffs to file the Cross-Border Action;

(ii) continuing the Representation Order permitting the plaintiffs in the Actions to settle the Ontario Class Action, US Class Action, and Cross-Border Action or prosecute the Ontario Class Action and Cross-Border Action against any Non-Settlement Parties under the terms of this order;

(iii) approving any settlement with the Non-Settlement Parties; approving notice to members of the Canadian Class Action and US Class Action further to such settlements; a distribution protocol (*i.e.* plan of allocation) setting forth the distribution of the funds to class members from the Securities Claimants' Trust (less attorneys' fees and litigation expenses) that is consistent with the Securities Claimants' Trust's obligations to Released Parties; and approving Class Counsel's request for attorneys' fees to be paid from the Securities Claimants' Trust;

(iv) permitting the plaintiffs in the Ontario Class Action to apply to the Commercial List and obtaining an expedited hearing for an order granting leave under the Securities Act (Ontario) further to their prosecution or settlement of the Ontario Class Action against any Non-Settlement Parties;

(v) at Class Counsel's option, permitting the plaintiffs in the Ontario Class Action and Cross-Border Action to apply to the Commercial List and obtaining an expedited hearing for an order certifying the Ontario Class Action and Cross-Border Action under the Class Proceedings Act (Ontario) against any Non-Settlement Parties;

(vi) directing an expedited hearing date on the Commercial List of the claims in the Ontario Class Action and Cross-Border Action against any Non-Settlement Parties under the provisions of the Class Proceedings Act

(Ontario) or pursuant to the Commercial List's statutory or discretionary powers on behalf of the classes defined in the Ontario Class Action and Cross-Border Action;

(vii) permitting the Securities Claimants' Trust to obtain on an expedited basis a joint trial date for the claims in the Ontario Class Action, Cross-Border Action and any of the Assigned Claims including the claims of the Securities Claimants' Trust against KPMG and/or any other Non-Settlement Parties as the Securities Claimants' Trust chooses; and

(viii) prohibiting any other action from being commenced or prosecuted against any Released Parties or any Non-Settlement Parties alleging facts substantially the same or similar as those alleged in the Actions, Cross-Border Action or the Assigned Claims held by the Securities Claimants' Trust.

5. CannTrust would file its CCAA Plan with the court and bring a related motion for (i) if necessary, a claims process in respect of Securities Claims and (ii) a meeting order (the "**Meeting Order**"). Among other things, the Meeting Order would:

(a) order creditor meetings to be held to enable affected creditors (including, if necessary, Securities Claimants including Opt Out Claimants), or their proxies, to vote on the CCAA Plan;

(b) approve the form of materials to be distributed and the notice procedures for the meetings;

(c) if a supplemental claims process and/or a vote is conducted, authorize the Representatives to file a "global" proof of claim in the CCAA claims process, and act as voting proxy, on behalf of all Securities Claimants other than the Opt Out Claimants. Purely for voting purposes, the number of Securities Claimants and aggregate amount of the claims for which the Representatives act as proxy would be agreed by CannTrust and the Representatives and confirmed in the Meeting Order; and

(d) if a supplemental claims process and/or a vote is conducted, require each of the Opt Out Claimants to prove the amount of its Securities Claim individually, although CannTrust with Monitor approval would be authorized to consent to the amount of individual Securities Claims by Opt Out Claimants for voting purposes only.

6. Creditor meetings would be held to vote on the CCAA Plan in accordance with the Meeting Order.

7. If the CCAA Plan is approved by the requisite majorities of affected creditors, CannTrust will bring a motion for the CCAA sanction order in respect of the CCAA Plan. If approved by the CCAA court, the CCAA Plan will be binding on all Securities Claimants including Opt Out Claimants (subject to the CCAA Plan thereafter being implemented in accordance

with its terms).

8. After the CCAA sanction order is granted, CannTrust and the US Representatives would seek approval of the US Approval Order.

9. After the US Approval Order is granted, CannTrust with the support of the Representatives would proceed to implement the CCAA Plan and the transactions contemplated by the definitive documents on the plan implementation date, including:

   (a) funding of the Cash Contributions and assignment of the Assigned Claims to the Securities Claimant Trust;

   (b) delivery of the contractual releases;

   (c) dismissal of all actions in the US and Canada as against the Released Parties;

   (d) disbursement of funds from the Securities Claimants' Trust to the extent permitted by the definitive documents; and

   (e) provision by CannTrust of the information and cooperation contemplated in the RSA in relation to the Assigned Claims, as summarized in Schedule C.

SCHEDULE C

Cooperation Agreement – General Principles

A. A material factor influencing CannTrust's decision to execute the Cooperation Agreement is the desire to limit its burden and expense in complying with the agreement. Accordingly, Prosecution Counsel agree to exercise good faith in seeking cooperation from CannTrust and agree not to seek information that is unnecessary, cumulative or duplicative and agree otherwise to avoid imposing undue or unreasonable burdens or expense on CannTrust.

B. The scope of CannTrust's cooperation shall be limited to the allegations asserted in the Actions as presently filed and the Assigned Claims.

C. All cooperation shall be coordinated in such a manner so that all unnecessary duplication and expense is avoided.

D. CannTrust shall not be required to provide cooperation: (i) in violation of any law or Order from a court of competent jurisdiction; (ii) that waives any privilege; or (iii) with regard to conduct outside the scope of the Assigned Claims.

E. Within ● days after the CCAA Plan is implemented:

(a) CannTrust will provide all non-privileged documents (including electronically stored documents) relevant to the Actions and the Assigned Claims in a form mutually acceptable to the Parties. CannTrust makes no representation regarding, and shall bear no liability with respect to, the accuracy of, or that they have, can or will produce a complete set of any of the documents or information, and the failure to do so shall not constitute a breach or violation of the Cooperation Agreement.

(b) If any documents protected by any privilege, including solicitor-client, litigation, attorney work product, settlement, common-interest or joint defence privilege, or any other privilege, doctrine or law, and/or any privacy law or other rule or law of Ontario, Quebec or any other jurisdiction, are accidentally or inadvertently disclosed or produced, such documents shall be promptly returned to CannTrust and the documents and the information contained therein shall not be disclosed or used directly or indirectly, except with the express written permission of CannTrust, and the production of such documents shall in no way be construed to have waived in any manner any privilege, doctrine, law, or protection attached to such documents.

(c) CannTrust's counsel will meet with Prosecution Counsel to provide an evidentiary proffer which will include information that is not covered by privilege, including solicitor-client, litigation, attorney work product, settlement, common-interest or joint defence privilege, or any other privilege relating to the Actions and the Assigned Claims. The Parties agree that there shall be no audio or video recording or written transcription or record of any statements made or information provided by CannTrust's counsel at the proffer, and that Prosecution Counsel may only make written notes of their own thoughts and impressions at the proffer for the purpose of formulating legal advice, pursuing litigation and/or for the purpose of advancing settlement discussions in the interests of the Securities Claimants and the Securities Claimant Trust, as applicable. Notwithstanding any other provision of the Cooperation Agreement, and for greater certainty, it is agreed that any such written notes, and all statements made and information provided by CannTrust's counsel are privileged, will be kept strictly confidential, may not be directly or indirectly disclosed to any other party, and shall not be used by Prosecution Counsel for any purpose other than for their own internal use in connection with the prosecution of the Actions and Assigned Claims and for no other purpose whatsoever.

F. Prosecution Counsel agree that all documents and information made available or provided by CannTrust under the Cooperation Agreement shall be used only in connection with the prosecution of the Actions and the Assigned Claims, and shall not be used directly or indirectly for any other purpose, except to the extent that the documents or information are already publicly available prior to the time of production from CannTrust or subsequently become publicly available other than through the actions of Prosecution Counsel, the Securities Claimants or the Securities Claimant Trust. Prosecution Counsel agree they shall not disclose the documents and information provided by CannTrust beyond what is reasonably necessary for the prosecution of the Actions or Assigned Claims or as otherwise required by law, and acknowledge that they are bound by the deemed undertaking and Rule 30.1 of the Rules of Civil Procedure and the equivalent rules in other Provinces or jurisdictions, except to the extent that the documents or information are publicly available.

G. Prosecution Counsel may request to interview certain of CannTrust's current or former officers, directors or employees under oath. CannTrust will make best efforts to encourage witnesses to attend the interviews but will not compel witnesses to provide witness statements or other testimony under oath.[1] The Securities Claimant Trust will bear the reasonable costs of counsel retained by CannTrust and witnesses to assist in their interactions with Prosecution Counsel. It shall not be a breach of cooperation if any person or entity asserts any right against self-incrimination or similar privilege.

H. The Securities Claimants and the Securities Claimant Trust agree that section 7 is the exclusive means by which they may obtain discovery or information or documents from CannTrust's current or former officers, directors or employees. They agree not to pursue any other means of discovery against, or seek to compel the evidence of CannTrust's current or former officers, directors or employees, whether in Canada or elsewhere and whether under the rules or laws of this or any other Canadian or foreign jurisdiction, unless that person does not cooperate pursuant to section 7.

I. Subject to the rules of evidence or any court Order, CannTrust agrees to use reasonable efforts to produce at trial or through acceptable affidavits for use at trial a current representative qualified to establish the authenticity of the documents provided by CannTrust pursuant to the Cooperation Agreement (after Class Counsel and counsel for the Securities Claimant Trust, as applicable, has used best efforts to authenticate documents for use at trial without a live witness).

[1] **NTD:** CannTrust has taken the same position with law enforcement since July 2019.

J. To the extent any of CannTrust's cooperation obligations require any current or former employees of CannTrust to travel from their principal place of business or residence to another location, the Securities Claimant Trust shall reimburse that person for reasonable expenses incurred by any such person in connection with fulfilling CannTrust's cooperation obligations.

K. The failure of a specific officer, director, employee or former employee of CannTrust to agree to make him or herself available shall not constitute a violation of the Cooperation Agreement.

L. Any dispute regarding the Cooperation Agreement will not invalidate the CCAA Plan and shall be resolved by way of confidential mediation/arbitration, in a manner to be agreed among the Parties.

RSA JOINDER AGREEMENT

This joinder agreement (this "**Joinder Agreement**") is made as of January 29, 2021.

RECITALS:

A. On March 31, 2020, CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc. and Elmcliffe Investments Inc. (the "**CannTrust Group**") commenced proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**").

B. Pursuant to a restructuring support agreement dated January 19, 2021 (the "**RSA**") between the CannTrust Group, Patrick Hrusa, Dharambir Singh, Granite Point Master Fund, LP, Granite Point Capital Scorpion Focussed Ideas Fund, A. Dimitri Lascaris Law Professional Corporation, Henein Hutchinson LLP, Kalloghlian Myers LLP, Strosberg Sasso Sutts LLP, Labaton Sucharow LLP and Weisz Fell Kour LLP (the "**Original Agreement Parties**"), the Original Agreement Parties agreed to terms for the settlement of the Securities Claims (as defined in the RSA) and related claims that will form part of the restructuring of the CannTrust Group pursuant to a plan of compromise, arrangement and reorganization of the CannTrust Group under the CCAA (the "**CCAA Plan**").

C. Capitalized terms used in this Joinder Agreement and not otherwise defined have the meanings given to them in the RSA.

D. By order dated January 29, 2021 in the CCAA proceedings (the "**CCAA Representation Order**"), the Class Action Lead Plaintiffs were appointed as the CCAA Representatives (as defined in the CCAA Representation Order) and the Class Action Counsel were appointed as CCAA Representative Counsel (as defined in the CCAA Representation Order).

E. Pursuant to paragraph 8(d) of the CCAA Representation Order, the CCAA Representatives and CCAA Representative Counsel were authorized to become parties to and bound by the RSA.

F. The CCAA Representatives and CCAA Representative Counsel have decided it would be in the best interests of the Securities Claimants that they represent if they became parties to the RSA, and that they wish to enter into this Joinder Agreement with the CannTrust Group to do so.

NOW THEREFORE, in consideration of the premises, covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

1. As of the date of this Joinder Agreement, the CCAA Representatives and CCAA Representative Counsel will become and be deemed to be parties to the RSA.

2. The CCAA Representatives, in their capacity as the CCAA Representatives:

   (a) agree to be bound by all of the terms of the RSA in the same manner and to the same extent as the Class Action Lead Plaintiffs, with the same force and effect as if they were original signatories to the RSA in such capacity;

   (b) agree to assume the same rights and interests and perform all of the applicable duties and obligations of the Class Action Lead Plaintiffs under the RSA; and

   (c) confirm each acknowledgement of the Class Action Lead Plaintiffs in the RSA, with the same force and effect as if they were original signatories to the RSA in such capacity.

3. CCAA Representative Counsel, in their capacity as CCAA Representative Counsel:

   (a) agree to be bound by all of the terms of the RSA in the same manner and to the same extent as Class Action Counsel, with the same force and effect as if they were original signatories to the RSA in such capacity;

   (b) agree to assume the same rights and interests and perform all of the applicable duties and obligations of Class Action Counsel under the RSA; and

   (c) confirm each acknowledgement of Class Action Counsel in the RSA, with the same force and effect as if they were original signatories to the RSA in such capacity.

4. As of the date of this Joinder Agreement, the RSA is amended and restated as follows:

(a) The definition of “Agreement Parties” is amended and replaced with the following definition:

“**Agreement Parties**” means the CannTrust Group, the Class Action Lead Plaintiffs, Class Action Counsel, the CCAA Representatives and CCAA Representative Counsel.

(b) The two dates in Section 2.02(1)(b) of the RSA are amended and replaced with “March 5, 2021” and “March 19, 2021”, respectively.

5. Except as specifically amended by this Joinder Agreement, all of the terms and conditions of the RSA remain in full force and effect, as in effect prior to the date hereof.

6. This Joinder Agreement (and any modifications, amendments, supplements or waivers in respect hereof) may be executed in any number of counterparts by manual or facsimile signature of each undersigned party, each of which when executed and delivered will be deemed to be an original and all of which when taken together will constitute one and the same agreement. This Joinder Agreement may be delivered by facsimile or email.

7. This Joinder Agreement, the RSA and the Supplemental Letter Agreement constitute the entire agreement between the Agreement Parties with respect to the subject matter contemplated hereof and thereto and cancels and supersedes any prior understandings and agreements between the Agreement Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Agreement Parties other than as expressly set forth in this Joinder Agreement, the RSA and the Supplemental Letter Agreement.

8. This Joinder Agreement will be governed by and construed in accordance with the laws the Province of Ontario and the laws of Canada applicable therein, without regard to any conflicts of law provision that would require the application of the law of any other jurisdiction. For the purpose of all legal proceedings, this Joinder Agreement will be deemed to have been performed in the Province of Ontario and the CCAA Court will have jurisdiction to determine any dispute arising under or in relation to this Joinder Agreement.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, each of the undersigned has caused this Joinder Agreement to be duly executed and delivered as of the date first written above.

CannTrust Holdings Inc.

By: ______________________________
(Authorized Signature)

CannTrust Inc.

By: ______________________________
(Authorized Signature)

CTI Holdings (Osoyoos) Inc.

By: ______________________________
(Authorized Signature)

Elmcliffe Investments Inc.

By: ______________________________
(Authorized Signature)

ONTARIO CLASS ACTION LEAD PLAINTIFFS AND CCAA CANADIAN REPRESENTATIVES

J Smith

Witness: JUSTIN SMITH

Patrick Hrusa
(as an Ontario Class Lead Plaintiff and CCAA Canadian Representative)

Witness:

Dharambir Singh
(as an Ontario Class Lead Plaintiff and CCAA Canadian Representative)

ONTARIO CLASS ACTION LEAD PLAINTIFFS AND CCAA CANADIAN REPRESENTATIVES

____
Witness:

____
Patrick Hrusa
(as an Ontario Class Lead Plaintiff and CCAA Canadian Representative)

Gurpreet Kalsi
____
Witness:

Dharambir Singh
____
Dharambir Singh
(as an Ontario Class Lead Plaintiff and CCAA Canadian Representative)

U.S. CLASS ACTION LEAD PLAINTIFFS AND CCAA U.S. REPRESENTATIVES

Granite Point Master Fund, LP
(as a U.S. Class Action Lead Plaintiff and CCAA U.S. Representative)

By: DocuSigned by: David Bushley
CC86F37358BE4B3...
(Authorized Signature)

Granite Point Capital Scorpion Focussed Ideas Fund
(as a U.S. Class Action Lead Plaintiff and CCAA U.S. Representative)

By: DocuSigned by: David Bushley
CC86F37358BE4B3...
(Authorized Signature)

ONTARIO CLASS ACTION COUNSEL AND CCAA CANADIAN REPRESENTATIVE COUNSEL

A. Dimitri Lascaris Law Professional Corporation
(as Ontario Class Action Counsel and CCAA Canadian Representative Counsel)

By: ______________________________
(Authorized Signature)

Henein Hutchinson LLP
(as Ontario Class Action Counsel and CCAA Canadian Representative Counsel)

By: ______________________________
(Authorized Signature)

Kalloghlian Myers LLP
(as Ontario Class Action Counsel and CCAA Canadian Representative Counsel)

By: ______________________________
(Authorized Signature)

Strosberg Sasso Sutts LLP
(as Ontario Class Action Counsel and CCAA Canadian Representative Counsel)

By: ______________________________
(Authorized Signature)

U.S. CLASS ACTION COUNSEL AND
CCAA U.S. REPRESENTATIVE COUNSEL:

Labaton Sucharow LLP
(as a U.S. Class Action Counsel and CCAA U.S. Representative Counsel)

By: ______________________________
(Authorized Signature)

Weisz Fell Kour LLP
(as a U.S. Class Action Counsel and CCAA U.S. Representative Counsel)

By: ______________________________
(Authorized Signature)

This is Exhibit “F” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

Draft: May 3, 2021

Court File No:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N :

CANNTRUST HOLDINGS INC., CANNTRUST INC., CTI HOLDINGS (OSOYOOS) INC. AND ELMCLIFFE INVESTMENTS INC.

Plaintiffs

- and -

KPMG LLP

Defendants

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 America, the period for serving and filing your statement of defence is forty days. If you are served outside 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 of intent to defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you to 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.

Date: May 5, 2021

Issued by

____

Local registrar

Address of court office

Superior Court of Justice
393 University Avenue, 10th Flr.
Toronto, Ontario M5G 1E6

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

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

(c) "**Cannamed**" means Cannamed Financial Corp.

(d) "**Canntrust**" means the plaintiffs CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc. and Elmcliffe Investments Inc.

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

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

(g) "***CCAA***" means the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended

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

(i) "**CSA**" means the Canadian Securities Administrators;

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

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

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

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

(n) "**May 1 Prospectus**" means **CannTrust's** Prospectus Supplement dated May 1, 2019 and filed on SEDAR May 3, 2019;

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

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

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

(r) "**Offering**" means the distribution of CannTrust Holdings Inc. Shares pursuant to the **May 1 Prospectus**;

(s) "***OSA***" means the *Securities Act*, RSO 1990, c S.5, as amended

(t) "**Plaintiffs**" means Canntrust Holdings Inc., Canntrust Inc., CTI Holdings (Osoyoos) Inc. and Elmcliffe Investments Inc.

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

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

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

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

II. CLAIM

3. The Plaintiffs claim:

(a) a declaration that KPMG is liable to CannTrust in damages for negligent misrepresentation, negligent performance of a service, breach of contract, and/or other breaches of duty in connection with audit, [redacted] and other professional services provided to CannTrust;

(b) a declaration that any provisions, expressed or implied, written or oral purporting to limit KPMG's liability to CannTrust are void, voidable, or in the alternative unenforceable as against CannTrust and that KPMG is not entitled to any release, limitation of liability, contribution or indemnity from CannTrust;

(c) damages in the amount of $900 million or such other amount as is proven at trial;

(d) costs of this action,

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

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

IV. THE PARTIES

A. Plaintiff

4. CannTrust Holdings Inc. 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. At the material times, CannTrust Holding Inc's shares were listed for trading on the TSX, NYSE, and other secondary markets.

5. CannTrust Inc. is a corporation formed under the *OBCA*. It is a wholly-owned subsidiary of Canntrust Holdings Inc.

6. Elmcliffe Investments Inc. is an OBCA corporation that owns the real estate, buildings and related equipment for CannTrust's Niagara Facility (defined below). It is a wholly-owned subsidiary of CannTrust Holdings Inc.

7. CTI Holdings (Osoyoos) Inc. is a British Columbia corporation that holds certain cultivation lands. It is a wholly-owned subsidiary of CannTrust Holdings Inc.

B. Defendant

8. KPMG is an accounting firm that provides assurance and audit services. KPMG was appointed as CannTrust's auditor on December 21, 2018. It purportedly audited CannTrust's financial statements for the year ended December 31, 2018 ("**2018 Financial Statements**") and consented to the inclusion in the May 1 Prospectus of its Audit Report on those financial statements. [redacted]

VI. FACTUAL BACKGROUND

A. Overview

9. Prior to June 2019, CannTrust operated a growing business that was rapidly expanding into new markets and product segments. CannTrust was named *Licensed Producer of the Year* at the 2018 Canadian Cannabis Awards.

10. However, following regulatory audits of CannTrust's facilities in June and July 2019, Health Canada determined that CannTrust was growing and storing cannabis contrary to applicable laws. CannTrust immediately placed a voluntarily hold on the sale and shipment of all cannabis

products while a special committee of CannTrust's board of directors commenced an investigation relating to CannTrust's noncompliance with applicable laws.

11. Health Canada suspended CannTrust's licences, shutting down its sales and distribution activities. CannTrust was prohibited from growing and cultivating any new product until its licences were reinstated. CannTrust had to destroy inventory and biological assets that were not authorized by its licences. In addition, large customers such as the Ontario Cannabis Retail Corporation, and Alberta Gaming, Liquor and Cannabis Commission returned significant volumes of CannTrust products.

12. In short, CannTrust's business was effectively destroyed once it became known that it had been growing and storing cannabis illegally.

13. The discovery of CannTrust's illegal activities revealed that the financial statements and MD&A that CannTrust had filed with regulators, and on which its shareholders relied in overseeing management, were materially misstated. The company announced that the financial statements and MD&A for the year ended December 31, 2018 and Q1 2019 required restatement, and that, as of Q2 2019, the impacted inventory and biological assets were approximately $51 million.

14. The news that CannTrust had been conducting its business illegally and that its financial statements and MD&A were materially misstated devastated the price of CannTrust's shares, which were publicly traded on the TSX and NYSE, wiping out over $900 million in shareholder value. The news triggered an avalanche of litigation in Canada and the United States alleging misrepresentations in CannTrust's financial statements and claiming over $500 million in damages.

15. Initially, CannTrust tried to survive as a going concern. It reduced its employee headcount, fired the culpable actors, and fully co-operated with Health Canada. It designed and implemented a comprehensive remediation plan to address the compliance issues and applied to Health Canada for the reinstatement of its cannabis licences. But this was not enough.

16. On March 31, 2020, CannTrust entered insolvency proceedings under the *CCAA*. The value of this award-winning company had been decimated because KPMG breached its duties to it. This action seeks to recover the losses and damages incurred by CannTrust as a result of the KPMG's breaches.

B. Cannabis Legislation and Regulations

17. 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.

18. 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.

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

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

21. It was essential to CannTrust's business that it comply with these rules and regulations. Serious breaches of regulations, such as growing and selling cannabis without a licence, could result in a licence suspension and a complete shutdown of its business. Such breaches would also have other serious other financial repercussions, including returns and recalls of previously sold products, massive drops in share price, and shareholder lawsuits for disclosure violations.

B. Noncompliant Activity at the Niagara Facility

22. Starting in October 2018, CannTrust was in breach of applicable laws and regulations in respect of its facility in Pelham, Ontario ("**Niagara Facility**"). Among other things, cannabis was being grown and stored in rooms for which CannTrust did not have licences. This cannabis was then sold into the market as if it had been lawfully grown and stored.

