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.

MOTION RECORD

December 8, 2021

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CCAA U.S. Representative Counsel

TO: THE SERVICE LIST

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

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

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MOTION RECORD OF THE CCAA U.S. REPRESENTATIVES
(Fee Approval)

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TAB 1

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

ONTARIO
SUPERIOR COURT OF JUSTICE

(Commercial List)

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

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NOTICE OF MOTION
(Fee Approval)

The CCAA U.S. Representatives will make a motion before a judge of the Ontario Superior Court of Justice (Commercial List) on December 17, 2021 at 2:00 p.m., or as soon after that time as the motion can be heard, by judicial videoconference via Zoom at Toronto Ontario due to the COVID-19 pandemic. Please refer to the conference details at **Schedule "A"** hereto in order to attend.

THE MOTION IS FOR:

1. An order approving the fees and disbursements of Labaton Sucharow LLP ("**Labaton**"), Levi & Korsinsky LLP, Girard Sharp LLP and Gibbs Law Group (together, "**U.S. Class Counsel**") in accordance with the agreement between Labaton and the court-appointed lead plaintiffs in *In re CannTrust Holdings, Inc. Securities Litigation*, No. 1:19-cv-06396-JPO (S.D.N.Y.) (the **"U.S. Class Action"**); and

2. such further and other relief as counsel may request and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

3. CannTrust Holdings ("**CannTrust**")[1] is a cannabis company with its shares listed on the Toronto Stock Exchange ("**TSX**") and on the New York Stock Exchange ("**NYSE**");

4. Following an announcement on July 8, 2019 that it was not compliant with cannabis laws and regulations, securities class actions and other litigation were commenced against CannTrust and other defendants in Canada and the United States;

5. By order dated April 16, 2020, the Honourable J. Paul Oetken appointed Granite Pointe Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund as lead plaintiffs in the U.S. Class Action and appointed Labaton as lead counsel;

6. On March 31, 2020, CannTrust filed for protection from its creditors by commencing proceedings under the *Companies' Creditors Arrangement Act* ("**CCAA**");

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

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[1] All capitalized terms not otherwise defined have the meanings given to them in the plan of compromise, arrangement and reorganization of CannTrust Holdings, CannTrust Inc. and Elmcliffe Investments Inc. under the *Companies' Creditors Arrangement Act* (the "**CCAA**") dated April 16, 2021 (as amended from time to time) ("**CCAA Plan**").

8. On July 7, 2020, the Court overseeing the U.S. Class Action stayed that action pending the Mediation Process.

9. On January 29, 2021, the Court issued an order ("**CCAA Representation Order**"):

   a. appointing CCAA Canadian Representative Counsel as counsel to the Canadian and Non-U.S. Securities Claimants; and

   b. appointing Labaton and Weisz Fell Kour LLP as counsel to the U.S. Securities Claimants (the "**CCAA U.S. Representative Counsel**");

10. The CCAA Representation Order also authorized CCAA Canadian Representative Counsel and CCAA U.S. Representative Counsel (together, "**CCAA Representative Counsel**") to negotiate, settle, and prosecute Securities Claimants' claims against CannTrust and other defendants to the Ontario Class Action and the U.S. Class Action (together, "**Class Actions**");

11. Following extensive negotiations and participation in the Mediation Process, CCAA Representative Counsel reached settlements with over 30 defendants and their insurers recovering in excess of $125 million (the "**Settlements**") for the benefit of Securities Claimants;

12. CCAA U.S. Representative Counsel seeks approval of $15,786,571.25 in respect of fees for U.S. Class Counsel;

13. The fees sought are fair and reasonable and should be approved;

   a. CCAA U.S. Representative Counsel and U.S. Class Counsel have conducted extensive work to achieve the Settlements at all times on a contingency fee basis;

b. The Settlements represent an excellent recovery for Securities Claimants particularly in light of the nature of the claims and the inherent risks, costs and delay associated with continued litigation;

c. CCAA U.S. Representative Counsel have acted in the U.S. Class Action and these proceedings on a contingency fee basis pursuant to a retainer agreement with the lead plaintiffs in the U.S. Class Action;

d. The fee requested by CCAA U.S. Representative Counsel is supported by lead plaintiffs in the U.S. Class Action and by the class members of the U.S. Class Action given that no such class member objected to the requested fee;

e. The fee requested by CCAA U.S. Representative Counsel is 25% of the settlement amount notionally allocated to the U.S. Class Action;

f. The fee requested by CCAA U.S. Representative Counsel is within the range of percentages that courts in both Ontario and the Southern District of New York have approved in the past; and

g. The fee requested by CCAA U.S. Representative Counsel represents a multiplier on its time of 4.0, which is within the range of multipliers accepted by the courts;