23. Because it was conducting its business illegally CannTrust was exposing itself to the risk of regulatory sanction that would materially affect its financial results and performance. This risk was not disclosed.

24. By reporting its financial results as if it were conducting its business lawfully, CannTrust reported materially misleading financial results to its shareholders, and the public, including inflated revenue, sales, income, inventory and biological assets.

C. The Offering

25. 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.

26. The Offering took place pursuant to the May 1 Prospectus. Pursuant to the Offering, on May 6, 2019:

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

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

27. 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.

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

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

D. CannTrust's Insolvency

30. Following an inspection of the Niagara Facility by Health Canada in June and July 2018, Health Canada determined, among other things, that CannTrust was growing and storing cannabis contrary to applicable laws. Following these findings

(a) CannTrust voluntarily placed a hold on the sale and shipment of all cannabis products;

(b) Health Canada suspended CannTrust's licences such that it was not permitted to sell or distribute any cannabis;

(c) large customers of CannTrust returned products;

(d) CannTrust determined it needed to destroy a significant portions of its inventory and biological assets;

(e) CannTrust implemented cash conservation measures, including several rounds of layoffs;

(f) Canntrust announced that its financial results would need restatements and ceased to file additional disclosures;

(g) securities class actions were commenced in Canada and the US seeking over $500 million in damages;

(h) the Royal Canadian Mounted Police and the Joint Serious Offences Team of the Ontario Securities Commission initiated a criminal investigation; and

(i) the market capitalization of CannTrust Holdings Inc. declined by almost 90% and its shares were delisted from the TSX and NYSE.

31. On March 30, 2020, under tremendous financial strain as a result of the KPMG's breaches, CannTrust instituted insolvency proceedings under the CCAA.

VIII. KPMG'S AUDIT ENGAGEMENTS

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

35. 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 with the Ontario Securities Commission ("**OSC**") and on SEDAR audited financial statements and MD&As on an annual basis; and interim financial statements and MD&As on a quarterly basis.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

B. Audit of Year End 2018 Financial Statements and MD&A

39. KMPG issued an audit report in connection with its audit of CannTrust's 2018 Financial Statements ("**Audit Report**"). In connection with that audit, CannTrust paid to KPMG approximately [redacted] in fees.

40. The purpose of the audit and Audit Report was to provide assurance that the financial statements accurately reflected CannTrust's position in order to:

(a) protect CannTrust from the consequences of undetected errors or wrongdoing;

(b) allow CannTrust to comply with the securities regulations and other obligations required to maintain its listings as a publicly traded company; and

(c) be relied on by shareholders of CannTrust in their task of overseeing management and to decide whether to retain or replace existing management.

41. The Audit Report stated that:

(a) KPMG had audited the 2018 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;

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

(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.

42. These statements were materially untrue and misleading. 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, KPMG:

(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.

43. In addition, the Audit Report was false and misleading because it contained an unqualified or insufficiently qualified opinion on the financial statements.

44. KPMG failed to conduct the audit with the skill and care of a reasonable auditor and was negligent in conducting the audit.

45. The applicable standard of care required KPMG to (among other things)

(a) examine CannTrust's cannabis licenses and determine the number of rooms in the Niagara Facility that were licensed to grow and store cannabis;

(b) conduct a walkthrough of the Niagara Facility to compare the number rooms that were licensed to grow and store cannabis to the number of rooms that were actually growing and storing cannabis.

46. The above noted procedures were conducted by CannTrust's previous auditors RSM LLP, and are standard procedures employed by other auditors in audits of cannabis companies.

47. KPMG did not conduct such an examination, walkthrough, and comparison. In the alternative, it did so negligently.

48. Following the events described herein, KPMG began to institute such examinations, walkthroughs, and comparisons for audits of other of its clients that operate in the cannabis industry.

49. In addition, KPMG failed to review appropriate documentation, conduct appropriate tests, or undertake required analytical procedures in its audit. Among other things, in breach of PCAOB and other applicable standards, KPMG

(a) did not have appropriate policies and procedures in place, or failed to follow its own policies and procedures, in respect of a number of PCAOB standards;

(b) staffed the audit with employees lacking the requisite competence for the engagement in contravention of PCAOB standards;

(c) failed to conduct a proper audit plan and risk assessment and did not address all risks of error and fraud present at CannTrust;

(d) relied excessively and inappropriately on representations by management, did not possess the technical knowledge required to apply necessary auditing procedures, and did not exercise the professional scepticism required in the circumstances;

(e) did not conduct an appropriate evaluation of internal control to provide a basis for its other audit procedures;

(f) failed to adjust its audit procedures to identify and respond to the serious control risks present at CannTrust;

(g) failed to conduct standard analytical procedures that would raise red flags, such as reconcile actual production or inventory to the amounts allowed by the available licences;

(h) did not review minutes of weekly production meetings, which documented that Peter Aceto instructed staff to “continue as planned” with the planting of cannabis in an unlicensed 50,000 square foot room; and

(i) performed insufficient procedures by engagement quality review partners to determine that the audit was conducted in accordance with PCAOB standards.

[redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

- [redacted] [redacted]
- [redacted] [redacted]
- [redacted] [redacted]

[redacted] [redacted]

[redacted] [redacted]

- [redacted] [redacted]
- [redacted] [redacted]
- [redacted] [redacted]

[redacted] [redacted]

D. Consent to Inclusion of Audit Report in Offering Documents

55. KPMG consented to the inclusion of the Audit Report in the May 1 Prospectus and US Registration Statement in the manner required by securities regulations.

56. The purpose of KPMG's consent to inclusion of the Audit Report in those documents was

(a) for delivery to the securities regulators to be relied upon in determining whether to allow CannTrust to make its US $230 million primary market share offering;

(b) to be relied upon by CannTrust's shareholders in determining whether to proceed with the primary market offering; and

(c) to be relied upon by prospective investors in determining whether to acquire shares in the offering.

57. KPMG failed to discharge its obligations with the skill and care of a reasonable auditor and was negligent in consenting to inclusion of the Audit Report in the offering documents.

E. KPMG's Breaches of its Duties and Obligations

58. KPMG knew that the purpose of the audit [redacted] and its related reports were for the purposes identified above, and KMPG undertook to conduct the audit and [redacted] related reports for these purposes. KPMG knew that CannTrust, its shareholders, and securities regulators would rely on these services and reports for those purposes, which they did, to their detriment.

59. KPMG also knew that the purpose of consenting to the inclusion of the Audit Report in CannTrust's offering documents was so securities regulators, CannTrust and its shareholders could rely on it in determining whether to proceed with the share offering, which they did, to their detriment. KPMG undertook to provide its consent for that purpose.

<u>Breach of Contract</u>

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

- [redacted] [redacted]
- [redacted] [redacted]

Negligent Performance of a Service

62. KPMG owed a duty of care to CannTrust at common law to (i) conduct its professional services in accordance with PCAOB and other applicable standards and with the skill and care of a reasonably prudent auditor or accounting professional, and to comply with all rules, standards and guidelines applicable to such audits or services; and (ii) use diligence and care to ensure the reports it issued to CannTrust, shareholders, and securities regulators were free from misstatement.

63. KPMG breached these duties by

(a) failing to conduct the audit and other services with reasonable care and/or in accordance with the applicable standards, rules and guidelines; and

(b) issuing reports that contained the false and misleading statements identified above.

Negligent Misrepresentation

64. KPMG owed a duty of care to CannTrust to ensure that all statements it made in its audit reports or other reports were true and not misleading.

65. KPMG breached these duties by issuing the reports containing the false or misleading statements for the purposes particularized above.

Reliance and Damages

66. CannTrust relied, to its detriment, on KPMG to

(a) comply with its contractual and common law duties for the purpose of overseeing the conduct of management and controlling directors and to protect CannTrust from undetected errors or wrongdoing; and

(b) comply with its duties for the purpose of undertaking the US $230 million primary market offering.

67. Had KPMG complied with its duties,

(a) it would have uncovered and disclosed the reasonably discoverable noncompliance and financial misreporting, and CannTrust would have immediately taken steps to correct the noncompliant conduct and financial reporting; and

(b) CannTrust would not have conducted its US $230 million share issuance in May 2019, thereby worsening its financial condition by incurring liabilities which it was rendered unable to satisfy.

68. As a direct result of KPMG's breaches, CannTrust suffered damages.

XIII. DAMAGES AND REMEDIES

69. CannTrust suffered damages as a direct result of KPMG's negligent misrepresentations, negligent performance, and breach of contractual obligations. Among other things, CannTrust and its shareholders were denied the opportunity to rectify the noncompliant activity and financial misreporting which ultimately led to the company's insolvency, loss and damage. Had KPMG complied with its contractual and common law obligations, CannTrust would not have suffered the loss and damage particularized herein.

70. CannTrust is entitled to recovery of all damages incurred as a result of the KPMG's breaches, including the decline in the company's value, increase in liabilities, losses of opportunities, and all costs, payments and expenses relating to the company's insolvency and civil, regulatory, or criminal liability.

71. KPMG's 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 KPMG liable to pay punitive damages.

XIV. VICARIOUS LIABILITY

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

73. 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.

XVI. LEGISLATION

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

XVII. SERVICE OUTSIDE ONTARIO AND PLACE OF TRIAL

75. 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.

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

[] 2021

[Independent Counsel to CannTrust]

CannTrust Holdings Inc., *et al* Plaintiffs	and	KPMG LLP, *et al* Defendant	Court File No.: .

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF CLAIM

[Independent Counsel to CannTrust]

Lawyers for the Plaintiffs

This is Exhibit "G" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

____

A Commissioner for taking Affidavits

KALLOGHLIAN MYERS LLP

Serge Kalloghlian
T (647) 812 5615
E serge@kalloghlianmyers.com

April 22, 2021

Delivered by Email

Andrea Laing/Ryan Morris
Blakes Cassels & Graydon LLP
199 Bay Street, Suite 2400
Toronto, ON, M5L 1A9

Dear Ms. Laing and Mr. Morris,

Re: *Re CannTrust Holdings Inc.*, CV-20-00638930-00CL

As you know, the proposed amended draft Plan of Compromise, Arrangement and Reorganization ("**CCAA Plan**") contemplates the assignment to the Securities Claimant Trust[1] of the Assigned Claims, including the claims of CannTrust Holdings and CannTrust Opco ("**CannTrust**") against KPMG LLP.

The CCAA Representatives request that KPMG LLP execute a tolling and standstill agreement in the form attached in respect of the Assigned Claims against it. If we are unable to reach an agreement by start of business on Monday, April 26 we will demand that CannTrust commence proceedings in respect of those claims through independent counsel.

We look forward to hearing from you.

Sincerely,
Kalloghlian Myers LLP

Per: Serge Kalloghlian

c. CCAA Representative Counsel
R. Paul Steep, Shane D'Souza

[1] Capitalized terms are as defined in the CCAA Plan unless otherwise stated.

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

Andrea Laing
Partner
Dir: 416-863-4159
andrea.laing@blakes.com

Reference: 27064/509

April 23, 2021

VIA E-MAIL

WITH PREJUDICE

Serge Kalloghlian
Kalloghlian Myers LLP
Suite 200, 250 University Ave
Toronto, ON M5H 3E5

Dear Serge:

***Re: CannTrust Holdings Inc.,* CV-20-00638930-00CL**

We have your letter dated April 22, 2021 seeking a tolling agreement among CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc., Elmcliffe Investments Inc. (together, "CannTrust"), the CCAA Representatives and KPMG LLP.

As we set out in our letter to you dated April 14, 2021, with a proper form of bar order in CannTrust's CCAA Plan, there should not be any claims against KPMG that may be properly assigned to the Securities Claimant Trust. Any claims that could be pursued against KPMG would ultimately be to recover the very alleged shareholder losses that are finally disposed of by the CCAA Plan. The claims identified in the draft tolling agreement enclosed with your letter all fall into that category.

KPMG is not aware of any "independent" claim that would not be barred by the CCAA Plan. If CannTrust genuinely has such a claim, KPMG is entitled to know what it is before entering into an agreement to toll it. If an "independent" claim did exist (which is not admitted but denied) KPMG would also need to consider what tolling arrangements would need to be made in respect of those against whom KPMG may have claims over amongst Settlement and Non-Settlement Parties.

In order to move this process forward constructively, please advise us of the specific nature of the "independent" claims that CannTrust and the Securities Claimants propose to be tolled. What specifically is the wrongful conduct alleged; how did this conduct cause harm to CannTrust and what damages ensued? Please provide particulars of any relevant communications, dates and events. With this information KPMG can then consider the appropriateness of tolling such claims, the appropriate extent of any tolling and what claims over may need to be addressed.

The issues raised by your tolling request illustrate precisely why the changes to the CCAA Plan that were raised in our letter of April 14 are necessary to avoid potential uncertainty and unfairness to Non-Settlement Parties. You and CannTrust represented to us on the eve of last week's hearing, through the

Monitor, that you would meaningfully engage with KPMG to address these concerns. A week has passed and we have yet to hear from you. Please let us know when we can expect your detailed response. As ever, we would be pleased to discuss these matters in a phone call.

Yours truly,

Andrea R. Laing

c: Ryan Morris, *Blakes*
Linc Rogers, *Blakes*
R. Paul Steep/Shane D’Souza, *McCarthy Tétrault LLP*
Stephen Graff/Jonathan Yantzi, *Aird & Berlis LLP*

KALLOGHLIAN MYERS LLP

Serge Kalloghlian
T (647) 812 5615
E serge@kalloghlianmyers.com

April 28, 2021

Delivered by Email

Andrea Laing, Ryan Morris and Linc Rogers
Blakes, Cassels & Graydon LLP Suit 4000,
199 Bay Street Toronto ON M5L 1B9

Dear Andrea,

Re: CannTrust Holdings Inc., CV-20-00638930-00CL

I am writing in response to your letter of April 24, 2021 and Mr. Steep's of April 27, 2021.

First, we have no objection to CannTrust providing you with a draft of the statement of claim and will ask it does so prior to issuance so your client can consider whether to enter into the proposed tolling agreement.

Second, we are happy to engage in direct discussions with KPMG on the concerns raised in your letter. We agree with Mr. Steep that Mr. O'Connor's assistance will be valuable to these discussions. We will seek Mr. O'Connor's availability and be in touch with you regarding scheduling.

Sincerely,
Kalloghlian Myers LLP

Per: Serge Kalloghlian

c. CCAA Representative Counsel
Paul Steep, James Gage, Shane D'Souza
Stephen Graff, Jonathan Yantzi

KALLOGHLIAN MYERS LLP

Serge Kalloghlian
T (647) 812 5615
E serge@kalloghlianmyers.com

May 3, 2021

Delivered by Email

Andrea Laing
Blakes Cassels & Graydon LLP
199 Bay Street, Suite 2400
Toronto, ON, M5L 1A9

Dear Andrea,

Re: *Re CannTrust Holdings Inc.*, CV-20-00638930-00CL

I am writing further to our correspondence regarding a tolling and standstill agreement for claims that CannTrust Holdings Inc. and its subsidiaries ("**CannTrust**") may have against KPMG LLP ("**KPMG**").

Enclosed is a draft statement of claim ("**Proposed Action**") that the CCAA Representatives intend to demand that CannTrust issue and service on KPMG pursuant to the terms of the RSA. CannTrust has not reviewed or commented on this draft.

Paragraphs 18 to 20 of the Amended and Restated Initial Order of Justice Hainey dated April 9, 2021 ("**Initial Order**") (a) prohibit CannTrust from commencing the Proposed Action during the Stay Period; and (b) extends the time for the purpose of any limitation period applicable to the Proposed Claim by a period equal to the Stay Period. These paragraphs are reproduced below.

> NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY
>
> 18. **THIS COURT ORDERS** that from the Initial Filing Date until and including July 5, 2020, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued

> against or in respect of the Applicants or the Monitor, or affecting the Business or the Property (including, for greater certainty, any process or steps or other rights and remedies under or relating to any class action proceeding against any of the Applicants or in respect of the Property), except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.
>
> 19. **THIS COURT ORDERS** that during the Stay Period, none of the Pending Litigation (as defined in the Guyatt Affidavit) or any Proceeding in relation thereto shall be commenced, continued or take place against or in respect of any Person named as a defendant or respondent in any of the Pending Litigation (such Persons, the "**Other Defendants**"), except with leave of this Court, and any and all such Proceedings currently underway or directed to take place against or in respect of any of the Other Defendants, or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.
>
> 20. **THIS COURT ORDERS** that, to the extent any prescription, time or limitation period relating to any Proceeding by, against or in respect of the Applicants or any of the Other Defendants that is stayed pursuant to this Order may expire, the term of such prescription, time or limitation period shall hereby be deemed to be extended by a period equal to the Stay Period.

The Proposed Action is a proceeding "against or in respect of the Applicants . . . or affecting the Business or the Property" pursuant to paragraph 18 above. The Proposed Action is also captured by paragraph 19 as it a Proceeding in relation to the Pending Litigation against someone named as a defendant in the Pending Litigation.

Accordingly, pursuant to paragraph 20 of the Initial Order, the running of time for the purpose of claims described in the Proposed Action has been suspended for the duration of the Stay Period.

If KPMG disagrees that paragraphs 18 through 20 of the Initial Order both (i) prohibit CannTrust from commencing the Proposed Action and (ii) suspend any applicable limitation periods relevant to that action, then please advise me by Tuesday, May 4, 2021 of KPMG's

KALLOGHLIAN MYERS LLP

position on both issues. If I do not receive a response, or if KPMG disagrees that paragraphs 18 to 20 have the effect described in this letter and refuses to enter into a tolling agreement, then the CCAA Representatives will demand that CannTrust promptly issue a claim substantially in the form of the Proposed Action through independent counsel.

We look forward to hearing from you no later than end of day Tuesday, May 4.

Sincerely,
Kalloghlian Myers LLP

Per: Serge Kalloghlian

c. CCAA Representative Counsel
R. Paul Steep, Shane D'Souza
Stephen Graff, Jonathan Yantzi
Ryan Morris, Linc Rogers

From:	Laing, Andrea
To:	Serge Kalloghlian; Arvaj, Natalina
Cc:	PSTEEP@MCCARTHY.CA; sdsouza@mccarthy.ca; sgraff@airdberlis.com; jyantzi@airdberlis.com; mhenein@hhllp.ca; shutchison@hhllp.ca; dwingfield@strosbergco.com; alexander.lascaris@gmail.com; JJohnson@labaton.com; Morris, Ryan; Rogers, Linc
Subject:	RE: CannTrust Holdings Inc., Court File No. CV-20-00638930-00CL
Date:	Tuesday, May 4, 2021 11:27:27 AM

Hi Serge,
While reserving all rights to argue that the Claims, as defined, are not valid for, among other reasons that they are (or should be) barred in accordance with the Plan Terms and any order implementing them, are not assignable, were already statute barred prior to the beginning of the Stay Period, are estopped, cannot be pursued by the Securities Litigation Trust or are not within the jurisdiction of the court, we agree that limitation periods are not running during the Stay Period.

As mentioned in my prior email, KPMG does not presently agree to any tolling after the Stay Period.

Hope this clarifies.

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

From: Serge Kalloghlian <serge@kalloghlianmyers.com>
Sent: Tuesday, May 4, 2021 11:14 AM
To: Laing, Andrea <andrea.laing@blakes.com>; Arvaj, Natalina <natalina.arvaj@blakes.com>
Cc: PSTEEP@MCCARTHY.CA; sdsouza@mccarthy.ca; sgraff@airdberlis.com; jyantzi@airdberlis.com; mhenein@hhllp.ca; shutchison@hhllp.ca; dwingfield@strosbergco.com; alexander.lascaris@gmail.com; JJohnson@labaton.com; Morris, Ryan <ryan.morris@blakes.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: CannTrust Holdings Inc., Court File No. CV-20-00638930-00CL

Thank you Andrea. Your email generally captures our agreement but for certainty I ask that you please confirm that KPMG LLP agrees to the following:

1. "**Claims**" means
    a. The claims of the plaintiffs (collectively, "**CannTrust**") described in the draft statement of claim provided to you yesterday ("**Proposed Action**"); and
    b. Other claims that CannTrust may have against KPMG LLP that are reasonably related to the facts pleaded in the Proposed Action or that arise out of KPMG's role as auditor for CannTrust.
2. The running of limitation periods applicable to the Claims is (and has been) interrupted, suspended, and tolled for the duration of the Stay Period (as defined in Amended and Restated Initial Order dated April 9, 2020)
3. KPMG LLP will not assert or rely on the passage of time during the Stay Period as a legal, equitable, or other claim or defence in connection with the Claims.

Many thanks. I would appreciate your confirmation before the end of the day. I am available at your convenience to speak if necessary.

Regards

Serge Kalloghlian
T: (647) 812-5615

Kalloghlian Myers LLP | kalloghlianmyers.com
2201-250 Yonge Street, Toronto, ON M5B 2L7

From: Laing, Andrea <andrea.laing@blakes.com>
Sent: Monday, May 3, 2021 5:22 PM
To: Serge Kalloghlian <serge@kalloghlianmyers.com>; Arvaj, Natalina <natalina.arvaj@blakes.com>
Cc: PSTEEP@MCCARTHY.CA; sdsouza@mccarthy.ca; sgraff@airdberlis.com; jyantzi@airdberlis.com; mhenein@hhllp.ca; shutchison@hhllp.ca; dwingfield@strosbergco.com; alexander.lascaris@gmail.com; JJohnson@labaton.com; Morris, Ryan <ryan.morris@blakes.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: CannTrust Holdings Inc., Court File No. CV-20-00638930-00CL

Hi Serge,
Further to our call, I am getting back to you on this to confirm that KPMG will not take the position that limitation periods in respect of claims set out in the draft pleading you provided are running during the "Stay Period" as defined in the Initial Order and as set out in your letter of today's date. We will need to have another conversation if you want to toll after the end of the Stay Period and, of course, we have other issues with those claims.

I hope this gives you what you require for present purposes.

All the Best,

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

From: Serge Kalloghlian <serge@kalloghlianmyers.com>
Sent: Monday, May 3, 2021 11:13 AM
To: Arvaj, Natalina <natalina.arvaj@blakes.com>; Laing, Andrea <andrea.laing@blakes.com>
Cc: PSTEEP@MCCARTHY.CA; sdsouza@mccarthy.ca; sgraff@airdberlis.com; jyantzi@airdberlis.com; mhenein@hhllp.ca; shutchison@hhllp.ca; dwingfield@strosbergco.com; alexander.lascaris@gmail.com; JJohnson@labaton.com; Morris, Ryan <ryan.morris@blakes.com>; Rogers, Linc <linc.rogers@blakes.com>
Subject: RE: CannTrust Holdings Inc., Court File No. CV-20-00638930-00CL

External Email | Courrier électronique externe

Please see attached letter and enclosure addressed to Andrea Laing.

Regards

Serge Kalloghlian
T: (647) 812-5615

KALLOGHLIAN MYERS LLP

Kalloghlian Myers LLP | kalloghlianmyers.com
2201-250 Yonge Street, Toronto, ON M5B 2L7

From: Arvaj, Natalina <natalina.arvaj@blakes.com>
Sent: Friday, April 23, 2021 11:55 AM
To: Serge Kalloghlian <serge@kalloghlianmyers.com>
Cc: PSTEEP@MCCARTHY.CA; sdsouza@mccarthy.ca; sgraff@airdberlis.com; jyantzi@airdberlis.com; mhenein@hhllp.ca; shutchison@hhllp.ca; dwingfield@strosbergco.com; alexander.lascaris@gmail.com; JJohnson@labaton.com; Morris, Ryan <ryan.morris@blakes.com>; Rogers, Linc <linc.rogers@blakes.com>; Laing, Andrea <andrea.laing@blakes.com>
Subject: CannTrust Holdings Inc., Court File No. CV-20-00638930-00CL

Dear Mr. Kalloghlian,

Please see attached letter dated April 23, 2021.

Natalie

Natalina Arvaj
Assistant to Andrea Laing, Rahat Godil and Eric Leinveer
natalina.arvaj@blakes.com
Dir: (416) 863-3264

Blakes

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000, Toronto ON M5L 1A9
Tel: 416-863-2400 Fax: 416-863-2653
blakes.com | LinkedIn

This is Exhibit “H” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

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

MINUTES OF SETTLEMENT

(Effective as of May 20, 2021)

WHEREAS CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc., and Elmcliffe Investments Inc. (the **"CannTrust Group"**) commenced the within proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (**"CCAA"**) on March 31, 2020;

AND WHEREAS within the CCAA Proceedings, the CCAA Court ordered on January 29, 2021 that Dharambir Singh and Patrick Hrusa (the **"CCAA Canadian Representatives"**) were appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS within the CCAA Proceedings, the CCAA Court ordered on January 29, 2021 that Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (the **"CCAA U.S. Representatives"**, and collectively with the CCAA Canadian Representatives, the **"CCAA Representatives"**) were appointed to represent the interests of the U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS Eric Paul (**"Paul"**) is a former officer and director of CannTrust Inc. (**"CannTrust Opco"**), as well as a Respondent in the CCAA Proceedings;

AND WHEREAS the Paul Family Trust (the **"PFT"**, collectively with Paul, the **"Paul Settling Parties"**) sold certain shares in CannTrust Holdings Inc. ("**CannTrust Holdings**") both directly and through CannaMed Financial Corp. ("**CannaMed**");

AND WHEREAS the CCAA Representatives and the Paul Settling Parties wish to resolve any and all issues that were raised or that could have been raised in the CCAA Proceedings or in the Actions as well as, more generally, any and all claims or demands or issues that the CCAA Representatives have advanced or could advance against the Paul Settling Parties, including, without limitation, any and all claims that have been or will in the future be assigned to the Securities Claimant Trust as well as any and all Assigned Claims as against the Paul Settling Parties;

AND WHEREAS CannTrust Holdings, CannTrust Opco and Elmcliffe Investments Inc. have proposed a plan of compromise, arrangement and reorganization in the CCAA Proceedings (as amended from time to time, the "**CCAA Plan**");

AND WHEREAS in addition to the capitalized terms defined elsewhere in these Minutes of Settlement (**"Minutes"**), capitalized terms in this document have the meanings ascribed to them in the CCAA Plan;

AND WHEREAS the CannTrust Group (collectively with the CCAA Representatives and the Paul Settling Parties, the "**Parties**") is satisfied with the terms of these Minutes of Settlement as required by section 7.1 of the CCAA Plan;

NOW THEREFORE in consideration of the promises and agreements contained in these Minutes and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to settle all on the following basis:

A. Definitions

1. In these Minutes:

    (a) **"Canadian and Non-U.S. Securities Claimants"** means all Securities Claimants other than U.S. Securities Claimants.

    (a) **"U.S. Securities Claimants"** means all Securities Claimants who purchased the publicly traded common shares of CannTrust Holdings on the New York Stock Exchange or on any other U.S. based trading platform.

B. Conditions

2. The agreement set out in these Minutes is conditional on the following (collectively, the **"Conditions"**):

(a) the CCAA Plan is sanctioned by the CCAA Court and contains the following:

(i) the Paul Settling Parties are designated as Additional Settlement Parties, in accordance with s. 7.1 of the CCAA Plan;

(ii) the bar order contemplated in s. 7.3 of the CCAA Plan is granted by the CCAA Court (or one substantially similar to it) and the scope of its protection includes the Paul Settling Parties; and

(iii) "Released CannTrust Parties" is defined as: "the Original Settlement Parties, the other entities in which CannTrust Holdings owns directly or indirectly not less than 50% of the common equity, the Monitor, and their respective Representatives, but excluding the Directors named as defendants in one or more of the Actions who are not Settlement Parties and the Representatives of each such excluded Director."

(b) pursuant to s. 4.3 of the CCAA Plan, the U.S. Approval Order is granted in the U.S. Class Action, including approval of a bar order effective in the U.S. that is substantially similar to the one found in s. 7.3 of the CCAA Plan and that the scope of this bar order includes protection for the Paul Settling Parties; and

(c) that the California Action is dismissed with prejudice.

3. Within 30 days of the last of the Conditions being satisfied, the Paul Settling Parties will pay $12 million (the **"Settlement Funds"**) to the Securities Claimant Trust.

C. Payment of Costs in respect of Potential Regulatory/Criminal Proceedings

4. The CCAA Representatives agree to cause the Securities Claimant Trust to do one of the following, at its option:

(a) indemnify Paul for reasonable costs, up to the sum of $1 million, of responding to any regulatory or criminal investigation or proceeding related in any way to Paul's roles as a director or officer of CannTrust or his or PFT's trading in the shares of CannTrust (the **"Regulatory/Criminal Proceedings")** until the final disposition of the Regulatory/Criminal Proceedings, provided such proceedings are instituted no later than July 25, 2025 (the **"Indemnity"**); or

(b) obtain agreement from the Insurers to provide $1 million in coverage to Paul to pay for costs related to responding to Regulatory/Criminal Proceedings (the **"Insurers Agreement"**).

5. The CCAA Representatives shall make the election under paragraph 4 by no later than close of business June 4, 2021. In the event the CCAA Representatives make no election, they will be deemed to have elected to provide the Indemnity.

6. Until the CCAA Representatives provide Paul with a copy of the Insurers Agreement or until their obligations under the Indemnity are at an end, they will cause the Securities Claimant Trust to maintain a reserve of at least $1 million from the Settlement Funds for the purpose of paying the Indemnity. For clarity, if the costs are paid pursuant to the Indemnity, the reserve may decline in proportion to the payments made thereunder.

7. In the event that the CCAA Representatives advise Paul that they have elected to cause the Securities Claimant Trust to provide the Indemnity pursuant to paragraph 4(a), Paul will, at the CCAA Representatives request, provide a release or waiver of claim in respect of any claims

he may have as against any Insurer. If requested Paul will provide whatever assignment or similar agreement may be necessary for the Securities Claimant Trust to assert without recourse whatever rights he might have as against the Insurers and to agree that any amount paid by the Insurers shall be the property of the Securities Claimant Trust. Paul shall have no obligation with respect to the funding of the pursuit of the rights and will be fully indemnified by the Securities Claimant Trust for any and all personal exposure with respect to, or resulting from, that pursuit.

8. In the event that the CCAA Representatives elect to cause the Securities Claimant Trust to pay for the Regulatory/Criminal Proceedings by way of the Indemnity pursuant to paragraph 4(a), counsel for the Paul Settling Parties and counsel for the CCAA Representatives, acting reasonably, shall jointly agree to the appointment of a referee through which claims on the Indemnity will be processed. The referee's role will be restricted to confirming that the claims relate to reasonable professional fees or disbursements relating to the Indemnity. For further clarity, the Security Claimant Trust shall pay for the costs of this referee from funds maintained in the reserve for the Indemnity, provided that such costs shall not exceed $25,000.

9. If a Co-Defendant brings a motion contemplated by s. 8.2(m) of the CCAA Plan against either of the Paul Settling Parties, the CCAA Representatives shall cause the Securities Claimant Trust to indemnify the Paul Settling Parties for all reasonable costs associated with resisting such a motion and/or complying with the terms of any order made pursuant to such motion. For further clarity, the Securities Claimant Trust may choose to use the Indemnity to pay for such costs and the referee appointed pursuant to paragraph 8 above may also review these costs to ensure they relate to this indemnity.

D. Paul Cooperation and Restructuring Support

10. Paul will cooperate with counsel to the CCAA Representatives by providing information in relation to the affairs of CannaMed and on such related issues as counsel for the Parties may agree.

11. Contingent on the CCAA Plan being substantially similar, as it applies to the Paul Settling Parties, to the version included in the CannTrust Group's Further Supplementary Motion Record, dated April 9, 2021, including the Conditions, the Paul Settling Parties agree to support it in a manner consistent with the RSA. Without limiting the generality of the foregoing, the Paul Settling Parties agree:

(a) to cooperate with the CannTrust Group in good faith to pursue and support the restructuring of the CannTrust Group and the treatment of the Securities-Related Indemnity Claims in the manner contemplated by the RSA;

(b) to use all reasonable efforts to assist the CannTrust Group to meet the timetable and obtain the orders and approvals contemplated by Section 2.02(1) of the RSA, as may be extended in accordance with the RSA;

(c) that if they are given a vote with respect to the CCAA Plan, to vote in favour of the CCAA Plan;

(d) that, without the consent of the CannTrust Group, they will not in any way support any plan or restructuring in respect of the CannTrust Group other than the CCAA Plan and the restructuring of the CannTrust Group contemplated by the CCAA Plan, and will vote against and otherwise actively oppose any such other plan or restructuring; and

(e) that the terms of the CCAA Plan will be at the sole discretion of the CannTrust Group (except as otherwise specifically set out herein in relation to the Conditions and releases in favour of the Paul Settling Parties or as otherwise set out in agreements between the Parties).

E. Release of the Paul Settling Parties

12. The CCAA Representatives shall execute a full and final release in the form attached as Schedule “A” to these Minutes, which shall be held in escrow by Stockwoods LLP pending the Conditions being met and confirmation from counsel to the CCAA Representatives of the Securities Claimant Trust’s receipt of the Settlement Funds.

13. In the event that the Conditions are satisfied, the CCAA Representatives agree that they will not pursue any demand, claim or action as against CannaMed that may result in the imposition of any liability against either of the Paul Settling Parties notwithstanding the bar orders in s 7.3 of the CCAA Plan. In the event of a claim against the Paul Settling Parties that is contrary to the bar order, the Security Claimant Trust shall pay the reasonable legal fees of the Paul Settling Parties for seeking an order dismissing the claim. For further clarity, any claim or action that the CCAA Representatives bring against CannaMed will be restricted to seeking the proportionate and several liability of defendants who are not Paul Settling Parties.

14. The CCAA Representatives agree to indemnify and hold the Paul Settling Parties harmless from and against any and all liability, loss, costs, damages and expenses (including legal, expert and consultant fees) for any cause of action, action, claim, demand or other proceeding brought against either of the Paul Settling Parties that in any way relates to or arises from any claim that the CCAA Representatives may bring against CannaMed.

F. Release and Termination of Indemnities

15. The Paul Settling Parties agree that once all of the Conditions are satisfied:

(a) any agreement or other right that they may have against a Released Party (as defined in the CCAA Plan) for indemnification, advancement, contribution, reimbursement, set-off or otherwise, other than those contained herein (the "**Indemnity Rights**"), shall be terminated; and

(b) any claim that has or could be asserted against a Released Party pursuant to the Indemnity Rights will be fully, finally, irrevocably and forever released, discharged and barred; and

(c) the Released Parties will thereupon have no further obligation whatsoever in respect of the Indemnity Rights.

G. General terms

16. The existence of these Minutes and their terms shall remain confidential until the Minutes are filed in the CCAA Court or until this condition is waived by counsel to the CCAA Representatives, except that any Party can disclose the terms of this settlement to its lawyers, accountants, and tax advisors, as necessary, or as required by law.

17. The Paul Settling Parties do not admit any wrong doing, liability or obligation of any kind, and any such wrong doing, liability or obligation is specifically denied.

18. These Minutes shall be construed and governed in accordance with the laws of the Province of Ontario. Any dispute arising under or related to these Minutes shall be litigated in the courts of Ontario located in Toronto.

19. The Parties each acknowledge that they have had an adequate opportunity to read and consider these Minutes and to obtain such advice in regard to these Minutes as they each considered advisable.

20. These Minutes may be executed electronically in counterpart by the Parties, and each such counterpart shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. The Parties agree that this may include counterparts exchanged via email.

21. These Minutes are intended to be valid and effective and, to the extent permissible under applicable law, shall be construed in a manner to avoid violation of or invalidity under any applicable law. Should any provision hereof nevertheless be or become invalid, illegal or unenforceable under any applicable law, the other provisions hereof shall not be affected, and to the extent permissible under applicable law, any such invalid, illegal or unenforceable provision shall be deemed amended lawfully to conform to the intent of the parties.

22. All references to dollar amounts in these Minutes are to Canadian dollars.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

Witness: PATRICK HRUSA

Witness: DHARAMBIR SINGH

Witness: ERIC PAUL

THE PAUL FAMILY TRUST

Per:

Name:

Date:

(I have authority to bind the trust)

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

Witness:	PATRICK HRUSA
Serge Kalloghlian (May 20, 2021 12:50 EDT) Witness:	Dharambir Singh (May 20, 2021 09:38 PDT) DHARAMBIR SINGH
Witness:	ERIC PAUL

THE PAUL FAMILY TRUST

Per:

Name:

Date:

(I have authority to bind the trust)

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

Witness: PATRICK HRUSA

Witness: DHARAMBIR SINGH

Riser Rotenberg

Witness: ERIC PAUL

THE PAUL FAMILY TRUST

Per:

Name: ERIC PAUL

Date:

(I have authority to bind the trust)

05/20/2021

THE CANNTRUST GROUP:

CANNTRUST HOLDINGS INC.

By: ______________________________
(Authorized Signature)

CANNTRUST INC.

By: ______________________________
(Authorized Signature)

CTI HOLDINGS (OSOYOOS) INC.

By: ______________________________
(Authorized Signature)

ELMCLIFFE INVESTMENTS INC.

By: ______________________________
(Authorized Signature)

GRANITE POINT MASTER FUND, LP

By: ______________________________
(Authorized Signature)

THE CANNTRUST GROUP:

CANNTRUST HOLDINGS INC.

By: ______________________________
(Authorized Signature)

CANNTRUST INC.

By: ______________________________
(Authorized Signature)

CTI HOLDINGS (OSOYOOS) INC.

By: ______________________________
(Authorized Signature)

ELMCLIFFE INVESTMENTS INC.

By: ______________________________
(Authorized Signature)

GRANITE POINT MASTER FUND, LP

DocuSigned by:
By: David Bushley
CC86F37358BE4B3...
(Authorized Signature)

GRANITE POINT CAPITAL SCORPION FOCUSED IDEAS FUND

By: DocuSigned by: David Bushley CC86F37358BE4B3...

(Authorized Signature)

SCHEDULE “A” – FULL AND FINAL RELEASE

FULL AND FINAL RELEASE

WHEREAS CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc., and Elmcliffe Investments Inc. commenced an Application pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (**"CCAA"**) bearing Court File No. CV-20-00638930-00CL by way of obtaining the Initial Order on March 31, 2020 (the **"CCAA Proceedings"**);

AND WHEREAS within the CCAA Proceedings, the CCAA Court appointed the CCAA Canadian Representatives to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS the CCAA Representatives and Eric Paul and the Paul Family Trust (the "**Paul Settling Parties**") agreed to settle all issues, claims and counterclaims in respect of, or arising out of, or in any way connected to, the matters raised, or that could have been raised, in the CCAA Proceedings, as well as any other issues, demand or claims that the CCAA Representatives could otherwise raise against the Paul Settling Parties, by executing minutes of settlement dated May 20, 2021 attached as Schedule "A" to this Release (the **"Minutes"**);

AND WHEREAS as a term of the Minutes the parties agreed to execute and deliver this Release;

AND WHEREAS in addition to the capitalized terms defined elsewhere in this Release, capitalized terms in this document bear the meanings set out in the Minutes;

NOW THEREFORE, in consideration for the payment from the Paul Settling Parties to the Securities Claimant Trust of the sum of CAD twelve million dollars ($12,000,000.00), and such other good and valuable consideration, the sufficiency and receipt of which is hereby irrevocably acknowledged, the CCAA Representatives (including, and on the behalf of, all of the individuals they represent pursuant to the CCAA Representation Order, as well as their respective representatives, executors, heirs, personal representatives, administrators, agents, assigns, trustees, and successors) (collectively, the **"Releasors"**) do hereby irrevocably release, remise, acquit and forever discharge, without qualification or limitation, the Paul Settling Parties (including their respective trustees, beneficiaries, heirs, successors, assigns, executors, administrators and/or legal or personal representatives, consultants (including economic and legal advisors), contractors, insurers, employees and agents) (the **"Releasees"**) from any and all manner of actions, causes of action, suits, debts, set offs, dues, accounts, bonds, covenants, contracts, complaints, liabilities, obligations, claims and demands for any and all damages, losses, injuries, interest, taxes and costs, whatsoever, whether statutory or legal, both in law and equity, howsoever arising, that the Releasors ever had, now has or may hereafter have or which have been or may be assigned to the Releasors, against the Releasees, whether known or unknown, including, without limitation, any Claims or Assigned Claims as defined in the Minutes (collectively, **"Released Claims"**);

AND IT IS FURTHER AGREED AND UNDERSTOOD that for the consideration aforesaid the Releasors undertake and agree not to take any steps or continue or initiate any proceedings against any person, partnership, corporation or other such entity which might claim, or which might be entitled to claim, contribution, indemnity or other relief over against the Releasee under the provisions of any statute or otherwise, notwithstanding the bar orders in s 7.3 of the CCAA Plan. For further clarity, the above does not prevent the Releasors from continuing or initiating any such litigation where they seek damages that would be apportioned to those entities or individuals in accordance with the relative degree of fault that is attributable to those entities or individuals. For still further clarity, any claim or action that the CCAA Representatives bring against CannaMed will be restricted to seeking the proportionate and several liability of defendants who are not Paul Settling Parties.

AND IT IS FURTHER AGREED AND UNDERSTOOD that the Releasee does not admit any fault, liability, wrongdoing or obligations whatsoever to the Releasors and such fault, liability, wrongdoing and obligations are denied.

THIS RELEASE shall be binding upon and enure to the benefit of the successors, assigns, heirs, executors, administrators and/or legal or personal representatives of the Releasors.

AND IT IS HEREBY acknowledged and agreed that the terms of this release are fully understood by the Releasors and that said release is given voluntarily and with the benefit of independent legal advice.

THE RELEASORS HEREBY AGREE that this Full and Final Release shall be governed by the laws of the Province of Ontario and that any dispute arising from this Full and Final Release will be adjudicated by the Ontario Superior Court of Justice in Toronto, and the Releasors each hereby irrevocably attorn to the exclusive jurisdiction of this court for this purpose.

THE TERMS OF THIS FULL AND FINAL RELEASE are severable, and if a provision of this Full and Final Release is or should become illegal, invalid or unenforceable for any reason whatsoever, that shall not affect the validity or enforceability of any other provision of this Full and Final Release.

IT IS AGREED AND UNDERSTOOD that this Release may be executed in any number of separate counterparts, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same document, each such counterpart shall be considered validly executed and delivered upon an executed copy of the document being delivered to the other parties by facsimile or in a .pdf format or other common electronic format by email, and such facsimiled and/or emailed copy shall be deemed to have the same force and effect as an executed original.

IN WITNESS WHEREOF, the Releasors have executed this release:

Witness:	PATRICK HRUSA
Witness:	DHARAMBIR SINGH

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

MINUTES OF SETTLEMENT

STOCKWOODS LLP
Barristers
TD North Tower
77 King Street West, Suite 4130
P.O. Box 140, Toronto Dominion Centre
Toronto, Ontario M5K 1H1

Paul H. Le Vay LSO#: 28314E
Gerald Chan LSO#: 54548T
Carlo Di Carlo LSO#: 62159L

Tel: 416-593-2485
Fax: 416-593-9345

Lawyers for the Respondent, Eric Paul

This is Exhibit "I" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2^{nd}

day of June, 2021

J Smith

A Commissioner for taking Affidavits

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

UNDERWRITERS MINUTES OF SETTLEMENT

(Effective as of April 27, 2021)

WHEREAS CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc., and Elmcliffe Investments Inc. (the **"CannTrust Group"**) commenced the within proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (**"CCAA"**) on March 31, 2020;

AND WHEREAS within the CCAA Proceedings, the Court ordered on January 29, 2021 that Dharambir Singh and Patrick Hrusa (the **"CCAA Canadian Representatives"**) were appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS within the CCAA Proceedings, the Court ordered on January 29, 2021 that Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (the **"CCAA U.S. Representatives"**, and collectively with the CCAA Canadian Representatives, the **"CCAA Representatives"**) were appointed to represent the interests of the U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS Merrill Lynch Canada Inc., Merrill Lynch Pierce, Fenner & Smith, Inc., Citigroup Global Markets Canada Inc., Citigroup Global Markets Inc., Credit Suisse Securities (Canada) Inc., Credit Suisse Securities (USA) LLC, RBC Dominion Securities Inc., Jefferies LLC, Canaccord Genuity LLC (collectively, the "**Underwriters**") acted as underwriters to purchase and facilitate the sale of common shares of CannTrust Holdings Inc., and are Respondents in the CCAA Proceedings;

AND WHEREAS the CCAA Representatives, the Underwriters, and the CannTrust Group (collectively, the **"Parties"**) wish to resolve any and all issues that were raised or that could have been raised in the CCAA Proceedings or in the Actions as well as, more generally, any and all claims or demands or issues that the CCAA Representatives have advanced or could advance against the Underwriters, including, without limitation, any and all Assigned Claims as against them;

AND WHEREAS CannTrust Holdings, CannTrust Opco and Elmcliffe Investments Inc. have proposed a plan of compromise, arrangement and reorganization under the CCAA and the *Business Corporations Act* (Ontario), which is attached as Exhibit "B" to the affidavit of Greg Guyatt sworn April 9, 2021 (as amended from time to time, the "**CCAA Plan**").

AND WHEREAS in addition to the capitalized terms defined elsewhere in these Minutes of Settlement (**"Minutes"**), capitalized terms in this document have the meanings ascribed to them in the CCAA Plan;

AND WHEREAS the CannTrust Group is satisfied with the terms of these Minutes of Settlements as required by section 7.1 of the CCAA Plan;

NOW THEREFORE in consideration of the promises and agreements contained in these Minutes and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. These minutes of settlement and the obligations of the Underwriters hereunder are conditional upon:

    a. there having been no material amendments, as determined by the Underwriters acting in good faith, without the Underwriters' prior written consent, to:

        i. Articles 4.3, 7 or 8 of the CCAA Plan;

        ii. any defined terms in the CCAA Plan where such defined terms are incorporated by reference in these Minutes of Settlement; or

        iii. any other provisions of the CCAA Plan, where such amendments may adversely affect the rights and entitlements of the Underwriters;

b. the Underwriters being treated as Released Parties under the CCAA Plan, including as provided for in sections 7.2 and 7.3 of the CCAA Plan;

c. the U.S. Approval Order being obtained; and

d. the Plan Implementation Conditions listed in sections 9.1(d) and 9.1(e) of the CCAA Plan shall not have been waived without the consent of the Underwriters.

2. Each of the Underwriters agrees to support the CCAA Plan in a manner consistent with the RSA. Without limiting the generality of the foregoing, each of the Underwriters agrees:

   a. to cooperate with the CannTrust Group in good faith to pursue and support the restructuring of the CannTrust Group and the treatment of the Securities-Related Indemnity Claims in the manner contemplated by the RSA;

   b. to use all reasonable efforts to assist the CannTrust Group to meet the timetable and obtain the orders and approvals contemplated by Section 2.02(1) of the RSA, as may be extended in accordance with the RSA;

   c. that if they are given a vote with respect to the CCAA Plan, to vote in favour of the CCAA Plan;

   d. that, without the consent of the CannTrust Group, they will not in any way support any plan or restructuring in respect of the CannTrust Group other than the CCAA Plan and the restructuring of the CannTrust Group contemplated by the CCAA Plan, and will object to and vote against any such other plan or restructuring; and

e. that the terms of the CCAA Plan will be at the sole discretion of the CannTrust Group.

3. Each of the Underwriters agrees that, as of the Effective Time:

    a. any agreement or other right that they may have against a Released Party for indemnification, advancement, contribution, reimbursement, set-off or otherwise, other than those contained herein (the "**Indemnity Rights**"), shall be terminated;

    b. any claim that has or could be asserted against a Released Party pursuant to the Indemnity Rights will be fully, finally, irrevocably and forever released, discharged and barred; and

    c. the Released Parties will thereupon have no further obligation whatsoever in respect of the Indemnity Rights.