14. From the outset, this action has had significant risk, most significantly the risk that CannTrust would not be able to satisfy a judgment given its precarious financial situation and that its insurers had denied coverage to it;

15. CCAA U.S. Representative Counsel committed to expending millions of dollars in time, money and other resources to prosecute this action with the significant risk of little or no compensation to match this commitment;

16. *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36;

17. *Class Proceedings Act, 1992*, S.O. 1992, c. 6;

18. *Courts of Justice Act*, R.S.O. 1990, c. C.43; and

19. Such further and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The declaration of James W. Johnson;

2. The declaration of C. David Bushley;

3. The pleadings and proceedings herein; and

4. Such further and other material as counsel may advise and this Court may permit.

December 8, 2021

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CCAA U.S. Representative Counsel

SCHEDULE "A"

Conference Details to join Motion via Zoom

Time: Dec 17, 2021 02:00 PM America/Toronto

Join Zoom Meeting
https://us02web.zoom.us/j/89590096032?pwd=bFpobmhxT1 BOY1 EzbjOyMURTS21 kQT09

Meeting ID: 895 9009 6032
Passcode: 491233
One tap mobile
+12532158782,,89590096032# US (Tacoma)
+13017158592,,89590096032# US (Washington DC)

Dial by your location
+1 253 215 8782 US (Tacoma)
+1 301 715 8592 US (Washington DC)
+1 312 626 6799 US (Chicago)
+1 346 248 7799 US (Houston)
+1 669 900 6833 US (San Jose)
+1 929 205 6099 US (New York)
Meeting ID: 895 9009 6032
Find your local number: https://us02web.zoom.us/u/kdEOcA3YNI

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

NOTICE OF MOTION

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CCAA U.S. Representative Counsel

TAB 2

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

ONTARIO
SUPERIOR COURT OF JUSTICE

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

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DECLARATION OF JAMES W. JOHNSON
(Affirmed December 8, 2021)

I, JAMES W. JOHNSON, of the City of New York, in the State of New York, AFFIRM:

1. I am a partner at Labaton Sucharow LLP ("**Labaton**"), who along with Weisz Fell Kour LLP ("**WFK**"), are the CCAA representative counsel for the United States class action proceeding ("**CCAA U.S. Representative Counsel**") and in the proposed class action against CannTrust Holdings Inc. ("**CannTrust**") and others bearing (Toronto) Court File No. 19-000625181-OOCP in the Ontario Superior Court of Justice ("**Ontario Class Action**").

2. I swear this declaration in support of the motion for approval of counsel fees and disbursements described below, and for no other or improper purpose.

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

4. All dollar amounts are indicated in Canadian dollars unless otherwise noted.

I. BACKGROUD

5. I incorporate by reference paragraphs 8 to 27 of the Affidavit of Serge Kalloghlian affirmed December 6, 2021 (the "**Kalloghlian Affidavit**"), a copy of which is

attached as **Exhibit "A"**, which sets forth a summary of the litigation against CannTrust, the Carriage Motion, the CCAA proceedings and Representation Order and provides an overview of the settlements. Defined terms not defined in this Declaration shall adopt the definitions set forth in the Kalloghlian Affidavit.

II. BACKGROUND OF THE U.S. ACTIONS

A. Appointment of Lead Plaintiffs and Lead Counsel and the Complaint

6. During the class period, CannTrust was a publicly traded company and its shares primarily traded on the Toronto Stock Exchange ("**TSX**") and on the New York Stock Exchange ("**NYSE**"). Its share price declined following the announcement by CannTrust on July 8, 2019 that it had received a compliance report from Health Canada notifying it that its greenhouse facility in Pelham, Ontario was non-compliant with certain regulations as a result of observations by the regulator regarding the growing of cannabis in five unlicensed rooms and inaccurate information provided to the regulator by CannTrust employees. Class actions in Canada and the United States were commenced against, among others, CannTrust, certain of its directors and officers, the underwriters of its May 2019 secondary share offering ("**Offering Shares**"), and its auditors, KPMG LLP.

7. Following CannTrust's disclosures on July 8, 2019, a class action complaint was filed in the Southern District of New York under the caption *Huang v. CannTrust Holdings Inc., et al.*, No. 19-cv-06396-JPO. Three other class action complaints were subsequently filed setting forth substantially the same allegations against CannTrust and its officers and directors: *Alvarado v. CannTrust Holdings, Inc., et al.*, No. 19-cv-6438; *Jones v. CannTrust Holdings, Inc., et al.*, No. 19-cv-6883; and *Justiss v. CannTrust Holdings, Inc., et al.*, No. 19-cv-7164 (JPO).