4. Each of the Underwriters will be designated and treated in all respects as an "Additional Settlement Party" in accordance with the CCAA Plan.

5. The Underwriters severally agree to pay their proportionate shares of a Cash Contribution in the total amount of US $8,000,000, based on the portion of the Initial Securities (as that term is defined in the Underwriting Agreement dated May 1, 2019) that each Underwriter purchased under the offering dated May 1, 2019, to the Securities Claimant Trust on or before the Plan Implementation Date, provided that should any Underwriter not pay its proportionate share,

that Underwriter will not be treated as an Additional Settlement Party pursuant to the CCAA Plan.

6. Nothing in these Minutes of Settlement, nor the Underwriters' designation as an "Additional Settlement Party" under the CCAA Plan, shall be construed as or constitute an admission of liability by the Underwriters, and the Underwriters in fact do not admit any liability.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

CCAA Representative Counsel on behalf of the CCAA Representatives

Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: (Authorized Signatory)

Merrill Lynch Canada Inc.

By: (Authorized Signatory)

Citigroup Global Markets Inc.

By: (Authorized Signatory)

Citigroup Global Markets Canada Inc.

By: (Authorized Signatory)

that Underwriter will not be treated as an Additional Settlement Party pursuant to the CCAA Plan.

6. Nothing in these Minutes of Settlement, nor the Underwriters' designation as an "Additional Settlement Party" under the CCAA Plan, shall be construed as or constitute an admission of liability by the Underwriters, and the Underwriters in fact do not admit any liability.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

CCAA Representative Counsel on behalf of the CCAA Representatives

Merrill Lynch, Pierce, Fenner & Smith Incorporated

DocuSigned by:
Jason Stone
5D64B22A233348A...

By: (Authorized Signatory)

Merrill Lynch Canada Inc.

By: (Authorized Signatory)

Citigroup Global Markets Inc.

By: (Authorized Signatory)

Citigroup Global Markets Canada Inc.

By: (Authorized Signatory)

that Underwriter will not be treated as an Additional Settlement Party pursuant to the CCAA Plan.

6. Nothing in these Minutes of Settlement, nor the Underwriters' designation as an "Additional Settlement Party" under the CCAA Plan, shall be construed as or constitute an admission of liability by the Underwriters, and the Underwriters in fact do not admit any liability.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

CCAA Representative Counsel on behalf of the CCAA Representatives

Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: (Authorized Signatory)

Merrill Lynch Canada Inc.

Mark Dickerson

By: (Authorized Signatory)

Citigroup Global Markets Inc.

By: (Authorized Signatory)

Citigroup Global Markets Canada Inc.

By: (Authorized Signatory)

that Underwriter will not be treated as an Additional Settlement Party pursuant to the CCAA Plan.

6. Nothing in these Minutes of Settlement, nor the Underwriters' designation as an "Additional Settlement Party" under the CCAA Plan, shall be construed as or constitute an admission of liability by the Underwriters, and the Underwriters in fact do not admit any liability.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

CCAA Representative Counsel on behalf of the CCAA Representatives

Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: (Authorized Signatory)

Merrill Lynch Canada Inc.

By: (Authorized Signatory)

Citigroup Global Markets Inc.

/s/ Mary Reisert

By: (Authorized Signatory)

Citigroup Global Markets Canada Inc.

By: (Authorized Signatory)

that Underwriter will not be treated as an Additional Settlement Party pursuant to the CCAA Plan.

6. Nothing in these Minutes of Settlement, nor the Underwriters' designation as an "Additional Settlement Party" under the CCAA Plan, shall be construed as or constitute an admission of liability by the Underwriters, and the Underwriters in fact do not admit any liability.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

CCAA Representative Counsel on behalf of the CCAA Representatives

Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: (Authorized Signatory)

Merrill Lynch Canada Inc.

By: (Authorized Signatory)

Citigroup Global Markets Inc.

By: (Authorized Signatory)

Citigroup Global Markets Canada Inc.

By: (Authorized Signatory)

Credit Suisse Securities (Canada) Inc.

DocuSigned by:

Chris Gage

A0DB07D803544D3...

By: (Authorized Signatory)

Credit Suisse Securities (USA) LLC

By: (Authorized Signatory)

Credit Suisse Securities (Canada) Inc.

By: ______________________________
(Authorized Signatory)

Credit Suisse Securities (USA) LLC

DocuSigned by:
Jennifer Huffman
By: ______________________________
A983E70B2D54D0
(Authorized Signatory)

RBC Dominion Securities Inc.

DocuSigned by:

5B62CD00B27A474...

By: (Authorized Signatory)

Jefferies LLC

By: (Authorized Signatory)

Jefferies Securities, Inc.

By: (Authorized Signatory)

Canaccord Genuity LLC

By: (Authorized Signatory)

Canaccord Genuity Corp.

By: (Authorized Signatory)

RBC Dominion Securities Inc.

By: (Authorized Signatory)

Jefferies LLC

DocuSigned by:
JENNIFER KANE
672FEE3DD4C04B7...

By: (Authorized Signatory)

Jefferies Securities, Inc.

By: (Authorized Signatory)

Canaccord Genuity LLC

By: (Authorized Signatory)

Canaccord Genuity Corp.

By: (Authorized Signatory)

RBC Dominion Securities Inc.

By: (Authorized Signatory)

Jefferies LLC

By: (Authorized Signatory)

Jefferies Securities, Inc.

Jeffrey Whyte

By: (Authorized Signatory)

Canaccord Genuity LLC

By: (Authorized Signatory)

Canaccord Genuity Corp.

By: (Authorized Signatory)

RBC Dominion Securities Inc.

By: (Authorized Signatory)

Jefferies LLC

By: (Authorized Signatory)

Jeffries Inc.

By: (Authorized Signatory)

Canaccord Genuity LLC

By: Andrew Viles, Chief Legal Officer

Canaccord Genuity Corp.

By: (Authorized Signatory)

THE CANNTRUST GROUP:

CannTrust Holdings Inc.

By: ______________________________
(Authorized Signature)

CannTrust Inc.

By: ______________________________
(Authorized Signature)

CTI Holdings (Osoyoos) Inc.

By: ______________________________
(Authorized Signature)

Elmcliffe Investments Inc.

By: ______________________________
(Authorized Signature)

This is Exhibit “J” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

J Smith

A Commissioner for taking Affidavits

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

LITWIN GROUP MINUTES OF SETTLEMENT

(Effective as of May 24, 2021)

WHEREAS CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc., and Elmcliffe Investments Inc. (the **"CannTrust Group"**) commenced the within proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (**"CCAA"**) on March 31, 2020;

AND WHEREAS within the CCAA Proceedings, the CCAA Court ordered on January 29, 2021 that Dharambir Singh and Patrick Hrusa (the **"CCAA Canadian Representatives"**) were appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS within the CCAA Proceedings, the CCAA Court ordered on January 29, 2021 that Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (the **"CCAA U.S. Representatives"**, and collectively with the CCAA Canadian Representatives, the **"CCAA Representatives"**) were appointed to represent the interests of the U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS Mark Ian Litwin, Fred Litwin, Stan Abramowitz, Cannamed Financial Corp., Forum Financial Corporation, Mar-Risa Holdings Inc., York Capital Funding Inc., and Sutton Management Limited (collectively, the "**Litwin Group**") were directors and/or officers of CannTrust Holdings Inc., or were involved in the sale of common shares of CannTrust Holdings Inc., and are Respondents in the CCAA Proceedings;

AND WHEREAS the CCAA Representatives, the Litwin Group, and the CannTrust Group (together, the "**Parties**") wish to resolve any and all issues that were raised or that could have been raised in the CCAA Proceedings or in the Actions as well as, more generally, any and all claims or demands or issues that the CCAA Representatives have advanced or could advance against the Litwin Group, including, without limitation, any and all claims that have been or will in the future be assigned to the Securities Claimant Trust as well as any and all Assigned Claims as against the Litwin Group;

AND WHEREAS CannTrust Holdings, CannTrust Opco and Elmcliffe Investments Inc. have proposed the First Amended and Restated Plan of Compromise, Arrangement and Reorganization dated May 21, 2021 in the CCAA Proceedings (as may be amended from time to time subject to paragraph 1 below, the “**CCAA Plan**”);

AND WHEREAS in addition to the capitalized terms defined elsewhere in these Minutes of Settlement (**“Minutes”**), capitalized terms in this document have the meanings ascribed to them in the CCAA Plan;

AND WHEREAS the CannTrust Group is satisfied with the terms of these Minutes of Settlement as required by section 7.1 of the CCAA Plan;

NOW THEREFORE in consideration of the promises and agreements contained in these Minutes and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to settle all on the following basis:

1. These minutes of settlement and the obligations of the Litwin Group hereunder are conditional upon:

   (a) there having been no material amendments, as determined by the Litwin Group acting reasonably and in good faith, without the Litwin Group’s prior written consent, to:

      (i) Articles 4.3, 7 or 8 of the CCAA Plan;

      (ii) any defined terms in the CCAA Plan where such defined terms are incorporated by reference in these Minutes of Settlement; or

      (iii) any other provisions of the CCAA Plan, where such amendments may adversely affect the rights and entitlements of the Litwin Group.

   (b) the Litwin Group being treated as Released Parties under the CCAA Plan, including as provided for in sections 7.2 and 7.3 of the CCAA Plan;

   (c) the U.S. Approval Order being obtained;

(d) an order of the CCAA Court directing the dismissal of all of the Actions as against the Litwin Group, without costs payable by the Litwin Group, having been obtained; and

(e) the Plan Implementation Conditions listed in sections 9.1(d) and 9.1(e) of the CCAA Plan shall not have been waived without the consent of the Litwin Group.

2. Each member of the Litwin Group agrees to support the CCAA Plan in a manner consistent with the RSA. Without limiting the generality of the foregoing, each member of the Litwin Group agrees that, without the consent of the CannTrust Group, they will not in any way support any plan or restructuring in respect of the CannTrust Group other than the CCAA Plan and the restructuring of the CannTrust Group contemplated by the CCAA Plan, and will object to and vote against any such other plan or restructuring.

3. Each member of the Litwin Group agrees that, as of the Effective Time:

(a) any agreement or other right that they may have against a Released Party (as defined in the CCAA Plan) for indemnification, advancement, contribution, reimbursement, set-off or otherwise (the "**Indemnity Rights**"), shall be terminated;

(b) any claim that has or could be asserted against a Released Party pursuant to the Indemnity Rights will be fully, finally, irrevocably and forever released, discharged and barred; and

(c) the Released Parties will thereupon have no further obligation whatsoever in respect of the Indemnity Rights.

4. Each member of the Litwin Group will be designated and treated in all respects as an Additional Settlement Party, in accordance with the CCAA Plan.

5. The Litwin Group members jointly and severally agree to pay a Cash Contribution of $11,000,000 to the Securities Claimant Trust at the Effective Time. In accordance with s 7.1(4) of the CCAA Plan, no Litwin Group member shall be treated as a Released Party until the Cash Contribution has been paid.

6. On the Plan Implementation Date, the Assigned Claims, if any, of Mark Ian Litwin and Stan Abramowitz shall be transferred to and assumed by the Securities Claimant Trust.

7. Nothing in these Minutes, nor the Litwin Group members' designation as Additional Settlement Parties under the CCAA Plan, shall be construed as or constitute an admission of liability by any of the Litwin Group members, and they in fact deny all liability.

8. These Minutes shall be construed and governed in accordance with the laws of the Province of Ontario. Any dispute arising under or related to these Minutes shall be litigated in the courts of Ontario located in Toronto.

9. The Parties each acknowledge that they have had an adequate opportunity to read and consider these Minutes and to obtain such advice in regard to these Minutes as they each considered advisable.

10. These Minutes may be executed electronically in counterpart by the Parties, and each such counterpart shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. The Parties agree that this may include counterparts exchanged via email.

11. All references to dollar amounts in these Minutes are to Canadian dollars

[Remainder of page intentionally left blank]

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

THE CANNTRUST GROUP:

CannTrust Holdings Inc.

By: ______________________________
(Authorized Signature)

CannTrust Inc.

By: ______________________________
(Authorized Signature)

CTI Holdings (Osoyoos) Inc.

By: ______________________________
(Authorized Signature)

Elmcliffe Investments Inc.

By: ______________________________
(Authorized Signature)

CCAA REPRESENTATIVES:

Dharambir Singh, Patrick Hrusa, Granite Point Master Fund, LP, and Granite Point Capital Scorpion Focused Ideas Fund

By: ______________________________
(CCAA Representative Counsel)

LITWIN GROUP:

Witness:

Mark Ian Litwin

Witness:

Fred Litwin

Witness:

Stan Abramowitz

Cannamed Financial Corp.

By: ______________________
(Authorized Signature)

Forum Financial Corporation

By: ______________________
(Authorized Signature)

Mar-Risa Holdings Inc.

By: ______________________
(Authorized Signature)

York Capital Funding Inc.

By: ______________________________
(Authorized Signature)

Sutton Management Limited

By: ______________________________
(Authorized Signature)

This is Exhibit “K” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

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

IAN ABRAMOWITZ MINUTES OF SETTLEMENT

(Effective as of May 5, 2021)

WHEREAS CannTrust Holdings Inc., CannTrust Inc., CTI Holdings (Osoyoos) Inc., and Elmcliffe Investments Inc. (the **"CannTrust Group"**) commenced the within proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (**"CCAA"**) on March 31, 2020;

AND WHEREAS within the CCAA Proceedings, the Court ordered on January 29, 2021 that Dharambir Singh and Patrick Hrusa (the **"CCAA Canadian Representatives"**) were appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS within the CCAA Proceedings, the Court ordered on January 29, 2021 that Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (the **"CCAA U.S. Representatives"**, and collectively with the CCAA Canadian Representatives, the **"CCAA Representatives"**) are hereby appointed to represent the interests of the U.S. Securities Claimants in these proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation;

AND WHEREAS Ian Abramowitz (**"Abramowitz"**) is a former officer and director of the Applicant CannTrust Inc. (**"CannTrust"**), as well as a Respondent in the CCAA Proceedings;

AND WHEREAS the CCAA Representatives, the CannTrust Group and Abramowitz (collectively, the **"Parties"**) wish to resolve any and all issues that were raised or that could have been raised in the CCAA Proceedings or in the Actions as well as, more generally, any and all claims or demands or issues that the CCAA Representatives have advanced or could advance against Abramowitz, including, without limitation, any and all Assigned Claims as against him;

AND WHEREAS CannTrust Holdings, CannTrust Opco and Elmcliffe Investments Inc. have proposed a plan of compromise, arrangement and reorganization in the CCAA Proceedings (as amended from time to time, the "**CCAA Plan**");

AND WHEREAS in addition to the capitalized terms defined elsewhere in these Minutes of Settlement (**"Minutes"**), capitalized terms in this document have the meanings ascribed to them in the CCAA Plan;

AND WHEREAS the CannTrust Group (collectively with the CCAA Representatives and the Paul Settling Parties, the "**Parties**") is satisfied with the terms of these Minutes of Settlement as required by section 7.1 of the CCAA Plan;

NOW THEREFORE in consideration of the promises and agreements contained in these Minutes and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Abramowitz agrees to support the CCAA Plan in a manner consistent with the RSA. Without limiting the generality of the foregoing, Abramowitz agrees:

    a. to cooperate with the CannTrust Group in good faith to pursue and support the restructuring of the CannTrust Group and the treatment of the Securities-Related Indemnity Claims in the manner contemplated by the RSA;

    b. to use all reasonable efforts to assist the CannTrust Group to meet the timetable and obtain the orders and approvals contemplated by Section 2.02(1) of the RSA, as may be extended in accordance with the RSA;

    c. that if he is given a vote with respect to the CCAA Plan, to vote in favour of the CCAA Plan;

    d. that, without the consent of the CannTrust Group, he will not in any way support any plan or restructuring in respect of the CannTrust Group other than the CCAA Plan and the restructuring of the CannTrust Group contemplated by the CCAA Plan, and will vote against and otherwise actively oppose any such other plan or restructuring; and

e. that the terms of the CCAA Plan will be at the sole discretion of the CannTrust Group (except as otherwise specifically set out herein in relation to the releases in favour of Abramowitz).

2. Abramowitz agrees that, as of the Effective Time:

   a. any agreement or other right that he may have against a Released Party (as defined in the CCAA Plan) for indemnification, advancement, contribution, reimbursement, set-off or otherwise, other than those contained herein (the "**Indemnity Rights**"), shall be terminated; and

   b. any claim that has been or could be asserted against a Released Party pursuant to the Indemnity Rights will be fully, finally, irrevocably and forever released, discharged and barred; and

   c. the Released Parties will thereupon have no further obligation whatsoever in respect of the Indemnity Rights.

3. Abramowitz agrees to comply with the cooperation agreement attached as Schedule A.

4. Abramowitz shall provide a statutory declaration confirming the accuracy of the representations made to CCAA Representative Counsel regarding his financial assets.

5. Upon delivery of the statutory declaration identified at paragraph 4 Abramowitz will be designated as an "Additional Settlement Party" in accordance with the CCAA Plan.

6. Abramowitz' "Cash Contribution" will be $0.

7. Nothing in these Minutes of Settlement, nor Abramowitz' designation as an "Additional Settlement Party" under the CCAA Plan, shall be construed as or constitute an admission of liability by Abramowitz, and Abramowitz in fact does not admit any liability.

8. On or before the Plan Implementation Date, Abramowitz will assign to the Securities Claimant Trust his claims against any or all Insurers or in respect of any other insurance policy potentially responsive to the claims against him, however, such assignment shall not include any claims, rights or entitlement that Abramowitz has to insurance coverage for criminal, regulatory, or administrative proceedings.

9. The Securities Claimant Trust will indemnify Abramowitz for reasonable legal fees incurred in connection with satisfying his obligations under the cooperation agreement, up to a maximum of $100,000.

IN WITNESS THEREOF, the parties hereto have executed these Minutes as follows:

CCAA Repre[redacted]sel on behalf of the CCAA Representatives

Witness:

Ian Abramowitz

THE CANNTRUST GROUP:

CannTrust Holdings Inc.

By: [redacted]

(Au [redacted]

CannTrust Inc.

By: [redacted]

(Au [redacted]

CTI Holdings (Osoyoos) Inc.

By: [redacted]

(Au [redacted]

Elmcliffe Investments Inc.

By: [redacted]

(Aut [redacted]

SCHEDULE "A"

COOPERATION AGREEMENT – GENERAL PRINCIPLES

All capitalized terms used but not otherwise defined in this Schedule A shall have the meanings given to such terms in the CCAA Plan.

A. The scope of Abramowitz's ("**Settling Defendant**") cooperation shall be limited to the allegations asserted in the Actions and the Assigned Claims.

B. All cooperation shall be coordinated in such a manner so that all unnecessary duplication and expense is avoided.

C. Settling Defendant shall not be required to provide cooperation: (i) in violation of any law or Order from a court of competent jurisdiction; (ii) that waives any privilege; or (iii) with regard to conduct outside the scope of the Assigned Claims.

D. Within 45 days after the CCAA Plan is implemented:

(a) Settling Defendant will provide all non-privileged documents (including electronically stored documents) relevant to the Actions and the Assigned Claims in a form mutually acceptable to the parties. Settling Defendant makes no representation regarding, and shall bear no liability with respect to, the accuracy of, or that he has, can or will produce a complete set of any of the documents or information, and the failure to do so shall not constitute a breach or violation of the Cooperation Agreement.

(b) If any documents protected by any privilege, including solicitor-client, litigation, attorney work product, settlement, common-interest or joint defence privilege, or any other privilege, doctrine or law, and/or any privacy law or other rule or law of Ontario, Quebec or any other jurisdiction, are accidentally or inadvertently disclosed or produced, such documents shall be promptly returned to Settling Defendant and the documents and the information contained therein shall not be disclosed or used directly or indirectly, except with the express written permission of Settling Defendant, and the production of such documents shall in no way be construed to have waived in any manner any privilege, doctrine, law, or protection attached to such documents.

(c) Settling Defendant's counsel will meet with Class Counsel and counsel to the Securities Claimant Trust ("**Prosecution Counsel**") to provide an evidentiary proffer which will include information that is not covered by privilege, including solicitor-client, litigation, attorney work product, settlement, common-interest or joint defence privilege, or any other privilege relating to the Actions and the Assigned Claims. The parties agree that there shall be no audio or video recording or written transcription or record of any statements made or information provided by CannTrust's counsel at the proffer, and that Prosecution Counsel may only make written notes of their own thoughts and impressions at the proffer for the purpose of formulating legal advice, pursuing litigation and/or for the purpose of advancing settlement discussions in the interests of the Securities Claimants and the Securities Claimant Trust, as applicable. Notwithstanding any other provision of the Cooperation Agreement, and for greater certainty, it is agreed that any such written notes, and all statements made and information provided by CannTrust's counsel are privileged, will be kept strictly confidential, may not be directly or indirectly disclosed to any other party, and shall not be used by Prosecution Counsel for any purpose other than for their own internal use in connection with the prosecution of the Actions and Assigned Claims and for no other purpose whatsoever.

(d) Settling Defendant will agree to attend an interview with Prosecution Counsel to be taken under oath.

E. Prosecution Counsel agree that all documents and information made available or provided by Settling Defendant under the Cooperation Agreement shall be used only in connection with the prosecution of the Actions and the Assigned Claims, and shall not be used directly or indirectly for any other purpose, except to the extent that the documents or information are already publicly available prior to the time of production from Settling Defendant or subsequently become publicly available other than through the actions of Prosecution Counsel, the Securities Claimants or the Securities Claimant Trust. Prosecution Counsel agree they shall not disclose the documents and information provided by Settling Defendant beyond what is reasonably necessary for the prosecution of the Actions or Assigned Claims or as otherwise required by law, and acknowledge that they are bound by the deemed undertaking and Rule 30.1 of the Rules of Civil Procedure and the equivalent rules in other Provinces or jurisdictions, except to the extent that the documents or information are publicly available.

F. Settling Defendant will provide such witness statements, affidavits and/or other testimony under oath, as may be requested by Prosecution Counsel, for use in the prosecution of the Action and Assigned Claims.

G. Subject to the rules of evidence or any court Order, Settling Defendant agrees to attend at trial of the Actions and Assigned Claims to provide testimony and establish the authenticity of the documents provided by Settling Defendant pursuant to the Cooperation Agreement.

This is Exhibit "L" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

<u>RESTRUCTURING SUPPORT AGREEMENT</u>

THIS AGREEMENT is made as of May 5, 2021 between:

CannTrust Holdings Inc.,
CannTrust Inc.,
CTI Holdings (Osoyoos) Inc. and
Elmcliffe Investments Inc.

(the "**CannTrust Group**")

– and –

Patrick Hrusa and Dharambir Singh

(the "**CCAA Canadian Representatives**")

– and –

Granite Point Master Fund, LP and
Granite Point Capital Scorpion Focused Ideas Fund

(the "**CCAA U.S. Representatives**", and collectively with the CCAA Canadian Representatives, the "**CCAA Representatives**")

– and –

Zola Finance Holdings Ltd. and Igor Gimelshtein

(the "**Zola Plaintiffs**", and collectively with the CannTrust Group and the CCAA Representatives, the "**Parties**")

RECITALS:

A. The CannTrust Group commenced proceedings (the "**CCAA Proceedings**") pursuant to the *Companies' Creditors Arrangement Act* (Canada) (**"CCAA"**) on March 31, 2020.

B. In the CCAA Proceedings, the CCAA Court issued an order on January 29, 2021 (the "**CCAA Representation Order**") providing, among other things, that:

   (a) the CCAA Canadian Representatives were appointed to represent the interests of all Canadian and Non-U.S. Securities Claimants other than the Excluded Securities Claimants (as defined in the CCAA Representation Order) in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation; and

(b) the CCAA U.S. Representatives were appointed to represent the interests of all U.S. Securities Claimants other than the Excluded Securities Claimants (as defined in the CCAA Representation Order) in the CCAA Proceedings in relation to their Securities Claims and any related claims, including in relation to any negotiations with respect to the settlement of Securities Claims and the prosecution or settlement of any related claims and the development of the CCAA Plan and any related definitive documentation.

C. The Zola Plaintiffs commenced an action against CannTrust Holdings Inc., among others, in the Ontario Superior Court of Justice bearing Court File No. CV-19-00002329-00CP (the "**Zola Action**").

D. The Zola Plaintiffs were Excluded Securities Claimants in the CCAA Representation Order.

E. CannTrust Holdings Inc., CannTrust Inc. and Elmcliffe Investments Inc. have filed a plan of compromise, arrangement and reorganization in the CCAA Proceedings dated April 16, 2021 (as amended from time to time, the "**CCAA Plan**").

F. The Parties have entered into this Restructuring and Support Agreement ("**Agreement**"), pursuant to which, among other things,

(a) the Zola Plaintiffs will support the CCAA Plan and assign the Zola Claims to the Securities Claimant Trust on the Plan Implementation Date; and

(b) the Securities Claimant Trust will pay to the Zola Plaintiffs $3,250,000.00 after receiving payment of the Cash Contributions.

G. In addition to the capitalized terms defined elsewhere in this Agreement, capitalized terms in this document have the meanings ascribed to them in the CCAA Plan.

NOW THEREFORE, in consideration of the premises, covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties agree as follows:

1. In this Agreement, "**Zola Claims**" means any right, claim, or cause of action that any of the Zola Plaintiffs may have against any Co-Defendant or Settlement Party that arises from or relates to the Securities-Related Matters including, without limitation, the Zola Action.

2. The Zola Plaintiffs consent to the CCAA Plan, and agree to support the CCAA Plan in a manner consistent with the RSA. Without limiting the generality of the foregoing, the Zola Plaintiffs agree:

(a) to cooperate with the CannTrust Group in good faith to pursue and support the restructuring of the CannTrust Group and the settlement of the Securities Claims, Securities-Related Claims and Channelled Claims against the Released Parties and the treatment of the Securities-Related Indemnity Claims in the manner contemplated by the CCAA Plan, including, without limitation, the execution and delivery of a release in favour of the Released Parties.

(b) to use all reasonable efforts to assist the CannTrust Group to meet the timetable and obtain the orders and approvals contemplated by Section 2.02(1) of the RSA, as may be extended in accordance with the RSA;

(c) to vote in favour of the CCAA Plan;

(d) that, without the consent of the CannTrust Group, they will not in any way support any plan or restructuring in respect of the CannTrust Group other than the CCAA Plan and the restructuring of the CannTrust Group contemplated by the CCAA Plan, and will vote against and otherwise actively oppose any such other plan or restructuring; and

(e) that the terms of the CCAA Plan and the CCAA Sanction Order will be at the sole discretion of the CannTrust Group, subject to the right of the Zola Plaintiffs to review the CCAA Plan and CCAA Sanction Order for consistency with this Agreement.

3. The Zola Plaintiffs hereby irrevocably appoint CCAA Representative Counsel, as their true and lawful attorney-in-fact to:

(a) prosecute, settle, resolve, or otherwise deal with the Zola Claims; and

(b) do and perform any and every act required, necessary or proper to be done in the exercise of the rights granted with respect to the Zola Claims, as fully to all intents and purposes as the Zola Plaintiffs might or could do if personally present, with full power of substitution or revocation.

4. On the Plan Implementation Date, all of the rights and obligations of the Zola Plaintiffs to and in respect of the Zola Claims (to the extent they have not been otherwise dealt with by CCAA Representative Counsel pursuant to paragraph 3) shall be assigned to and assumed by the Securities Claimant Trust (subject to the release of any Zola Claims that are Released Claims and to the injunction in respect of any Zola Claims that are Channelled Claims, in each case pursuant to the CCAA Plan and CCAA Sanction Order).

5. In consideration for the assignment of the Zola Claims as set out herein, forthwith upon payment of the Cash Contribution to the Securities Claimant Trust, the Securities Claimant Trust will pay $3,250,000.00 to the Zola Plaintiffs.

6. The Zola Plaintiffs agree to support all motions by the CCAA Representatives, the Securities Claimant Trust, or any other plaintiff, or their counsel, for approval of settlements and counsel fees in respect of any settlement to which the Zola Plaintiffs will be entitled to participate. Notwithstanding the foregoing, the Zola Plaintiffs reserve all rights in respect of any motion to approve an Allocation or Distribution Scheme or other method of distribution, including but not limited to the proposed Allocation and Distribution Scheme set out in the CCAA Plan. For further clarity, nothing herein precludes the Zola Plaintiffs from recovering additional amounts in an Allocation or Distribution Scheme or other method of distribution arising from the CCAA Proceedings for which they are otherwise eligible in respect of the Zola Claims.

7. If the CCAA Plan is not sanctioned by the CCAA Court, then the parties shall return to the positions they were in prior to the execution of this Agreement.

8. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

9. This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrator, other legal representatives, successors and permitted assigns of the Parties.

10. This Agreement will be governed by and construed in accordance with the laws the Province of Ontario and the laws of Canada applicable therein, without regard to any conflicts of law provision that would require the application of the law of any other jurisdiction.

11. For the purpose of all legal proceedings, this Agreement will be deemed to have been performed in the Province of Ontario and the CCAA Court will have jurisdiction to determine any dispute arising under this Agreement.

12. This Agreement (and any modifications, amendments, supplements or waivers in respect hereof) may be executed in any number of counterparts by manual or facsimile signature of each undersigned Party, each of which when executed and delivered will be deemed to be an original and all of which when taken together will constitute one and the same agreement. This Agreement may be delivered by facsimile or email.

[Signature Page Follows]

IN WITNESS WHEREOF the Parties have executed this Agreement.

THE CANNTRUST GROUP:

CannTrust Holdings Inc.

By: ______________________________
(Authorized Signature)

CannTrust Inc.

By: ______________________________
(Authorized Signature)

CTI Holdings (Osoyoos) Inc.

By: ______________________________
(Authorized Signature)

Elmcliffe Investments Inc.

By: ______________________________
(Authorized Signature)

CCAA REPRESENTATIVES:

CCAA Representatives

By: ________________________________

CCAA Representative Counsel

ZOLA PLAINTIFFS:

Zola Finance Holdings Ltd.

By: ____________________________

(Authorized Signature)
Evgeniya Cazin, Director

____

Witness: Tekin Salimi

____

Igor Gimelshtein

This is Exhibit “M” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

Court File No./N° du dossier du greffe: CV-19-00002329-00CP

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE

Electronically issued
Délivré par voie électronique : 27-Nov-2019
London

ZOLA FINANCE HOLDINGS LTD. and IGOR GIMELSHTEIN

Plaintiffs

- and -

CANNTRUST HOLDINGS INC., ERIC PAUL, PETER ACETO, FRED LITWIN, MARK LITWIN, MITCHELL SANDERS, MARK DAWBER, ROBERT MARCOVITCH, SHAWNA PAGE, JOHN KADEN, IAN ABRAMOWITZ, and BRAD ROGERS

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 plaintiffs' lawyers or, where the plaintiffs do 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 America, the period for serving and filing your statement of defence is forty days. If you are served outside 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 of intent to defend in Form l8B prescribed by the *Rules of Civil Procedure*. This will entitle you to 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.

IF YOU PAY THE PLAINTIFFS' CLAIM, and $1,000.00 for costs, within the time for serving and filing your statement of defence, you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiffs' claim and $400.00 for costs and have the costs assessed by the court.

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.

Date: November 27, 2019 Issued by: __________________________

Local Registrar

Address of Court Office:
Superior Court of Justice
80 Dundas St,
London, ON N6A 6K1

TO: CannTrust Holdings Inc.
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Eric Paul
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Peter Aceto
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Mark Litwin
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Mitchell Sanders
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Mark Dawber
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Robert Marcovitch
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Shawn Page
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: John Kaden
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO: Ian Abramowitz
c/o 7300 Keele Street
Vaughan, ON L4K 1Z9

AND TO:	Brad Rogers c/o 7300 Keele Street Vaughan, ON L4K 1Z9
AND TO:	Fred Litwin c/o Forum Financial Corporation 106 Avenue Road Toronto, ON M5R 2H3

CLAIM

DEFINITIONS

1. In this Statement of Claim, in addition to terms defined elsewhere herein, the following definitions apply:

   (a) "***Access to Cannabis for Medical Purposes Regulations***" means the *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230, as amended, repealed October 17, 2019;

   (b) "***Cannabis Act***" means the *Cannabis Act*, SC 2018, c 16 and accompanying regulations, all as amended, which came into force October 17, 2019;

   (c) "**CannTrust**" means the **Defendant**, CannTrust Holdings Inc.;

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

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

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

   (g) "**Core Documents**" means:

      (i) **CannTrust**'s **MD&A** for the quarter ended June 30, 2018, filed on **SEDAR** August 14, 2018;

      (ii) **CannTrust**'s interim financial statements for the quarter ended June 30, 2018, filed on **SEDAR** August 14, 2018;

      (iii) the **CEO** and **CFO** certifications of the filings for the quarter ended June 30, 2018, filed on **SEDAR** August 14, 2018;

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

(i) “**Defendants**” means, collectively, **CannTrust** and the **Individual Defendants**;

(j) “**First Corrective Disclosure**” means **CannTrust**’s press release filed on **SEDAR** July 8, 2019 entitled “CannTrust Statement Regarding Health Canada Audit”;

(k) “**Forum Financial**” means Forum Financial Corporation;

(l) **“Gimelshtein”** means the Plaintiff Igor Gimelshtein;

(m) “**IFRS**” means International Financial Reporting Standards;

(n) “**Impugned Documents**” means the **Core Documents** and **Non-Core Documents**;

(o) “**Individual Defendants**” means, collectively, Peter Aceto, Eric Paul, Ian Abramowitz, Mitchell Sanders, Mark Litwin, Fred Litwin, Robert Marcovitch, Mark Dawber, John Kaden, Shawna Page, and Brad Rogers;

(p) “**MD&A**” means management’s discussion and analysis;

(q) “**Niagara Facility**” means **CannTrust**’s cannabis cultivation facility (referred to as a “perpetual harvest facility”) located in Pelham, Ontario;

(r) “**Non-Core Documents**” means:

(i) a press release filed on **SEDAR** August 14, 2018 by **CannTrust** entitled “CannTrust Reports Record Revenue for Q2 2018 and is on Track to Full Completion of its Million SQ FT Niagara Facility”;

(ii) a press release filed on **SEDAR** August 21, 2018 by **CannTrust** entitled "CannTrust Announces Partnership with the Ontario Cannabis Retail Corporation to Supply a Wide Range of Recreational Products";

(iii) a press release filed on **SEDAR** September 10, 2018 by **CannTrust** entitled "CannTrust and Breakthru Beverage Enter Exclusive Partnership in Recreational Cannabis Market in Canada";

(iv) a press released filed on **SEDAR** September 13, 2018 by **CannTrust** entitled "CannTrust Recreational Cannabis Brands Achieve Distribution Across Canada":

(v) a press release filed on **SEDAR** September 18, 2019 by **CannTrust** entitled "CannTrust Makes History with First Shipment of Cannabis Oil to Danish Partner, STENOCARE";

(a) "***OBCA***" means the *Business Corporations Act*, RSO 1990, c B.16, as amended;

(b) "***OSA***" means the *Securities Act*, RSO 1990, c S.5, as amended;

(c) "**Phase 1 Expansion**" means the initial 250,000 square feet development of **CannTrust**'s **Niagara Facility** for cannabis cultivation**;**

(d) "**Phase 2 Expansion**" means the 180,000 square feet expansion at **CannTrust**'s **Niagara Facility** for the cultivation of 25,000 kg of cannabis per/annum;

(e) "**Second Corrective Disclosure**" means *The Globe & Mail* article dated July 23, 2019 entitled "CannTrust chairman, CEO were informed in November of unlicensed cannabis growing, e-mails show";

(f) "**SEDAR**" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

(g) "**Third Corrective Disclosure**" means **CannTrust**'s press release filed on **SEDAR** September 18, 2019 and issued on September 17, 2019 entitled "CannTrust Discloses Notice of Licence Suspension";

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

(i) "**Vaughan Facility**" means **CannTrust**'s cannabis processing facility in Vaughan, Ontario, which was formerly a cultivation facility; and

(j) "**Zola**" means the Plaintiff Zola Finance Holdings Ltd.

RELIEF SOUGHT

2. The Plaintiffs claim:

(a) an order granting leave to pursue this action under Part XXIII.1 of the *OSA*;

(b) a declaration that the Impugned Documents contained one or more misrepresentations at common law and within the meaning of the *OSA*;

(c) a declaration that the Defendants or one of them made the misrepresentations;

(d) a declaration that the Defendants or one of them failed to make timely disclosure of a material change in the business, operations or capital of CannTrust;

(e) a declaration under section 248 of the *OBCA* that:

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

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

(iii) the powers of the directors and/or officers of CannTrust and/or its affiliates have been exercised in a manner;

that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiff;

(f) a declaration that the Fred Litwin engaged in insider trading contrary to sections 74 and 134 of the *OSA*;

(g) a declaration that CannTrust is vicariously liable for the acts and/or omissions of the Individual Defendants and, as may be applicable, of its other officers, directors, employees or agents;

(h) rescission of some or all of Zola's acquisitions of CannTrust securities as pleaded herein;

(i) general damages and/or compensation for oppression, in the sum of $45,000,000 or such other relief as this Honourable Court deems just;

(j) punitive damages, exemplary damages and/or aggravated damages in the amount of $15,000,000;

(k) prejudgment and post judgment interest;

(l) costs of this action on a substantial indemnity basis or in an amount that provides full indemnity; and

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

OVERVIEW

3. This action arises out of the Plaintiffs' joint investment in CannTrust, which was made after CannTrust had decided to cultivate cannabis illegally, had taken the necessary steps to set up the illegal cultivation operations, had commenced illegal cultivation and had begun to illegally store cannabis.

4. None of these critically important facts were disclosed to the Plaintiffs or their representatives before they became one of CannTrust's largest shareholders, even though many of the company's senior directors and officers, including CFO Abramowitz and founder and then-CEO Paul, were aware of this illegal behaviour.

5. In addition, prior to making its investment, a principal of Zola, Tarik Ouass, and Gimelshtein spoke with Fred Litwin, a large shareholder of CannTrust who sold the Plaintiffs 1 million shares of CannTrust (with a market value of $12.67 million at the time) at the peak of CannTrust's share price, even as CannTrust was proceeding with its scheme to illegally cultivate and sell cannabis and was illegally storing cannabis. They also spoke with Eric Paul, CannTrust's founder, then-CEO and future Chairman, before purchasing the shares from Fred Litwin.

6. In order to entice the Plaintiffs to invest in CannTrust, Fred Litwin and Paul touted the company as well positioned for future growth while failing to disclose the illegal scheme that they knew or ought to have known was underway and the illegal storage of cannabis that was already occurring. Fred Litwin knew or ought to have known the truth because the company he controlled, Forum Financial, had been party to a management service agreement with CannTrust to aid CannTrust with its continuous disclosure obligations and reporting obligations. Fred Litwin's son Mark Litwin was and is a member of

CannTrust's board. As CannTrust's founder and then-CEO, Paul was well aware of CannTrust's illegal cultivation operations and illegal storage of cannabis.

7. CannTrust's public disclosures also significantly misrepresented the company's state of affairs. They failed to disclose CannTrust's illegal behaviour and heavily promoted CannTrust's future growth potential based on recreational cannabis legalization (which occurred on October 17, 2018) and the lucrative market for future cannabis sales this would create. Indeed, CannTrust invested heavily in its cultivation and processing capacity to position itself favourably for recreational cannabis legalization.

8. The foundational requirement for CannTrust's ability to capitalize on recreational cannabis legalization was the maintenance of its Health Canada license to cultivate, process and sell cannabis legally.

9. Without a license, CannTrust is virtually worthless—it would have no legal business and no ability to raise capital to sustain its operations. The Plaintiffs, who have extensive operational experience in the legal cannabis industry, understood this and did careful due diligence both before and after they invested to ensure that the company was in compliance with Health Canada regulations. This due diligence included frequent communications with Paul and CEO Aceto.

10. In both individual communications and in the public disclosures, the Defendants actively misled the Plaintiffs, making explicit and/or implicit representations that CannTrust was and would continue cultivating, processing, storing and selling cannabis according to the requirements of the *Cannabis Act* and/or its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*. This was not true.

11. The Defendants also represented that CannTrust had reasonably effective internal control over financial reporting ("**ICFR**") and disclosure controls and procedures ("**DC&P**"). CannTrust did not.

12. Beginning on or around June 1, 2018, CannTrust began storing cannabis in five rooms in the Vaughan Facility without the authorization required by Health Canada. As of November 2018, CannTrust had constructed two new areas in the Vaughan Facility and stored cannabis in those areas without the required authorization of Health Canada.

13. On or around September 1, 2018, CannTrust made the decision to cultivate cannabis in unlicensed rooms in the Phase 2 Expansion of the Niagara Facility, process that cannabis and sell it. Following this decision, CannTrust undertook the necessary steps to facilitate the illegal cultivation of cannabis in the Phase 2 Expansion. Starting in late September and continuing until on or around April 8, 2019, CannTrust cultivated cannabis in five rooms in its Phase 2 Expansion in the Niagara Facility that had not been licensed by Health Canada for cannabis cultivation.

14. CannTrust also used cannabis seeds at the Niagara Facility that were obtained from the black market starting in 2018. CannTrust cultivated over 1000 cannabis plants from the black-market cannabis seeds, mislabelled those seeds under its authorized cannabis strains and sold them into the recreational market.

15. The above conduct was illegal under the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*. The illegal conduct jeopardized CannTrust's key asset—its license to cultivate, process and sell cannabis, which was subject to revocation or suspension for conduct contrary to the *Cannabis Act* or the *Access to Cannabis for Medical Purposes Regulations*. CannTrust also illegally exported

the unlicensed cannabis to foreign countries, including Denmark, in violation of the international narcotics treaties and domestic criminal law. CannTrust's senior management and, at least some board members were fully aware of and directed all of this illegal conduct.

16. The truth about CannTrust's non-compliance with applicable laws and regulations was revealed via three corrective disclosures.

17. The First Corrective Disclosure was a press release issued by CannTrust on July 8, 2019 that revealed certain of CannTrust's illegal conduct. CannTrust disclosed that cannabis had been illegally grown in five unlicensed rooms in the Phase 2 Expansion of its Niagara Facility from October 2018 to March 2019 and that inaccurate information had been provided by CannTrust employees to Health Canada. CannTrust disclosed that Health Canada had made a finding of non-compliance related to these activities and that it had accepted the non-compliance finding. CannTrust also disclosed that it had advised Health Canada of cannabis storage compliance issues at its Vaughan Facility. As a consequence of the illegal conduct, Health Canada placed a hold on 5,200 kg of dried cannabis harvested from the unlicensed rooms while it continued its investigation. CannTrust put a voluntary hold on an additional 7,500 kg of dried cannabis stored at its Vaughan Facility. The cannabis put on hold was worth between $51,000,000 and $77,000,000.

18. As a result of the First Corrective Disclosure, CannTrust's share price declined materially on abnormally high trading volumes from C$6.46 at the close of trading on July 5, 2019 to C$5.00 at the close of trading on July 8, 2019 and down to C$3.34 at the close of trading on July 12, 2018.

19. The Plaintiffs' losses were compounded by a conversation that Gimelshtein had with CannTrust CEO Eric Paul on the day of the First Corrective Disclosure. During the conversation Paul misled Gimelshtein, advising him that that he had not been aware of the illegal cannabis growing until the news on October 8, 2019 broke, something that has been proven to be untrue. Paul also assured Ouass and Gimelshtein that the issue did not extend into the highest levels of CannTrust's management team. He maintained that the company was well-positioned for future growth. Gimelshtein and Zola relied on these representations and did not sell their CannTrust shares, suffering further losses as a result.

20. Subsequent disclosures indicated that Health Canada had become aware of CannTrust's illegal cannabis operations from a whistleblower who had formerly worked at the Niagara Facility. The whistleblower disclosed that on at least one occasion he and other employees had been asked to set up fake walls to conceal cannabis cultivation in one of the unlicensed rooms in compliance pictures sent to Health Canada. In the wake of these and other revelations, CannTrust announced a voluntary hold on the sale and shipment of all cannabis products and the formation of a special committee to investigate.

21. Health Canada also investigated the cannabis storage compliance issues at the Vaughan Facility revealed by CannTrust in the First Corrective Disclosure and made findings of non-compliance that CannTrust accepted. The two key non-compliance issues were:

(a) the conversion of five rooms in the Vaughan Facility to cannabis storage areas and the storage of cannabis in those areas since June 2018 without required Health Canada approval; and

(b) the construction of two new areas at the Vaughan Facility that were used for cannabis storage starting in November 2018 without Health Canada approval.

22. The Second Corrective Disclosure revealed that the illegal conduct had occurred with the knowledge and at the direction of senior management and, at least some, members of the board. Aceto (CEO), Abramowitz (CFO) and Paul (founder, Chairman and former CEO), had knowledge of ongoing illegal cannabis cultivation in unlicensed rooms in the Phase 2 Expansion and plans for additional illegal cultivation in unlicensed rooms in the future. This was further confirmed by the publication of excerpts of minutes of CannTrust meetings in a *Business News Network* article and other internal emails leaked to the press. Aceto was subsequently fired as CEO and Paul was forced to resign as Chairman.

23. As a result of the Second Corrective Disclosure, there was a material decline in CannTrust's share price on abnormally high trading levels from C$3.43 per share at the close of trading on July 23, 2019 to C$2.68 per share at the close of trading on July 24, 2019.

24. Following the Second Corrective Disclosure, a joint Ontario Securities Commission ("**OSC**"), Ontario Provincial Police and Royal Canadian Mounted Police investigation, a delay in the filing of CannTrust's second quarter results for 2019 and the withdrawal of KPMG LLP's previous audit opinions were announced. It was also disclosed that CannTrust had been using black market cannabis seeds in its cannabis cultivation operations at the Niagara Facility.

25. The Third Corrective Disclosure revealed that CannTrust had received a notice of license suspension under section 64 of the *Cannabis Act* from Health Canada. CannTrust disclosed that Health Canada suspended CannTrust's authority to produce and sell cannabis, other than cultivating and harvesting existing lots or batches of cannabis.

26. As a result of the Third Corrective Disclosure, there was a material decline in CannTrust's share price on abnormally high trading levels from C$1.99 per share at the close of trading on September 16, 2019 to $1.70 per share at the close trading on September 17, 2019.

27. While the Defendants were disseminating misrepresentations to the market, CannTrust insiders—including Fred Litwin—took advantage of their knowledge of undisclosed material facts and changes to profit, or to obtain a profit for their family members. Insiders sold shares or directed the sale of shares on the secondary market and to the Plaintiffs and others at substantially higher prices than the post-corrective disclosure CannTrust share price.

28. As a result of the Defendants' misrepresentations, their improper financial reporting and disclosures, and other actionable misconduct described herein, the Plaintiffs have incurred significant losses and damages on its investment in CannTrust securities.

THE PARTIES

The Plaintiffs

29. The Plaintiff Zola is a duly formed private corporation.

30. Zola is an operationally focused investment fund that concentrates on investments in the legal cannabis industry.

31. The Plaintiff Gimelshtein is a resident of Toronto, Ontario. He is an investor focused on investments in the legal cannabis industry. He works closely with Zola and served as its agent for the purposes of their joint investment in CannTrust throughout the relevant time.

32. Both Zola and Gimelshtein have extensive experience in the legal cannabis industry. Gimelshtein is former Chief Financial Officer of cannabis company MedReleaf Corp., which was purchased by a large Canadian cannabis company in 2018. Zola's principal, Tarik Ouass, was one of the largest investors in MedReleaf Corp. until its sale.