8. By Order dated April 16, 2020, the Honorable J. Paul Oetken ordered that the cases be consolidated and recaptioned as *In re CannTrust Holdings Inc. Securities Litigation*,

Civil Action No. 1:19- cv-06396-JPO; appointed Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund ("**Granite Point**" or "**U.S. Class Action Lead Plaintiffs**") as lead plaintiffs; and appointed Labaton as lead counsel for the U.S. class.

9. On June 26, 2020, Lead Plaintiffs filed and served their Consolidated Class Action Complaint (the "**Complaint**"). The Complaint asserts claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "**Exchange Act allegations**") against CannTrust; CannTrust's auditor, KPMG LLP; and several of CannTrust's senior executives and directors: former Chief Executive Officer Peter Aceto, former Chief Financial Officer and current CEO Greg Guyatt, former CFO Ian Abramowitz, former President and Chief Operating Officer Brad Rogers, former Chairman of the Board and CEO Eric Paul, and members of CannTrust's Board of Directors: Mark E. Dawber, Mitchell J. Sanders, John T. Kaden, Mark I. Litwin, Shawna Page, and Robert F. Marcovitch. The Complaint separately asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "**Securities Act allegations**") against Defendants: CannTrust, KPMG, Paul, Aceto, Guyatt, Litwin, Sanders, Marcovitch, Dawber, Page, Kaden, as well as against Merrill Lynch, Pierce, Fenner & Smith Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Jefferies LLC, RBC Dominion Securities Inc., Canaccord Genuity LLC, Cannamed Financial Corp., and Cajun Capital Corporation.

10. Among other things, the Complaint alleges that Defendants made materially false and misleading statements and omissions concerning CannTrust's compliance with relevant cannabis regulations and an alleged scheme to increase the Company's cannabis production. The Complaint's Exchange Act allegations allege that the price of CannTrust publicly traded common stock was artificially inflated as a result of Defendants' allegedly false and misleading

statements, and declined when the truth was allegedly revealed from July 8, 2019 through September 17, 2019. The Complaint's Securities Act allegations allege that the Company's Offering Documents issued in connection with the Company's Offering Shares contained materially false and misleading statements, allegedly injuring investors when the truth was revealed.

11. As set forth below, in preparation for filing the Complaint, Labaton, with the assistance of Levi & Korsinsky LLP, thoroughly investigated the claims in the action, including conducting interviews with numerous former employees of CannTrust, and an extensive review of filings with the U.S. Securities and Exchange Commission ("**SEC**"), Canada's System for Electronic Document Analysis and Retrieval ("**SEDAR**"), news reports, press releases, transcripts, videos, social media posts, and analyst reports concerning the Company and its purported compliance with relevant Canadian cannabis regulations.

12. While Lead Plaintiffs were preparing the Complaint to be filed, CannTrust, Lead Plaintiffs and the Ontario Class Action Lead Plaintiffs began to explore the possibility of a resolution of the claims and to discuss the parameters for an early mediation, given the financial situation of the Company. On May 6, 2020, the CCAA Court issued a Mediation Order and appointed the Hon. Dennis O'Connor, Q.C. as the court- appointed Mediator to mediate a settlement of the claims against CannTrust pending in Canada.

13. On June 26, 2020, the U.S. Class Action Lead Plaintiffs filed the Complaint. Around the time the Complaint was filed, Lead Plaintiffs agreed to participate voluntarily in the CCAA ordered mediation on behalf of U.S. investors. On July 6, 2020, the parties to the U.S. Class Action filed a letter and stipulation with the U.S. Court requesting that the U.S. Court stay the U.S. Class Action pending ongoing mediation in the CCAA Proceeding. On July 7, 2020,

the U.S. Court entered a Stipulation and Order staying the U.S. Class Action until such time as (i) the court-appointed Mediator declared that the mediation process had concluded; or (ii) the Canadian Court lifted the stay of proceedings in Canada.