33. Since late September 2018, Zola and Gimelshtein have been one of CannTrust's larger shareholders. Zola, on behalf of itself and Gimelshtein, purchased 1 million CannTrust shares from Fred Litwin or a corporation wholly or partially owned or controlled by Fred Litwin on September 25, 2018. The share purchase transaction with Fred Litwin was by way of a neutral counterparty and the Plaintiffs do not know the identity of the entity that sold the 1 million shares, though they know the entity is controlled, beneficially owned and/or connected to Fred Litwin.

34. Zola, on behalf of itself and Gimelshtein, then purchased an additional 2 million CannTrust shares between September 26-28, 2018 over the TSX.

35. Zola held 15% percent of the shares purchased in trust for Gimelshtein. It held 85% of the shares purchased for its own benefit.

36. Zola and Gimelshtein would not have made an investment in CannTrust had it known about CannTrust's material non-compliance with the *Access to Cannabis for Medical Purposes Regulations* and *Cannabis Act*.

The Defendants and their Disclosure Obligations

CannTrust

37. CannTrust is a company incorporated under the *OBCA***.**

38. At all material times, CannTrust was a reporting issuer in all Canadian provinces besides Québec.

39. At all material times, CannTrust's common shares were listed for trading on the TSX under the ticker symbol "TRST". Since February 25, 2019, CannTrust common shares have been listed for trading on the New York Stock Exchange under the ticker symbol "CTST". CannTrust's common shares are also listed for trading on alternative trading venues in Canada and elsewhere.

The Individual Defendants

40. Eric Paul is the former CEO and Chairman of CannTrust. He is also the co-founder of CannTrust. Paul served as CEO of CannTrust until October 1, 2018 when he was replaced by Aceto. After Paul stepped down as CEO, he was appointed as Chairman of CannTrust's board and as a Special Advisor to CannTrust's management team. Paul was forced to resign as Chairman on or around July 25, 2019.

41. Peter Aceto was appointed as CEO of CannTrust on October 1, 2018. Aceto's termination for cause was announced on July 25, 2019.

42. Ian Abramowitz was CannTrust's CFO until February 19, 2019. Since that time, he has acted as CannTrust's Senior-Vice President of Global Investments and Partnerships.

43. Mark Litwin is an independent director and Vice-Chairman of the board of CannTrust. Mark Litwin was the Chairman of CannTrust until Paul was appointed to that position on October 1, 2019. He is the son of the Defendant Fred Litwin.

44. Mitchell Sanders is a director of CannTrust. Sanders provided legal services to CannTrust through his firm Goldman, Spring, Kichler & Sanders LLP.

45. John Kaden was an independent director of CannTrust. He was appointed to that position effective October 22, 2018. Kaden resignation from his directorship was announced October 28, 2019.

46. Mark Dawber is an independent director of CannTrust.

47. Robert Marcovitch was an independent director of CannTrust. He was appointed CannTrust's interim CEO after Aceto's termination.

48. Shawna Page is an independent director of CannTrust.

49. Brad Rogers was President of CannTrust until on or around November 12, 2018.

50. Fred Litwin has significant CannTrust share holdings. He also owned, controlled and is Chairman of Forum Financial, which had a management services agreement with CannTrust. Stan Abramowitz, the secretary to CannTrust's board, is the CFO of Forum Financial. Mark Litwin is the President of Forum Financial

THE DEFENDANTS' DISCLOSURE OBLIGATIONS

CannTrust's Disclosure Obligations

51. At all material times, CannTrust was, by its own election, a reporting issuer in every Canadian province besides Québec. It elected to become a reporting issuer in order to render its securities publicly tradable. Doing so made them a more attractive investment and provided CannTrust with broader access to capital.

52. In order to maintain its status as a reporting issuer, CannTrust was required to release and file on SEDAR:

    (a) within 45 days of the end of each quarter, quarterly financial statements prepared in accordance with applicable accounting principles that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;

(b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with IFRS, including comparative financial statements relating to the period covered by the preceding financial year;

(c) contemporaneously with each of the above, MD&A for each of the above financial statements; and

(d) within 90 days of the end of the fiscal year, an Annual Information Form.

53. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss known trends, events and risks that have affected the financial statements of the issuer, or that are reasonably likely to have an effect on the issuer's business in the future.

54. In fulfilling the above requirements and in making disclosures to the market generally, CannTrust was prohibited from making a statement that:

(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.

55. CannTrust controlled the contents of the MD&As, financial statements, and the other documents particularized herein, and the misrepresentations made therein were made by CannTrust.

56. CannTrust was also required to immediately disclose (via press release) all changes in its business, operations or capital that would reasonably be expected to have a significant effect on the market price or value of its securities. Pursuant to NI 51-102, CannTrust was required to file a material change report on SEDAR as soon as practicable or in any event within 10 days after the occurrence of the material change.

57. CannTrust knew and intended that both current shareholders and prospective investors would rely on its disclosure in making decisions to purchase and sell securities issued by CannTrust.

The Individual Defendants' Role in CannTrust's Disclosure

58. Each of the Individual Defendants, from the time that he or she accepted a position as a director and/or officer of CannTrust, 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 responsibility for ensuring the accuracy of CannTrust's disclosure documents. Further, each of the Individual Defendants knew and intended that both current shareholders and prospective investors would rely on CannTrust's disclosure in making decisions to purchase and sell securities issued by CannTrust.

59. The *OSA*, certain instruments and policies promulgated thereunder, and CannTrust's own internal policies imposed specific personal obligations on the Individual Defendants in the preparation of CannTrust's disclosure documents.

60. NI 51-102 requires the board of directors' prior approval of financial statements and MD&A. As such, the Defendants Paul, Mark Litwin, Sanders, Dawber, Marcovitch, Page, and Kaden, each of whom was a director of CannTrust, were required to review and approve each set of financial statements and related MD&A prior to their release.

61. Moreover, the mandate of CannTrust's board was "to provide oversight for the Corporation and to act honestly and in good faith with a view to its best interests". With respect to risk monitoring, compliance and corporate performance, the members of the Board were specifically required to:

> a) Assess and monitor the principal risks of all aspects of the businesses in which the Corporation and its subsidiaries as a whole are engaged.
>
> b) Monitor performance of the Corporation and its subsidiaries against both short-term and long-term strategic plans and annual performance targets, and monitor compliance with Board policies and the effectiveness of risk management practices.
>
> c) <u>Verify that the Corporation has implemented and maintains adequate and effective internal controls and management information systems which ensure the directors discharge the Board's oversight responsibilities, including the Corporation's compliance with legal and regulatory requirements related to financial and other continuous disclosure reporting</u>.
>
> [emphasis added]

62. Mark Litwin, Dawber, Marcovitch and Kaden were each members of CannTrust's Audit Committee. The Audit Committee charter required them to review the financial statements, press releases containing financial information and guidance, and disclosures made to the CEO and CFO during the certification process. The charter also made them responsible for oversight of internal controls and procedures, disclosure controls, risk assessment and management, and for CannTrust's internal audit function.

63. Pursuant to NI 52-109 and the Companion Policy thereto, the Defendants Paul, Aceto and Abramowitz as CannTrust's CEO and CFOs, respectively, were responsible for designing

CannTrust's ICFR and DC&P and they were required to certify that they had done so when they were in their respective positions. NI 52-109 also required them to certify the accuracy of CannTrust's annual and interim financial statements and related MD&As and CannTrust's annual information form released.

64. Each Individual Defendant was aware of and accepted these obligations, as applicable, in assuming his or her position as a director and/or officer of CannTrust.

Fred Litwin and Forum Financial

65. In late 2016, Forum Financial entered into a management services agreement with CannTrust to "assist it with its continuous disclosure and reporting requirements". As such Forum Financial, and Fred Litwin as its directing mind, undertook to assist CannTrust in providing disclosures in accordance with the *OSA*.

66. Forum Financial's management services agreement with CannTrust ended on March 31, 2019.

BACKGROUND

Canada's Nascent Cannabis Industry

67. At the time of the Plaintiffs' acquisition of CannTrust shares, the cultivation, processing, and sale of cannabis was regulated by the *Access to Cannabis for Medical Purposes Regulation*. The *Access to Cannabis for Medical Purposes Regulation* only permitted the sale of cannabis to the limited medicinal market.

68. The *Cannabis Act* was scheduled to replace the *Access to Cannabis for Medical Purposes Regulation* on October 17, 2018. The *Cannabis Act* legalized the cultivation, processing and sale of cannabis for the lucrative retail market in Canada. Licenses granted under the

Access to Cannabis for Medical Purposes Regulation for the cultivation of cannabis, such as those held by CannTrust, would continue under the *Cannabis Act* with similar (but not identical) requirements and limitations.

69. CannTrust heavily touted its future growth potential based on recreational cannabis legalization and the lucrative market for future cannabis sales this would create. Indeed, CannTrust had invested heavily in its cultivation and processing capacity to position itself favourably for recreational cannabis legalization, including by purchasing and refurbishing the Niagara Facility for cannabis cultivation. However, the foundational requirement for CannTrust's ability to capitalize on recreational cannabis legalization was the maintenance of its Health Canada license to cultivate, process, store and sell cannabis legally.

70. Therefore, the most critical determinant of CannTrust's success at the time of the Plaintiffs' CannTrust share acquisitions was its license to cultivate, process, store and sell cannabis and its ability to maintain that license. Without a license, CannTrust was virtually worthless—it would have no business and no ability to raise capital to sustain its operations. With a license CannTrust was set up for future profitability and growth.

CannTrust's Operations and Expansion: The Vaughan Facility and Niagara Facility

71. CannTrust cultivates cannabis and processes, stores and sells that cannabis. CannTrust conducts these business operations through its wholly owned subsidiary CannTrust Inc.

72. CannTrust's business operations were originally conducted out of the Vaughan Facility. That Facility had limited cannabis cultivation capacity. To meet the growing demand in the medicinal cannabis market, and in anticipation of the legalization of cannabis for recreational use, CannTrust purchased the Niagara Facility.

73. The Vaughan Facility was turned into a cannabis processing facility sometime after cultivation started at the Niagara Facility. CannTrust began illegally storing cannabis in five rooms in the Vaughan Facility starting on or around June 1, 2018. CannTrust constructed two additional areas in the Vaughan Facility and began illegally storing cannabis in those areas in November 2018.

74. The Niagara Facility was not designed or licensed to cultivate cannabis in accordance with regulatory requirements when it was acquired. CannTrust developed the Niagara Facility into a commercial cannabis cultivation facility in phases. The Phase 1 Expansion involved the development of 250,000 square feet of the Niagara Facility. A Health Canada cultivation license for the Phase 1 Expansion was granted in October 2017 under the predecessor legislation to the *Cannabis Act*, the *Access to Cannabis for Medical Purposes Regulations*. Work on the five-room, 180,000-square-feet Phase 2 Expansion then commenced. The combined growing capacity for both the Phase 1 and Phase 2 Expansions was 50,000 kg per/annum, with the Phase 2 Expansion contributing half the capacity.

75. The Phase 2 Expansion was initially scheduled to be completed and in production by mid-2018. However, at the start of September 2018, as the demand for cannabis was about to skyrocket due to the upcoming legalization of recreational cannabis use on October 17, 2018, CannTrust was facing shortages its cannabis supply, the Phase 2 Expansion had not yet been licensed for cultivation of cannabis.

76. Despite this, on or about September 1, 2018, CannTrust decided to illegally cultivate cannabis in the Phase 2 Expansion of the Niagara Facility. Following this decision, CannTrust took the necessary operational steps to cultivate cannabis in the unlicensed

rooms. CannTrust's illegal cultivation of cannabis in completed Phase 2 Expansion rooms began sometime in September 2018. The exact start date of cultivation is solely within the Defendants' knowledge. However, CannTrust started illegal cannabis cultivation in a room in the Phase 2 Expansion referred to internally as "RG8". In November 2018, CannTrust began illegal cultivationin the unlicensed 50,000- square-foot room in the Phase 2 Expansion referred to as "RG9".

77. CannTrust also cultivated illegal cannabis in other Phase 2 Expansion rooms. By at least February 26, 2019, CannTrust was illegally cultivating cannabis in all five rooms in the Phase 2 Expansion. CannTrust's illegal cultivation continued until those rooms were licensed by Health Canada in or around April 8, 2019.

78. While CannTrust was illegally cultivating cannabis in the Phase 2 Expansion rooms, it also illegally obtained cannabis seeds on the black market and cultivated those cannabis seeds. CannTrust disguised the cannabis it grew from the black market seeds as strains of its approved cannabis and illegally sold that cannabis to recreational users.

MISREPRESENTATIONS

79. As further particularized below, the Defendants made the following explicit or implicit representations in their public disclosures, which the Plaintiffs relied on when making the decision to invest in CannTrust:

(a) that CannTrust was complying and would continue to comply with the licensing requirements for the cultivation, processing, storage and sale of cannabis under the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*, including with respect to the cultivation of cannabis in the Phase 2 Expansion of the Niagara Facility and the storage of cannabis in the Vaughan Facility;

(b) that CannTrust and its employees were forthright with Health Canada and did not actively try to mislead Health Canada;

(c) that CannTrust had accurately reported financial and cannabis production guidance for fiscal year 2019; and

(d) that CannTrust had reasonably effective ICFR and DC&P, including with respect to CannTrust's compliance with the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*.

80. These implicit and explicit representations were materially misleading.

81. The First, Second and Third Corrective Disclosures revealed that CannTrust violated the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*. With the knowledge and at the direction of senior management and, at least some, members of the board:

(a) starting on or around June 1, 2018, CannTrust illegally stored cannabis in five rooms in the Vaughan Facility without the required authorization from Health Canada. CannTrust also constructed two new areas in the Vaughan Facility and began storing cannabis in those areas without the requisite Health Canada approval by November of 2018; and

(b) at least as of September 1, 2018, CannTrust had decided to and was taking preparatory steps to illegally cultivate cannabis in the Phase 2 Expansion of the Niagara Facility, process and store that cannabis and sell it. CannTrust then took the operational steps necessary to illegally cultivate cannabis in the Phase 2 Expansion and, in fact, illegally cultivated cannabis, processed, stored and sold it. CannTrust's illegal cultivation of cannabis continued until April 8, 2019, and CannTrust's processing and sale of that illegally cultivated cannabis continued to on or about the First Corrective Disclosure.

While this was occurring, CannTrust actively misled Health Canada about its illegal conduct. Among other things, CannTrust sent deceptive photos that used false walls to hide its production of cannabis in unlicensed rooms from Health Canada

82. Further, CannTrust's ICFR and DC&P were not effective as a result of material weaknesses in their design and operating effectiveness, resulting in ineffective controls over compliance and non-compliance with the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*.

83. CannTrust's misconduct resulted in material risks to CannTrust's business and operations that were undisclosed or not adequately disclosed to the Plaintiffs, including:

(a) criminal and/or regulatory enforcement actions and penalties, including, Health Canada placing a hold on sales of illegally cultivated or stored cannabis, a Health Canada suspension or revocation of CannTrust Inc.'s cannabis licenses, Health Canada fines, criminal prosecution of CannTrust and its senior management for violations of the *Cannabis Act* and/or its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*, OSC enforcement actions and fines, SEC enforcement actions and potential fines and potential enforcement action from a domestic or foreign law enforcement or regulatory agency relating to CannTrust's exporting of cannabis to foreign countries;

(b) an inability to secure future licenses, including for its outdoor cultivation facility in British Columbia;

(c) loss of clients and distribution channels, including CannTrust's medicinal cannabis clientele, Canadian provincial cannabis distributors such as the Ontario Cannabis Store, international clients and its joint venture partner, Stenocare A/S ("**Stenocare**");

(d) a material decline or lack of growth in cannabis cultivation, sales and revenue; and

(e) severe reputational damage.

Misrepresentations in CannTrust's Continuous Disclosure Documents

84. CannTrust made the misrepresentations in the Impugned Documents described below. In August and September 2018, as part of its comprehensive review of CannTrust as a potential investment, the Plaintiffs reviewed and relied on these misrepresentations when making the decision to acquire CannTrust shares.

85. On August 14, 2018, CannTrust filed its interim financial statements and MD&A for the quarter ended June 30, 2018 on SEDAR. In the MD&A, CannTrust stated that the Vaughan Facility was a "state-of-the-art hydroponic indoor facility" and that CannTrust'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." These statements were materially misleading because they failed to disclose the illegal storage of cannabis in the Vaughan Facility. They were also materially misleading

due to their failure to disclose the risks posed by CannTrust's illegal conduct (as particularized at paragraph 83).

86. The MD&A incorporated by reference CannTrust's MD&A for the year ended December 31, 2017, filed on SEDAR March 29, 2018. That MD&A stated that CannTrust "believes that it is complying in all material respects with the terms of such licences and permits" under the *Access to Cannabis for Medical Purposes Regulations*. This statement was materially misleading. It failed to disclose that CannTrust was storing cannabis illegally at the Vaughan Facility contrary to the *Access to Cannabis for Medical Purposes Regulations*. As such, CannTrust did not believe it was complying with the terms of its licenses and permits, or alternatively, any such belief was not reasonably held.

87. The MD&A CannTrust filed on SEDAR for the quarter ended June 30, 2018 stated that CannTrust's DC&P was designed to provide reasonable assurance that material information relating to CannTrust is made known to senior management, including the CEO and CFO and that information required to be disclosed by CannTrust is recorded, processed, summarized and reported within the time periods specified in securities legislation. CannTrust further disclosed that ICFR is designed by management, under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of the CannTrust's financial reporting and the preparation of its financial statements in accordance with IFRS.

88. These statements were materially false and/or misleading in that CannTrust's ICFR and DC&P were not then effective, and were not effective at any relevant time, as a result of material weaknesses in the design and operating effectiveness of ICFR and DC&P relating to ineffective controls over compliance and non-compliance with the *Access to*

Cannabis for Medical Purposes Regulations and later the *Cannabis Act* and the disclosure of that non-compliance as alleged herein.

89. CannTrust's CEO and CFO provided certifications along with the periodic disclosures for the quarter ended June 30, 2018. Those certifications stated that

(a) the periodic disclosure documents did not contain any untrue statement of 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) the CEO and CFO were responsible for establishing and maintaining DC&P and ICFR;

(c) the CEO and CFO had designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that material information relating to CannTrust 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 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; and

(d) the CEO and CFO 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 IFRS.

90. As particularized herein, the CannTrust disclosure documents contained misrepresentations. Paul and Abramowitz at the time they made their respective certifications, knew or ought to have known this to be the case and in particular they knew, ought to have known or were wilfully blind to the fact that, they had not designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by CannTrust 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, and that they had not 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 IFRS. Accordingly, the Certifications given were false and themselves misrepresentations.

91. On August 14, 2018, CannTrust issued a press release on SEDAR entitled "CannTrust Reports Record Revenue for Q2 2018 and is on Track to Full Completion of its Million SQ FT Niagara Facility." In that press release Paul (then CEO) stated that "[w]e continued to experience dynamic growth in all areas of the Company as we execute our business plan aimed at being a market leader and innovator in the development of products and services to better serve our patients and physicians and to position us for the October 17th legalization of the adult use recreational market." Brad Rogers (then president) stated that "[w]ith Bill C-45 receiving Royal Assent legalizing cannabis for adult consumer use on October 17, 2018, our Perpetual Harvest Facility [the Niagara Facility] offers CannTrust even more opportunities to lead the industry with its disciplined, scientific approach." These statements were materially misleading. Both

Rogers and Paul omitted the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and planned non-compliance with the *Cannabis Act* posed to CannTrust's ability to capitalize on the legalization of recreational cannabis.

92. On August 21, 2018, CannTrust issued a press release on SEDAR entitled "CannTrust Announces Partnership with the Ontario Cannabis Retail Corporation to Supply a Wide Range of Recreational Products." In the press release CannTrust stated that "[b]eginning October 17, 2018, consumers will be able to purchase CannTrust's quality, standardized cannabis via an online retail platform provided by the OCS in a variety of formats. The agreement positions the company for rapid growth in the largest consumer market in Canada and expands on the Company's existing partnerships with provinces across the country, with more being finalized." This statement was materially misleading because it failed to disclose that CannTrust was illegally storing cannabis in its Vaughn Facility. The statement was also materially misleading because it failed to disclose the material risks (particularized at paragraph 83 above) to CannTrust's ongoing operations and future growth from its illegal conduct.

93. On September 10, 2018, CannTrust issued a press release on SEDAR entitled "CannTrust and Breakthru Beverage Enter Exclusive Partnership in Recreational Cannabis Market in Canada". CannTrust stated that it was a "federally regulated licensed producer" and that the Phase 2 Expansion of the Niagara Facility "is expected to be operational in the third quarter." These statements were materially misleading. CannTrust failed to disclose that it had decided and was taking preparatory steps to illegally cultivate cannabis in the Phase 2 Expansion of the Niagara Facility. CannTrust failed to disclose that it was illegally storing cannabis in the Vaughn Facility. CannTrust also failed to disclose the

material risks (particularized at paragraph 83 above) to its cannabis licenses and operations that arose from its illegal conduct.

94. On September 13, 2018, CannTrust issued a press release on SEDAR entitled "CannTrust Recreational Cannabis Brands Achieve Distribution Across Canada." CannTrust stated that it was "one of Canada's leading licensed producers" and was "emerging as a leader within the adult-use recreational cannabis market." CannTrust also stated that it had "a long-term strategy to be a market share leader in the Canadian recreational space." These statements were materially misleading. CannTrust failed to disclose that it had decided and was taking preparatory steps to illegally cultivate cannabis in the Phase 2 Expansion of the Niagara Facility. CannTrust further failed to disclose that it was illegally storing cannabis in the Vaughn Facility. CannTrust, therefore, failed to disclose the illegal underpinnings of its recreational cannabis strategy. CannTrust failed to disclose the material risks (particularized at paragraph 83 above) to its cannabis licenses and operations that arose from its illegal conduct. CannTrust also made the same misrepresentations as in paragraphs 79-80 above.

95. On September 18, 2018, CannTrust issued a press release on SEDAR entitled "CannTrust Makes History with First Shipment of Cannabis Oil to Danish Partner, STENOCARE". In that press release CannTrust stated that it was one of Canada's "most trusted licensed producers of cannabis." CannTrust further stated that its shipment of cannabis oil to Stenocare was "the first phase of the STENOCARE strategy which is to import and distribute quality products from CannTrust" in Denmark. These statements were materially misleading. CannTrust failed to disclose that it had decided and planned to illegally cultivate cannabis in the Phase 2 expansion of the Niagara Facility, was taking or had taken the operational steps necessary to do so, and, in fact, had started illegally

cultivating cannabis. CannTrust further failed to disclose that it was illegally storing cannabis in the Vaughn Facility. CannTrust failed to disclose that the cannabis it planned to export to Stenocare would be illegally cultivated in the Phase 2 Expansion of the Niagara Facility. CannTrust also failed to disclose the material risks to its ability to supply Stenocare with cannabis posed by its illegal conduct, including the risk that the company would be found to be in violation of foreign or domestic laws for its exporting of illegally produced cannabis to foreign countries. CannTrust also made the same misrepresentations as in paragraphs 79-80 above.

96. Further or in the alternative, all the Impugned Documents were materially misleading because they omitted the material information described at paragraphs 81 above.

The Failure to Disclose a Material Change

97. CannTrust's illegal storage of cannabis in its Vaughan Facility was a change in its business, operations or capital that was required to be disclosed immediately upon its occurrence. CannTrust failed to do so.

98. CannTrust's decision to illegally cultivate cannabis in the Phase 2 Expansion of the Niagara Facility, the steps taken to facilitate the illegal cultivation of cannabis in the Phase 2 Expansion, the illegal cultivation of cannabis in the Phase 2 Expansion and the illegal exporting of cannabis to foreign countries were changes in CannTrust's business, operations or capital that were required to be disclosed immediately upon their occurrence. CannTrust failed to do so.

99. The material weaknesses in CannTrust's ICFR and DC&P's design and operating effectiveness, which resulted in ineffective controls over compliance and non-compliance with the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical*

Purposes Regulations, were material changes to CannTrust's business operations and capital that ought to have been disclosed immediately upon their occurrence. CannTrust failed to do so.

100. The material risks to CannTrust's business and operations that arose as a result of its misconduct as particularized at paragraph 83 above were material changes in CannTrust's business, operations or capital that should have been disclosed immediately. CannTrust failed to do so.

PRE AND POST PURCHASE INDIVIDUAL MISREPRESENTATIONS MADE TO THE PLAINTIFFS

Pre-Purchase Misrepresentations

101. Prior to making any investments in CannTrust Gimelshtein, acting on behalf of himself and Zola, spoke to Paul, CannTrust's founder and then-CEO, about CannTrust. At the time Zola was contemplating investing in CannTrust and in the course of these conversations, which took place in September 2018, Gimelshtein made specific inquiries about the state of CannTrust's licensing, as he understood that licensing was the single most critical component of a successful cannabis company.

102. Among other things, Gimelshtein asked specific questions about CannTrust's interactions with Health Canada, when CannTrust expected to receive the license for the Phase 2 Expansion and whether CannTrust had a plan in the event there was a delay in receiving the license for the expansion.

103. Paul, who knew or ought to have known that CannTrust had begun its scheme to illegally cultivate marijuana and who knew or ought to have known that CannTrust was illegally storing cannabis in the Vaughan Facility, provided misleading answers to Gimelshtein. He spoke positively about the likelihood that the company would receive its license for

the Phase 2 Expansion and generally touted the company's future prospects, while omitting to state that CannTrust had begun the process of illegally cultivating cannabis and was illegally storing cannabis, which would jeopardize CannTrust's license and ability to continue as a going concern. Paul omitted to state the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and planned non-compliance with the *Cannabis Act* posed to CannTrust's ability to capitalize on the legalization of recreational cannabis.

104. The Plaintiffs relied on these representations and omissions when deciding to invest in CannTrust and suffered damages as a result. Zola and Gimelshtein would not have acquired any of their CannTrust shares had Paul disclosed CannTrust's illegal cultivation and storage activities.

105. At about the same time as he spoke to Paul, Gimelshtein also spoke to Fred Litwin, from whom Zola was considering purchasing CannTrust shares. Gimelshtein asked him why he was selling the shares and also inquired about the state of CannTrust's operations and whether there were any issues at CannTrust that gave Fred Litwin concerns.

106. Fred Litwin's answers were uniformly positive. He explained that he was selling the shares for the purposes of estate planning and portfolio management and not out of any concerns with the company. He touted the company's future prospects and stated that there was nothing that Zola should be concerned about. He omitted to state that CannTrust had begun the process of illegally cultivating marijuana and that CannTrust was illegally storing cannabis in the Vaughn Facility. He omitted the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and planned non-compliance with the *Cannabis Act* posed to CannTrust's ability to

capitalize on the legalization of recreational cannabis. Fred Litwin knew or ought to have known about these facts. Among other things, Fred Litwin owned, controlled and was Chairman of Forum Financial, which had a management services agreement with CannTrust to assist it with its continuous disclosure and reporting requirements.

107. The Plaintiffs relied on these representations and omissions when making the decision to invest in CannTrust and suffered damage as a result.

Post-Purchase Misrepresentations

108. Following its investment in CannTrust, Zola and Gimelshtein continued to closely monitor and had numerous discussions with Aceto (CannTrust's CEO after his appointment in early October 2018) and Paul (Chairman after Aceto was appointed CEO in October 2018) about the state of CannTrust's operations.

109. On numerous occasions, including on October 29-30, 2018, December 7-8, 2018, December 17-18, 2018, December 21, 2018, January 8, 2019, January 18, 2019, January 21, 2019, March 21, 2019, March 29, 2019, June 12, 2019, June 17, 2019 and June 19, 2018, Gimelshtein, on behalf of himself and Zola, communicated with Aceto by way of in-person meetings, telephone calls, emails and text exchanges. These conversations related generally to CannTrust's business and operations and at no point did Aceto, who had always been aware of CannTrust's illegal cultivation operations, inform Gimelshtein that CannTrust had been illegally growing and selling cannabis and therefore that the company was exposed to the existential risk that CannTrust's Health Canada license would be suspended or revoked. At no point did Aceto inform Gimelshtein of CannTrust's other illegal activities, including the illegal storage of cannabis at the Vaughn Facility and the use of black-market cannabis seeds. To the contrary, he actively

misrepresented the company's operations and future prospects in order to keep Zola invested in CannTrust and obtain operational support and expertise from Gimelshtein.

110. On numerous occasions, including on December 7, 2018, February 27, 2019, March 1, 2019, March 29, 2019, May 20, 2019, June 9-11, 2019 and June 17, 2019, Gimelshtein, on behalf of himself and Zola, communicated with Paul by way of in-person meetings, telephone calls, emails and text exchanges. These conversations related generally to CannTrust's business and operations. Paul, who had always been aware of CannTrust's illegal cultivation operations, omitted to inform Gimelshtein that CannTrust had been illegally growing and selling cannabis and therefore that the company was exposed to the existential risk that CannTrust's Health Canada license would be suspended or cancelled for non-compliance. Paul likewise failed to inform Gimelshtein of CannTrust's other illegal activity, including its illegal storage of cannabis at the Vaughn Facility and use of black-market cannabis seeds. In all of their communications, Paul omitted to disclose the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and ongoing non-compliance with the *Cannabis Act* posed to CannTrust's ability to capitalize on the legalization of recreational cannabis. To the contrary, he actively misrepresented CannTrust's future prospects and operations to ensure Zola's continued investment in the company.

111. For example, on March 29, 2019, Mr Gimelshtein stated in an email to Paul and Aceto that CannTrust's annual results "were incredibly disappointing and the share price reflects that." In his reply, which was copied to Aceto, Paul stated "… we did not cover the positives clearly [in our results]. The main issue for us was the delay in getting our Phase 2 ready which was a combination of equipment and construction issues. This is behind us and we expected [sic] annualized production of 50,000 kilos in 2019." Paul

further stated that Canntrust's "medical sales are very strong and continue to increase…" and also that their "rec[reation] sell through is excellent, again best value, quality and price. We need triple our current capacity and we are actioning our plans asap."

112. On May 9, 2019, Zola representative Rob McLay did a full-day tour of CannTrust's Niagara and Vaughan facilities, which was organised by CannTrust. McLay met with Paul for lunch. He asked Paul and other CannTrust employees extensive questions during the tour about CannTrust's operations, including its inventory levels and licensing status, and he asked further questions by email to Paul on May 15, 2019. During the tour and in reply to McLay's email, Paul and the other CannTrust employee omitted to inform McLay of the illegal cultivation that had taken place in the facility. They likewise failed to inform McLay of CannTrust's other illegal activity, including the illegal storage of cannabis at the Vaughn Facility and the use of black-market cannabis seeds. Paul also omitted to disclose the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and ongoing non-compliance with the *Cannabis Act* posed to CannTrust's ability to capitalize on the legalization of recreational cannabis.

113. On June 19, 2019, Zola principal Ouass and Gimelshtein met with CannTrust's CEO at the time, the Defendant Aceto, at an event near San Francisco. They expressed concern about the delays CannTrust had experienced in obtaining cultivation expansion licenses, which they felt was depressing CannTrust's share price. They also asked whether CannTrust's low sales volumes were related to low inventory. Aceto stated that he understood the disappointment regarding the license but represented that the company remained on track to be granted the licenses. He also stated that the company had significant inventory levels and that the cause of the low sales volume was product

processing bottlenecks. Aceto failed to disclose that the company had cultivated cannabis illegally, stored cannabis illegally and cultivated black market cannabis seeds. Aceto further omitted to disclose the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and ongoing non-compliance with the *Cannabis Act* posed to CannTrust's ability to capitalize on the legalization of recreational cannabis, in contravention of Health Canada laws.

THE TRUTH IS REVEALED AND SUBSEQUENT EVENTS

114. The truth was revealed by the First, Second and Third Corrective Disclosures.

115. On July 8, 2019, CannTrust issued the First Corrective Disclosure in a press release entitled "CannTrust Statement Regarding Health Canada Audit". It disclosed CannTrust's illegal cannabis cultivation, the sale of illegally cultivated cannabis, illegal sale and illegal storage compliance issues at the Vaughan Facility and that misleading information was provided to Health Canada. The First Corrective Disclosure stated that

> CannTrust Holdings Inc. ("CannTrust" or the "Company", TSX: TRST, NYSE: CTST) has received a compliance report from Health Canada notifying the Company that its greenhouse facility in Pelham, Ontario 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 licenses 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 5,200kg 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 7,500kg 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 judgement, 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 advisors 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.
>
> **Financial Outlook**
>
> At this time, 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. Further updates will be provided as they become available.

116. Following the First Corrective Disclosure, CannTrust’s share price declined materially on abnormally high trading volumes from C$6.46 at the close of trading on July 5, 2019 to

C$5.00 at the close of trading on July 8, 2019 and to C$3.34 at the close of trading on July 12, 2018.

117. In an interview given to the *Financial Post* on July 8, 2019, Aceto confirmed that some of the illegally cultivated cannabis had been shipped to Canadian provinces for sale to cannabis consumers. Aceto also expressed his disappointment and surprise to the *Post* with respect to what had happened.

118. On July 9, 2019, Health Canada provided an emailed statement to the *Financial Post* stating that it had conducted a surprise inspection of CannTrust's Niagara Facility on June 17, July 3 and 4 and had seized 4,327 kg of implicated product. CannTrust was given until July 17th to respond to the non-compliance report.

119. Also on July 9, 2019, Paul gave an interview to the *Business News Network*. Paul said that "it was quite a shock" when he learned of the illegal cannabis being cultivated at the Niagara Facility and that if someone did so to meet increased demand that was "pretty flawed logic".

120. On July 10, 2019, *The Globe & Mail* published an article entitled "CannTrust allegedly used fake walls to hide pot from Health Canada". That article disclosed information provided by Nick Lalonde, a former employee of CannTrust from June 2017 to May 2019. Lalonde said that in November 2018, CannTrust employees (himself included) were asked to stay after hours to set up fake white poly walls in one of the unlicensed rooms. The fake poly walls were set up to hide several thousand cannabis plants in pictures to be taken of an unlicensed room in the Niagara Facility. The pictures were provided to Health Canada as part of routine licensing requirements. Lalonde emailed Health Canada on June 14 to blow the whistle on CannTrust's illegal behaviour. Health

Canada acted on the information and launched the surprise inspection of CannTrust on June 17, which eventually led to the non-compliance order. The article also noted that the Ontario Cannabis Store and the Alberta Gaming, Liquor and Cannabis Commission stopped selling impacted CannTrust cannabis products.

121. On July 11, 2019, CannTrust issued and filed a press release on SEDAR stating that it was halting the sale and shipment of all of its cannabis products while the Health Canada investigation was ongoing. CannTrust also announced the appointment of a special committee comprised of independent members of the board to investigate the matter.

122. On July 12, 2019, CannTrust filed two material change reports on SEDAR. One of the material change reports reiterated the contents of the First Corrective Disclosure. The other material change report related to CannTrust's hold on cannabis sales and shipments while the Health Canada investigation was ongoing.

123. On July 22, 2019, CannTrust issued and filed a press release on SEDAR entitled "CannTrust Special Committee Update". In that press release CannTrust stated that Marcovitch had been appointed as head of the special committee and that Page, Dawber and Kaden had been appointed as members. CannTrust further disclosed that the Committee had been struck to investigate the matters that resulted in non-compliance with Health Canada regulations. It stated that McCarthy Tétrault LLP had been appointed as legal counsel.

124. The Second Corrective Disclosure was released on July 23, 2019. *The Globe & Mail,* in an article entitled "CannTrust chairman, CEO were informed in November of unlicensed cannabis growing, emails show", reported that members of CannTrust's senior management and board, including both Aceto and Paul, had knowledge that cannabis was

being cultivated illegally in unlicensed rooms in the Phase 2 Expansion of the Niagara Facility. The article stated that:

> 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."
>
> When asked about the e-mails, CannTrust responded with a statement from Robert Marcovitch, a CannTrust board member who is leading a special committee appointed to conduct an international investigation.
>
> "The Independent Special Committee of the Board of Directors of CannTrust is in the final stages of a thorough investigation of these matters as part of our due diligence requirements. We expect to conclude this investigation within days and will take all appropriate actions immediately thereafter," Mr. Marcovitch said.
>
> CannTrust is under investigation by Health Canada, after federal regulators found the Vaughan, Ont.-based cannabis producer grew 12,700 kilograms of cannabis in unlicensed rooms between October, 2018, and March of this year.

The value of CannTrust shares has fallen 47 per cent since July 8, when the company acknowledged that it had received a non-compliance order from Health Canada, raising concerns that CannTrust could lose its licence or be forced to destroy thousands of kilograms of cannabis worth tens of millions of dollars. CannTrust halted all sales on July 11, pending the outcome of the Health Canada investigation.

The special committee responded to Health Canada's queries on July 17, and is waiting to hear back from federal regulators. Health Canada has not indicated how it intends to respond to the regulatory breaches at CannTrust. It has the power to suspend and revoke cannabis licences, and to issue fines.

...

The scandal has cast the cannabis industry in an unfavourable light as it seeks to attract capital and expand operations in the United States, where federal legalization has yet to move forward. U.S. financial-services giants Bank of America, Citigroup and Jefferies LLC were among the underwriters of a US$195.5-million CannTrust share offering in May to international investors, with the stock priced at US$5.50 a share. Mr. Paul and members of the Litwin family, long-time backers of the company, sold US$30-million of CannTrust stock as part of that offering.

…

The November e-mail was sent shortly after a targeted inspection of CannTrust's Pelham facility by Health Canada, which turned up several regulatory breaches, including poor paperwork, missing personnel and an incorrect protocol for releasing batches of cannabis, according to Mr. Lee's e-mail.

"The fallout from this inspection will be major observations, and possibly a 'critical' one. I am not ruling out a censure letter of some sort. That said, in the past I have had success explaining away these types of observations to HC, and they have dialed down the rhetoric. Practically, this may lead to increased inspections and more scrutiny, but hopefully will have no other immediate material affect," Mr. Lee wrote.

"That said, if that's all that happens, we got very lucky here. There are several points of exposure in our business we need to consider. I would not be surprised if HC visits Vaughan in the near future and that could compound HC's concerns," he added.

Mr. Lee outlined a number of risks, referring to room numbers in the facility: "1) RG8 is not licenced but has plants in it; 2) RG9 is not licenced but we are intending to put plants in it on Monday; 3) PA2A-E are not licenced but we have moved the encapsulation equipment into them and will begin running it next week."

Mr. Lee said CannTrust was storing product in unlicensed rooms at both its Pelham and Vaughan facilities.

> "We have a large number of lost bottles we have not reported. I suspect due to bad counting rather than diversion [into the black market]," Mr. Lee added. "I will continue working to eliminate our exposure on all these items, but they remain a liability. Please advise of any actions you would like me to take."
>
> Health Canada appears to have begun its investigation into CannTrust's unlicensed cultivation in mid-June, after receiving a whistle-blower tip from former CannTrust employee Nick Lalonde.
>
> In an e-mail sent to Health Canada on June 14, Mr. Lalonde alleged that last fall he took part in efforts to stage photographs of an unlicensed room in the Pelham greenhouse by hanging temporary walls and moving plants. Health Canada can request photographs of facilities as part of the routine licensing process.
>
> Federal inspectors had conducted three inspections on CannTrust's Pelham greenhouse since the Cannabis Act came into effect in October, Health Canada spokesperson Tammy Jarbeau wrote in a statement to The Globe on July 12.

125. On July 24, 2019, a *Business News Network* article entitled "CannTrust CEO told staff 'continue as planned' on unlicensed pot" confirmed CannTrust's senior management and, at least some, board members had knowledge of the illegal cannabis cultivation and directed it. The article stated:

> 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."
>
> …

> 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.

126. On July 25, 2019, CannTrust filed a press release on SEDAR entitled "CannTrust announces Senior Leadership Changes". In that press release CannTrust announced the termination of Aceto's employment as CEO with cause. CannTrust appointed Marcovitch, former head of the special committee, as the new CEO. CannTrust also announced that it had asked for and received Paul's resignation from his role as Chairman and as a board member. CannTrust further said it made a voluntary disclosure to Health Canada as a result of matters that were uncovered in the course of the investigation. CannTrust filed a material change report with respect to the contents of the July 25th press release on SEDAR on August 2, 2019.

127. On July 31, 2019, CannTrust announced the appointment of a financial advisor to assist in a review of strategic alternatives that included a sale, strategic investment, a business combination, and changes to CannTrust's operations or strategy.

128. On August 1, 2019, CannTrust filed a press release on SEDAR entitled "CannTrust Announces Anticipated Late Filing of Financial Statements and Proposed Management Cease Trade Order". In the press release CannTrust disclosed a possible restatement of previous financials as a consequence of Health Canada's investigation and an investigation by the Joint Serious Offences Team of the Enforcement Branch of the OSC (a partnership between the OSC, the Royal Canadian Mounted Police and Ontario Provincial Police). The press release stated, in part:

> 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. As previously disclosed, the Company received a compliance report from Health Canada notifying it that its Niagara Facility in Pelham, Ontario is non-compliant with certain regulations based on observations made by Health Canada regarding the growing of cannabis in five unlicensed rooms from October 2018 to March 2019 and inaccurate information provided to Health Canada by employees. Health Canada placed a hold on inventory which includes approximately 5,200 kg of dried cannabis that was impacted by the previously unlicensed rooms at the Company's Niagara Facility. The Company instituted a voluntary hold of approximately 7,500 kg of dried cannabis equivalent at its extraction, manufacturing and packaging facility in Vaughan, Ontario that was impacted by the previously unlicensed rooms. The Company estimates the value of the impacted inventory and biological assets is approximately $51 million as at June 30, 2019.
>
> The uncertainty with respect to the nature, timing and potential financial impact of pending Health Canada decisions on the valuation of the Company's inventory and biological assets and revenue recognition relates to the fact that Health Canada has broad discretion to exercise a wide range of regulatory powers.
>
> Until Health Canada has made determinations with respect to the exercise of its regulatory powers, the potential impact on the Company's operations and financial condition remains unknown. In addition to impacting the Company's financial disclosure in the Q2 Filings, the effects of the pending Health Canada decisions may also require restatement of certain of the Company's historical financial statements and related management's discussion and analysis for the periods ended December 31, 2018 and March 31, 2019 ("Restated Financials")
>
> …
>
> As announced yesterday, the Company's Special Committee of independent directors has commenced a review of strategic alternatives and retained Greenhill & Co. Canada Ltd. as its financial advisor. That review is in its early stages and is ongoing. Today, staff of the OSC 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.

On August 2, 2019, CannTrust filed a corresponding material change report on SEDAR.

129. On August 6, 2019, *The Globe & Mail* published an article entitled "Ex-CannTrust CEO Peter Aceto warned former chair Eric Paul of corporate governance problems". That article provided excerpts of a letter from Aceto to Paul dated December 31, 2018 which stated, in part, that "[m]anagement often receives conflicting instructions from board members. It is often unclear when and which board members need to be involved in

decision-making, and when decisions are made, they are often second-guessed" and that "[i]t is very difficult for management to confidently devise, adapt and execute strategy, build a confident high-performing team and to make the daily decisions that need to be made for the business to succeed."

130. When asked about the letter, Aceto told *The Globe & Mail* that "[t]he bottom line is this: I knew what needed to be done to fix this company, but the lack of governance and proper executive decision-making authority was extremely concerning to me" and that "[w]hat I can tell you today was I felt very strongly that an almost complete lack of governance was at the root of this, which is why I brought it to the attention of the board in this formal manner."

131. On August 9, 2019, CannTrust issued a press release on SEDAR entitled "CannTrust Announces the Withdrawal of Auditors' Report". That press release stated 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 matter.
>
> 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.

132. On August 12, 2019, CannTrust issued a press release on SEDAR entitled "CannTrust Provides Interim Update". In that press release, CannTrust disclosed a further Health Canada finding of non-compliance this time at its Vaughan Facility. Specifically, as a result of its inspections between July 10-16, 2019 Health Canada made the following non-compliance findings:

- 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; and
- Documents or information that were not retained in a manner to enable Health Canada to complete its audit in a timely manner.

CannTrust said that it accepted the findings of non-compliance.

133. On September 6, 2019, the *Business News Network* published an article entitled "Black market pot entered CannTrust facility, flowed into legal market last year: Sources". That article disclosed that starting in 2018 senior operating staff at the Niagara Facility used black market cannabis seeds. CannTrust cultivated over 1000 cannabis plants using the black-market seeds. CannTrust mislabelled these seeds as being authorized cannabis strains and eventually sold that cannabis into the recreational market.

134. On September 17, 2019, CannTrust released the Third Corrective Disclosure. In a press release entitled "CannTrust Discloses Notice of License Suspension", CannTrust stated:

> VAUGHAN, ON, Sept. 17, 2019 /CNW/ – CannTrust Holdings Inc. ("CannTrust" or the "Company",TSX: TRST, NYSE: CTST) announced that it received late this morning a Notice of Licence Suspension (the "Notice") 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 (the "Cannabis regulations") 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; and,
>
> 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.
>
> The Company's management and Board of Directors are reviewing the Notice with the Company's counsel and other advisors.
>
> Over the past two months, the Company has moved swiftly to assess and address Health Canada's concerns, including areas of operational non-compliance. The Company remains committed to being in full regulatory compliance.

135. Following the Third Corrective Disclosure, CannTrust's shares declined materially on abnormally high trading levels from C$1.99 per share at the close of trading on September 16, 2019 to $1.70 per share at the close trading on September 17, 2019.

136. On October 14, 2019, CannTrust issued a press release entitled "CannTrust Advances its Plan Towards Regulatory Compliance". In that press release, CannTrust announced, among other things, that it was destroying $12 million in biological assets and $65 million worth of inventory that was not authorized by its license as part of its plan to return to regulatory compliance.

137. On October 24, 2019, CannTrust issued a press release entitled "CannTrust Provides Progress Update Regarding Remediation Plan." In that press release Dawber, chair of the Special Committee, made the self-serving statement that the Special Committee found no evidence that any of the remaining members of the board "were aware of or engaged in any non-compliance issue." The members of the Special Committee—Dawber, Kaden, Page and Marcovitch (prior to his appointment as CEO)—were all members of CannTrust's board while illegal activity was occurring and remained members of the board at the time of Dawber's statement. The press release gave no indication of what steps, if any, were taken to address the obvious conflict of interest the members of the Special Committee had in investigating their own complicity in the illegal conduct and the complicity of the other remaining directors who were similarly situated.

138. In its October 24, 2019 press release CannTrust also confirmed that it will be restating and refiling its financial statements for the 2018 year and the first quarter of 2019. The company indicated that it plans to do so "within the next 60 days."

139. John Kaden's resignation from CannTrust's board was announced on October 28, 2019.

140. The Plaintiffs were not aware of the facts contained in the corrective disclosures prior to their release.

POST-CORRECTION INDIVIDUAL MISREPRESENTATIONS MADE TO THE PLAINTIFFS

141. On the day of the First Correction, July 8, 2019, Zola principle Ouass and Gimelshtein spoke to then-Chairman Paul by telephone. Gimelshtein and Ouass were in the process of deciding whether to maintain their investment in CannTrust, given the revelations of CannTrust's illegal cannabis production. Ouass and Gimelshtein advised Paul of this.