B. Lead Plaintiffs' Investigation of the Claims

14. After their appointment, Lead Plaintiffs, through Labaton and Levi & Korsinsky, continued their investigation into the claims for the purpose of drafting a comprehensive consolidated complaint that would survive the strictures of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. §78u-4. During this process, counsel engaged in a thorough factual investigation that included, among other things, the review and analysis of: (i) press releases, news articles, transcripts, and other public statements issued by or concerning CannTrust and the individual defendants; (ii) research reports issued by financial analysts concerning the cannabis industry and CannTrust's business; (iii) CannTrust's filings with the SEC and SEDAR; (iv) news articles, media reports, videos, social media posts and other publications concerning CannTrust, the cannabis industry and Canadian regulations; and (v) other publicly available information and data concerning CannTrust, its securities, and the markets therefor.

15. As part of their investigation and in furtherance of the allegations against Defendants, Labaton consulted with experts in accounting and auditor/underwriter due diligence policies and procedures; located 51 potential witnesses with knowledge of the alleged events; conducted interviews with eight former employees of CannTrust and others with relevant knowledge; and reviewed a significant body of Canadian rules and regulations governing the growth, storage and sale of medicinal and recreational cannabis. Counsel also conferred with experts on the issues of damages and loss causation.

16. Labaton also conducted an extensive review of publicly available information regarding the individual defendants' employment and compensation agreements throughout their tenure at the Company. Counsel analyzed the individual defendants' compensation utilizing data provided by Bloomberg and engaged in a comparative analysis of their CannTrust stock sales before and during the class period in order to support Lead Plaintiffs' allegations that the Company's executive officers had motive and opportunity to misrepresent CannTrust's regulatory compliance. Lead Counsel's review of these various sources of compensation information was fruitful, difficult and time consuming.

17. Lead Counsel also reviewed numerous research reports issued by financial analysts concerning the Company's business and operations, as well as transcripts of conference calls hosted by Defendants during which analysts asked relevant questions concerning the Company's operations, production capacity, and growth prospects. Counsel also reviewed numerous presentations and publications about the cannabis industry relating to Defendants, other cannabis companies in the U.S. and Canada, and regulatory agencies. These reports, conference calls, and publications provided invaluable insight into CannTrust's cannabis operations, production capacity, growth prospects and compliance with Canadian cannabis regulations.

18. In consultation with Lead Plaintiffs' consulting damages expert, Lead Counsel reviewed statistically significant stock price movements for an extended period both before and after the class period alleged in the initial complaint. Based on this review and the ongoing review of developments in the action, Lead Counsel identified allegedly statistically significant stock price declines and related disclosures, which were included in the consolidated complaint as allegedly corrective disclosures.

19. On June 26, 2020, Lead Plaintiffs filed their 275 page Consolidated Class Action Complaint, a copy of which is attached as **Exhibit "B"**.

C. The California Action

20. On August 5, 2019, a shareholder class action was filed in California Superior Court, Santa Clara County, entitled *Owens v. CannTrust Holdings, Inc., et al.*, Court File No. 19CV352374 (the "**California Action**"). The California Action, litigated by Girard Sharp LLP and Gibbs Law Group, alleges claims under the Securities Act of 1933 against CannTrust, Merrill Lynch, Pierce, Fenner & Smith Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, RBC Dominion Securities Inc., Jeffries LLC, Cannaccord Genuity LLC, Peter Aceto, Greg Guyett and Eric Paul arising out of CannTrust's May 6, 2019 secondary offering as a result of the alleged wrongdoing that is the subject of the Ontario Class Action and the U.S. Class Action.

21. On November 14, 2019, the California Action was stayed pending further resolution of proceedings in the U.S. Class Action.

22. Pursuant to the terms of the RSA, a condition of the settlement was the dismissal of the California Action. Accordingly, the plaintiff in the California Action moved for the action to be voluntarily dismissed and the court dismissed the action with prejudice on October 13, 2021. No fees or costs were awarded or recovered in that action.

D. The Settlement Approval in the U.S. Class Action

23. In August 2021, U.S. Class Action Lead Plaintiffs moved for preliminary approval of the various settlements. On September 2, 2021, the U.S. Court entered an Order Granting Preliminary Approval of Class Action Settlements, Approving Form and Manner of Notice, and Setting Date for Hearing on Final Approval of Settlements (the "**Preliminary**

Approval Order"). Epiq Class Action & Claims Solutions ("**Epiq**") was appointed the Claims Administrator.

24. Pursuant to the Preliminary Approval Order, Epiq issued the court-approved notice and claim form to members of the U.S. Class Action. A copy of the Notice is attached as "**Exhibit C**." The Notice, among other things, specifically advised class members in the U.S. Class Action that counsel would be seeking fees of no more than 25% before this Court. Exhibit C at 13.

25. The deadline for objections to the settlement and fee request was November 11, 2021.

26. Epiq mailed or caused to be mailed more than 115,000 notices. No class member filed an objection to the settlement itself or the fee request.