142. Paul misled them. He told them that he was not aware of the illegal cannabis growing until the news on July 8, 2019 broke, something that has been proven to be untrue. Paul stated that he "had been dealt this hand" and was in the process of addressing the purported issue, which he suggested was not systemic but rather the actions of a single or small group of individuals. In fact, Paul assured Ouass and Gimelshtein that the issue did not extend into the highest levels of CannTrust's management team. He maintained that the company was well-positioned for future growth.

143. Paul failed to tell Ouass and Gimelshtein that CannTrust had cultivated cannabis illegally, stored cannabis illegally and cultivated black market cannabis seeds under his guidance. Paul omitted the material risks that CannTrust's non-compliance with *Access to Cannabis for Medical Purposes Regulations* and ongoing non-compliance with the *Cannabis Act* posed to CannTrust's ability to capitalize on the legalization of recreational cannabis, in contravention of Health Canada laws.

144. Zola and Gimelshtein relied on these representations when making the decision to maintain their investment in CannTrust and suffered damage as a result. Since that time,

the company's shares have declined further, from a closing price of $5.00 CAD on July 8th to their current trading price of approximately $1.30 (as of mid-November, 2019).

145. Following the First Correction on July 8, 2019, Gimelshtein communicated, via telephone calls and text messages, with Kaden. In a text message to Gimelshtein, Kaden described Aceto's post-correction communications to the media as "INSANE!!" and indicated that CannTrust's investor relations firm had been considering resigning, largely because they were uncomfortable with Aceto and Paul continuing to be in charge. Moreover, during phone conversations Kaden told Gimelshtein that it was crazy that CannTrust's illegal conduct was not disclosed earlier and that Kaden had failed to fulfill his legal obligations as director of CannTrust.

RIGHTS OF ACTION

Part XXIII.1 of the *OSA*: Secondary Market Misrepresentations

146. The Plaintiffs assert the cause of action under Part XXIII.1 of the *OSA* against CannTrust, and the Individual Defendants for the Impugned Documents and for the failure to disclose a material change in a timely manner. The Plaintiffs assert the same cause of action against Abramowitz and Paul for misrepresentations in the CEO and CFO certifications of CannTrust's periodic filings they provided.

147. The Impugned Documents and CEO and CFO certifications contained the misrepresentations alleged herein.

148. Each of the Core Documents is a "core document" within the meaning of the *OSA*. Each of the Non-Core Documents and CEO and CFO certifications are "documents" within the meaning of the *OSA*.

149. CannTrust is a reporting issuer within the meaning of the *OSA*. CannTrust is responsible for the misrepresentations and for the failure to make timely disclosure of the material change particularized herein.

150. Each of the Individual Defendants who was a director of CannTrust at the time that CannTrust released one or more of the Impugned Documents is liable for the misrepresentations alleged to be contained in such document or documents by virtue of having been a director at the time of their release.

151. Each of the Individual Defendants who was an officer of CannTrust permitted, authorized or acquiesced to the release of all Impugned Documents during their tenure as an officer of CannTrust and is therefore liable for the alleged misrepresentations contained therein.

152. With respect to the Non-Core Documents, CannTrust and the Individual Defendants knew that they contained the alleged misrepresentations or, in the alternative, deliberately avoided acquiring such knowledge or, in the further alternative, were guilty of gross misconduct in connection with the release of the document. They are liable for the alleged misrepresentations contained therein.

153. With respect to the CEO and CFO certifications, each of Paul and Abramowitz, permitted, authorized or acquiesced in the release of the certifications, and knew that the certifications contained the alleged misrepresentations or, in the alternative, deliberately avoided acquiring such knowledge or, in the further alternative, were guilty of gross misconduct in connection with the release of the certifications. They are liable for the alleged misrepresentations contained therein.

154. Each of the Individual Defendants authorized, permitted or acquiesced in the failure to make timely disclosure of the material changes particularized herein.

155. For each alleged undisclosed material change, CannTrust and the Individual Defendants: (a) knew, at the time that the failure to make timely disclosure first occurred, of the change and that it was a material change; or (b) at the time or before the failure to make timely disclosure first occurred, deliberately avoided acquiring knowledge of the change or that the change was a material change; or (c) are guilty of gross misconduct in connection with the failure to make timely disclosure. CannTrust and the Individual Defendants are liable under the *OSA* for the failure to disclose the material change.

156. Each of the Individual Defendants authorized, permitted or acquiesced in the making of the misrepresentations particularized herein and the failure to make timely disclosure of the material changes alleged herein while knowing them to be misrepresentations or failures to make timely disclosure. Each Individual Defendant is, therefore, liable for the entirety of the damages claimed herein.

Negligent Misrepresentation

157. The Plaintiffs plead negligent misrepresentation against CannTrust and the Individual Defendants for the Impugned Documents and the specific pre-investment representations and post-correction representation (detailed at paragraphs 79-96, 101-107 and 140-143) made to Gimelshtein, who was also serving as Zola's agent, by the Defendants Fred Litwin and Paul.

158. Paul and Fred Litwin made the specific misrepresentations to solicit or maintain the Plaintiffs' investment in CannTrust and the Plaintiffs relied upon these misrepresentations when deciding to invest, or to continue to invest in the case of the post-correction representation.

159. The Impugned Documents were prepared and disseminated to provide material information and induce the Plaintiffs to acquire and hold their CannTrust shares.

160. CannTrust and the Individual Defendants undertook, at all material times, to prepare and disseminate the Impugned Documents with reasonable care for the aforementioned purpose. The Defendants intended and were aware that the Plaintiffs would rely reasonably upon the Impugned Documents to their detriment in deciding to purchase CannTrust shares.

161. CannTrust and the Individual Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of CannTrust's publicly traded shares such that the trading price of those shares would at all times reflect the information contained in the Impugned Documents.

162. CannTrust and the Individual Defendants were responsible for the preparation of the Impugned Documents and undertook to do so for the benefit of, and to be relied upon by, the Plaintiffs.

163. CannTrust and the Individual Defendants, therefore, had a duty of care at common law, informed by the obligations referred to at paragraphs 51 to 65 above, to exercise due care and diligence to ensure that the Impugned Documents fairly and accurately disclosed all material information about CannTrust's business, including the compliance of its cannabis cultivation, processing, storage and sales practices with the regulatory regime.

164. CannTrust and the Individual Defendants breached that duty by failing to take reasonable or any steps to ensure that the Impugned Documents did not contain the alleged misrepresentations particularized herein.

165. CannTrust and the Individual Defendants had exclusive access to information about CannTrust's business and operations. As such, they were the primary source of information with respect to CannTrust's cannabis cultivation, processing, storage and sales practices and CannTrust's compliance with legal obligations related thereto.

166. The Plaintiffs directly or indirectly relied upon the alleged misrepresentations in deciding to purchase CannTrust's shares and suffered damage when the alleged misrepresentations were publicly corrected by the First, Second and Third Corrective Disclosures.

167. The Plaintiffs suffered damages as a consequence of their reliance on the Impugned Documents.

168. The Plaintiffs suffered damages as a consequence of their reliance on Fred Litwin and Paul's pre-investment individual misrepresentations and Paul's post-correction individual misrepresentations.

Relief from Oppression

169. As against CannTrust and the Individual Defendants who are directors of CannTrust, the Plaintiffs seek relief from oppression pursuant to section 248 of the *OBCA*.

170. CannTrust is incorporated pursuant to the *OBCA*.

171. The Plaintiffs had reasonable expectations about the way the business and affairs of CannTrust would be conducted.

172. The Plaintiffs' reasonable and legitimate expectations were that:

(a) CannTrust would conduct its business and affairs in accordance with the legislation and regulation governing licensed cannabis producers, namely the

Cannabis Act and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*;

(b) CannTrust and its directors and officers would abide by continuous disclosure and other reporting obligations prescribed by the *OSA* and applicable securities regulatory instruments; and

(c) CannTrust's directors and officers would act honestly and in good faith with a view to CannTrust's best interests, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

173. CannTrust and its officers and directors breached those reasonable expectations by:

(a) knowingly operating in violation of the *Cannabis Act* and its predecessor regulation the *Access to Cannabis for Medical Purposes Regulations*, as alleged herein; and

(b) breaching the *OSA* and securities regulations by making the misrepresentations in the Impugned Documents (paragraphs 79 to 97), by making the pre-investment individual misrepresentations (paragraphs 101 to 107), by making the post-investment individual misrepresentations (paragraphs 108 to 113) and by making the post-correction misrepresentations (paragraphs 140-143).

174. The violation of the Plaintiffs' reasonable expectations was oppressive, unfairly prejudicial to and unfairly disregarded the Plaintiffs' interests.

175. As a result, the Plaintiffs seek relief pursuant to section 248 of the *OBCA*, including compensation for their damages and the losses they have suffered.

Insider Trading

176. As against Fred Litwin, the Plaintiffs claim damages for insider trading pursuant to section 134 of the *OSA*.

177. Forum Financial is a person or company that was engaging in business or professional activity with or on behalf of CannTrust. Fred Litwin was a director, officer or employee of Forum Financial. Fred Litwin was, therefore, in a special relationship with CannTrust.

178. Alternatively, Fred Litwin learned of material facts and material changes with respect to CannTrust from CannTrust insiders (including but not limited to Mark Litwin, Paul, Mark Dawber and Abramowitz) when he knew or ought to have reasonably known that those individuals were CannTrust insiders. Fred Litwin was, therefore, in a special relationship with CannTrust.

179. In breach of sections 76 and 134 of the *OSA*, Fred Litwin sold CannTrust shares to the Plaintiffs with knowledge of the undisclosed material facts and/or material changes particularized herein.

180. As a result of the conduct in breach of section 76 and 134 of the *OSA*, the Plaintiffs have suffered damages.

DAMAGES AND COMPENSATION FOR OPPRESSION

181. The Plaintiffs would not have acquired any CannTrust shares but for the Defendants' negligent misrepresentations. As a consequence, the Plaintiffs suffered damages in the following amounts:

(a) the full amount of the purchase price paid for its CannTrust shares;

(b) the transaction costs for its CannTrust share purchases; and

(c) the lost returns from alternative investments the Plaintiffs would have made had they not invested in CannTrust.

182. Alternatively, the Plaintiffs would have acquired the CannTrust shares at a materially lower price but for the Defendants' misrepresentations and failure to disclose material changes in CannTrust's business, operations and capital.

183. The price of CannTrust's securities on the secondary market and those acquired by the Plaintiffs from Fred Litwin was directly affected by the alleged misrepresentations and the failure to disclose the material changes. The Defendants were aware at all material times of the effect of CannTrust's disclosure documents and disclosure of material changes upon the price of its shares. Had the Defendants not made the alleged misrepresentations and, instead, disclosed the truth, then CannTrust's shares' market price would have incorporated that information and declined by a material amount.

184. As a consequence, the Plaintiffs suffered damages in the following amounts:

(a) the difference between the purchase price the Plaintiffs paid for their CannTrust shares and the price the Plaintiffs would have paid had the alleged misrepresentations and omissions not been made; and

(b) the lost returns from alternative investments the Plaintiffs would have made with the money they saved due to the lower acquisition price.

185. Further or in the alternative, the Plaintiffs are entitled to the statutory damages for secondary market misrepresentations prescribed by Part XXIII.1 of the *OSA* for their CannTrust share acquisitions.

186. Further or in the alternative, had CannTrust and the Individual Defendants not engaged in the illegal and oppressive conduct particularized herein, then there would have been no threat to CannTrust's status as a licensed producer, CannTrust would not have had its licensed suspended and CannTrust would not have suffered any of the other adverse material impacts that have resulted from its illegal conduct. Consequently, the Plaintiffs seek compensation for the loss they have suffered in the amount of the difference between the market value of CannTrust's shares and the market value of those shares had CannTrust not engaged in the illegal conduct particularized herein.

RESCISSION

187. The Plaintiffs purchased CannTrust shares directly from Fred Litwin. Paul's and Fred Litwin's alleged misrepresentations and omissions to the Plaintiffs were fraudulent or contained an error in *substantialibus*. The Plaintiffs would not have acquired CannTrust shares from Fred Litwin had these material misrepresentations and omissions not been made. The misleading statements and omissions were intended to and did induce the Plaintiffs to purchase the CannTrust shares from Litwin. The Plaintiffs are, therefore, entitled to rescind their CannTrust share transaction with Litwin.

188. The Defendants' misrepresentations and omissions to the Plaintiffs were fraudulent or contained an error in *substantialibus*. The Plaintiffs would not have acquired CannTrust shares on the secondary market had these material misrepresentations and omissions not been made. The misleading statements and omissions induced the Plaintiffs to purchase the CannTrust shares on the secondary market. The Plaintiffs are, therefore, entitled to rescind their CannTrust share purchases on the secondary market.

EXEMPLARY AND PUNITIVE DAMAGES

189. CannTrust and the Individual Defendants made deliberate decisions to act illegally and, in fact, carried out that illegal conduct for an extended time period. CannTrust and the Individual Defendants then made a deliberate decision not to disclose this information to the Plaintiffs specifically and the market generally. This was despite the Plaintiffs' repeated and ongoing inquiries to some or all of the Defendants as to the status of CannTrust's cannabis related business. The Defendants' conduct was high-handed, reckless, without care, deliberate and in wanton disregard of the Plaintiffs' rights and interests. The Defendants' conduct purposely artificially inflated the price of CannTrust's shares and caused a large loss to the Plaintiffs and other CannTrust shareholders. Such harm to investors and Canada's capital markets generally requires a deterrent award.

190. To achieve its deterrence and public interest objectives, any punitive damages award should be significant. The punitive damages award must be substantial to reflect both the underlying illegal conduct and the Defendants' deliberate decision not to disclose that information to the market. A punitive damages award must be sufficiently large to ensure that directors, officers, issuers and other responsible parties cannot easily treat liability for making misleading public and private statements to investors as a mere cost of doing business and a license to breach the law.

VICARIOUS LIABILITY

191. CannTrust is vicariously liable for the acts and omissions of the Individual Defendants particularized herein.

192. CannTrust's acts and omissions particularized and alleged herein 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.

193. By virtue of the relationship between CannTrust and Individual Defendants, such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but also are the acts and omissions of CannTrust.

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

REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

195. The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other things:

(a) CannTrust is headquartered in Ontario;

(b) CannTrust is a reporting issuer on the TSX;

(c) the Plaintiffs acquired CannTrust shares in Ontario and suffered damages and losses in Ontario; and

(d) CannTrust conducts extensive business in Ontario, including the cultivating, processing, storage, marketing and sale of cannabis.

SERVICE OUTSIDE OF ONTARIO

196. The Plaintiffs may serve the Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the *Rules of Civil Procedure*, because this claim is:

(a) a claim in respect of personal property in Ontario (rule 17.02(a));

(b) a claim in respect of a tort committed in Ontario (rule 17.02(g)); and

(c) a claim against a person or entity carrying on business in Ontario (rule 17.02(p)).

RELEVANT LEGISLATION AND PLACE OF TRIAL

197. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the *OSA* and securities regulatory instruments, and the *OBCA*.

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

November 27, 2019

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Zola Finance Holdings Ltd. *et al*
Plaintiffs

and

CannTrust Holdings Inc. *et al*
Defendants

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF CLAIM

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This is Exhibit “N” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

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SISKINDS THE LAW FIRM

EMAIL michael.robb@siskinds.com

FILE NO. 843058/AD/jsr

Delivered By Email

May 28, 2021

Serge Kalloghlian
Kalloghlian Myers LLP
250 Yonge Street, Suite 2201Suite 3600
Toronto, Ontario, M5B 2L7

Dear Serge:

Re: *Zola Finance Holdings Ltd. v CannTrust Holdings Inc., et al.*

We write to communicate our clients' concerns regarding the proposed Allocation and Distribution Scheme (the "Plan of Allocation") contained in the Plan of Compromise, Arrangement and Reorganization, dated April 14th.

Under the current Plan of Allocation, claimants, like our clients, who held shares as of the closing on March 5, 2021 have a "Recognized Loss Amount Per Share" of the lesser of:

- The "Share Inflation" on the date of purchase, or
- The purchase price minus $1.70 CAD.

Our clients purchased three million shares on September 26-28, 2018 at an average share price of $12.57 and held the vast majority of those shares through March 5, 2021.[1] As a result, they are entitled to the lesser of: $10.87/share; or the Share Inflation at the date of purchase. According to Table C in the Plan of Allocation, the Share Inflation for all shares purchased between June 1, 2018 – September 30, 2018 is $1.29/share.[2] By contrast, on October 1, 2018 the Share Inflation amount is far higher at $5.02 per share.

Our clients believe that the increase in Share Inflation that occurs on October 1 is arbitrary and results in a massive dilution of their claim. To illustrate the harshness of the current Plan of Allocation, if our client had chosen to purchase their shares not on Wednesday-Friday of the

[1] Our clients sold approximately 390,000 shares in the fall of 2018. However, since the purchase date of these shares was also in late September, these shares are treated no differently under the Plan of Allocation than the others shares.

[2] All secondary market purchases are then further reduced by 0.8 by the Risk Adjusted Loss calculation.

week of September 24 but rather the following Monday-Wednesday of the week of October 1, 2020, their entitlement under the Plan would more than triple.

We do not believe that this difference is justifiable. We understand that October 1, 2018 may have been selected because certain CannTrust disclosures indicated that illegal growing began in the Niagara facility in October. We are not aware of any evidence, beyond these generalized assertions, that support October 1, 2018 as being the definitive date that CannTrust commenced its illegal growing operation.

To the contrary, our client Igor Gimelshtein, who has extensive experience with cannabis production operations, is quite confident (and will swear an affidavit if necessary to support this) that if CannTrust had begun its illegal growing operations in early October, then the decision to grow would have been made and concrete preparations begun at a minimum several weeks in advance of the illegal production and no later than mid-September. This is due to the complexity and logistics of cannabis production, which require extensive efforts before growing can begin. This includes the cutting of cannabis plant clones from the mother plants, which are then taken and placed for a minimum of 5-9 days in a "cloning room" before they could be placed in the illegal growing rooms.

As a result of this, the current Plan of Allocation unfairly places our client and similar class members who purchased shares in mid-to-late September, when the conspiracy to begin illegal growing was underway, in the same Share Inflation category as those who purchased in June of 2018, when there was no possibility that illegal cannabis was being cultivated at the Niagara facility.

Accordingly, we would ask that Table C of the Plan of Allocation be modified so that the start point of the $5.02 Share Inflation period occur on September 15, 2018, not October 1, 2018. Making this simple change to the Plan of Distribution would cause the parties no additional burden or prejudice at this point in the proceeding. We appreciate that with any cut off date there may be a level of arbitrariness. What we are asking for is simply an allocation that in our view more properly and fairly addresses the reality of what transpired at Cann Trust. Just because a cut off date has an aspect of arbitrariness does not mean that a date that best reflects realities should not be used. September 15, 2018 is more consistent with those realities.

100 Lombard Street, Suite 302, Toronto, ON M5C 1M3

SISKINDS | THE LAW FIRM

We look forward to your response.

Yours Truly,

Siskinds LLP

Per:
Michael Robb
Partner

cc. Alex Dimson (Siskinds LLP)
Michael Wright and Danielle Stampley (Wright Henry LLP)

This is Exhibit “O” referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

KALLOGHLIAN MYERS LLP

Serge Kalloghlian
T (647) 812 5615
E serge@kalloghlianmyers.com

June 1, 2021

Delivered by Email

Michael G. Robb
Siskinds LLP
680 Waterloo Street,
London, ON N6A 3V8

Dear Michael,

Re: CannTrust CCAA Plan: Allocation & Distribution Scheme

I am writing in response to your May 28th letter expressing concern with the proposed Allocation & Distribution Scheme ("**A&DS**") in the CCAA Plan.

Design of the proposed A&DS

The proposed A&DS was designed by CCAA Representative Counsel working together with our expert financial economist, Dr. Sunita Surana of Forensic Economics. Our approach was the same as the approach taken by Siskinds in the securities class actions it has prosecuted. As is typical, we provided Dr. Surana with instructions and assumptions based on our factual investigation, the allegations and case theories in the Ontario and U.S. Class Actions, and damages principles under Ontario and U.S. securities laws. To determine the artificial inflation figures in the proposed A&DS, Dr. Surana then conducted an analysis of CannTrust's share price reaction to various public announcements related to the alleged misrepresentations in the Class Actions.

Dr. Surana's analysis showed that CannTrust's share price was artificially inflated by different amounts at different periods of time between June 1, 2018 and September 17, 2019. As you know, this is because different alleged misrepresentations began at different times, and because the artificial inflation declined, but not completely, after certain "partial corrections" of the misrepresentations.

For example, the Ontario Class Action alleges that CannTrust made separate misrepresentations about compliance at its facility in Vaughan ("**Vaughan Misrepresentation**") and its facility in Niagara ("**Niagara Misrepresentation**"). It alleges that the Vaughan Misrepresentation began on June 1, 2018, and that the Niagara Misrepresentation began on October 1, 2018. Based on Dr. Surana's analysis, the Niagara Misrepresentation caused a higher amount of artificial inflation to CannTrust's shares than the Vaughan Misrepresentation.

Accordingly, the artificial inflation between June 1 and September 30, 2018 (when only the Vaughan Misrepresentation was outstanding) was $1.29. But starting on October 1, 2018 (when the Niagara Misrepresentation began), artificial inflation increased to $5.02. This artificial inflation amount reflects both of the misrepresentations' effect on the share price.

Your clients' concern

CCAA Representative Counsel chose October 1 as the date the Niagara Misrepresentation began based on CannTrust's announcement that illegal growing began in Niagara in October 2018. There is no public information of which we are aware which could provide further specificity of the start date.

In effect, your letter expresses concern that October 1, 2018 is not the appropriate start date for the Niagara Misrepresentation. It suggests that Niagara Misrepresentation inflation period instead begin on September 15, 2018 because the decisions and ramp-up to the illegal activity must have started at least several weeks before the illegal activity began.

While your case theory may well have merit, it is it is not the case theory that CCAA Representative Counsel have pleaded, publicized to Securities Claimants, and have advanced throughout the mediations. The increased recovery to your client that would result from the suggested modification to the A&DS would necessarily have a corresponding detrimental impact on the recovery of other Securities Claimants.

We believe the A&DS we have proposed is sound and best accords with the evidence. Given the foregoing, we do not find it appropriate to make the change you have proposed to the A&DS.

Sincerely,

Kalloghlian Myers LLP

Per: Serge Kalloghlian

c. CCAA Representative Counsel
Alex Dimson (Siskinds)
Michael Wright and Danielle Stampley (Wright Henry LLP)

This is Exhibit "P" referred to in the affidavit

of Serge Kalloghlian, sworn before me this 2nd

day of June, 2021

A Commissioner for taking Affidavits

CannTrust Statement Regarding Health Canada Audit

NEWS PROVIDED BY

CannTrust Holdings Inc. ⟶

Jul 08, 2019, 07:15 ET

VAUGHAN, ON, July 8, 2019 /CNW/ - CannTrust Holdings Inc. ("CannTrust" or the "Company",TSX: TRST, NYSE: CTST) has received a compliance report from Health Canada notifying the Company that its greenhouse facility in Pelham, Ontario 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 licenses 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 5,200kg 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 7,500kg 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 judgement, 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 advisors 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.

Financial Outlook

At this time, 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. Further updates will be provided as they become available.

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 more than 72,000 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 of excellence 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 the Company's response to Health Canada's compliance report. Forward-looking information and statements necessarily involve known and unknown risks, including, without limitation: results of Health Canada's quality product testing; 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.

SOURCE CannTrust Holdings Inc.

For further information: or to arrange an interview, please contact: Media Relations: Riya Dhaliwal, Tel: 1-888-677-1477, media@canntrust.ca; Investor Relations: Marc Charbin, 416-467-5229, investor@canntrust.ca

Related Links

https://www.canntrust.ca/

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. ET AL.

Court File No. CV-20-00638930-0CL

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

AFFIDAVIT OF SERGE KALLOGHLIAN

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TAB 2

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Submitted to Court subject to a request for a sealing order

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. ET AL.

Court File No. CV-20-00638930-0CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
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