27. The final settlement hearing was held on December 2, 2021. The U.S. Court approved the settlements and the Allocation and Distribution Scheme. A copy of the U.S. Final Judgment As To Settling Defendants is attached as "**Exhibit D**" and the Order Approving Allocation And Distribution Scheme In Connection With U.S. Class Action is attached as "**Exhibit E**."

III. APPROVAL OF COUNSEL FEES

28. Labaton and Levi & Korsinsky LLP, counsel in the U.S. Class Action, and Girard Sharp LLP and Gibbs Law Group, counsel in the California Action (collectively "**U.S. Counsel**") have acted in the CCAA Proceedings, the U.S. Class Action and the California Action on a contingency fee basis. CCAA U.S. Representative Counsel, on behalf of U.S. Counsel, seek approval of $15,786,571.25 in respect of fees, plus US $302,000.62 for their disbursements incurred.

29. U.S. Counsel seek fees from this Court since: (a) Section 4.2 of the CCAA Plan contemplates that the fees of CCAA Representative Counsel will be paid from accounts held in the Securities Claimant Trust Fund in accordance with the terms of the Trust Declaration, subject to the approval of the CCAA Court; (b) the Securities Claimant Trust Fund is held in Canada; and (c) the Court in the U.S. Class Action, while approving the settlements and the plan of allocation, did not award fees and understood that fees would be sought before this Court.

30. A draft form of the Trust Declaration is marked and attached as Exhibit J to the Kalloghlian Affidavit. Section 3.4(vii) thereof provides that the fees of U.S. Counsel be paid out of the Securities Claimant Trust.

A. Acting as Class or Representative Counsel

31. I have acted as class counsel in more than 100 class actions since I was admitted to the Bar in 1980. These actions involve unique risks, challenges and benefits.

32. Class action proceedings involve a significant commitment of time and financial resources. These actions are taken on a contingency fee basis. They typically involve hundreds of lawyer and other professional hours as well as hundreds of thousands of dollars in disbursements to a particular case arising from, among other things, investigations, expert fees and travel.

33. Class actions are highly adversarial and are often protracted. It is now increasingly a trend that cases continue beyond class certification, through extensive discovery, depositions of fact and expert witnesses, summary judgment and trial. The defendants generally have ample resources, and aggressively litigate the case. A scorched-earth approach is common. As a result, costs are high and the litigation proceeds slowly.

34. A number of risks arise from class action proceedings, including:

(a) the risk that an action will not be certified as a class action proceeding;

(b) the risk that defendants will prevail on a motion to dismiss;

(c) the risk that a large number of class members opt out;

(d) the risk that the defendant successfully appeals the certification of a class proceeding;

(e) the risk that the Court will grant summary judgment in favor of defendant;

(f) the risk that individual issues trials are ordered but are not economically feasible;

(g) the risk that the court does not approve a settlement agreement after extensive negotiations; and

(h) the risk that the court does not approve class counsel fees, or approves them only at a reduced rate.

35. Class counsel's obligations to the class do not end at settlement approval, even where all issues are settled and the litigation is at an end. Class counsel typically perform the following work as part of settlement administration, including:

(a) identifying class members;

(b) advising and instructing class members with questions concerning the settlement agreement and claims process;

(c) providing information to class members, including relevant documents;

(d) assisting class members with claim forms;

(e) providing documentation to the accountants and financial advisors of class members to assist with determinations of tax implications of settlement proceeds;

(f) facilitating the claims process;

(g) monitoring settlement implementation to ensure the processes are followed;

(h) liaising with the claims administrator; and

(i) overall coordination of the settlement distribution.

36. I and my firm have also been involved in unsuccessful cases. The firms comprising U.S. Counsel have collectively lost millions of dollars in time and out of pocket expenses in the pursuit of meritorious cases. The nature of such contingency practice creates unique risks and challenges, as well as benefits.

B. Notional Allocation of Settlement Fund

37. The Settlements provide for payments totaling approximately $126,292,570.00 to Securities Claimants. CCAA Canadian Representative Counsel and CCAA U.S. Representative Counsel have agreed to a notional allocation of the settlement amounts between the U.S. Securities Claimants and the Canadian and Non-U.S. Securities Claimants for the purpose of determining counsel fees.

38. Pursuant to this agreement, the fees of CCAA Canadian Representative Counsel and U.S. Counsel will each be determined on the notional basis that 50% of the gross settlement amounts is allocated to the claims of the Canadian Securities Claimants and 50% of the gross settlement amounts is allocated to the claims of the U.S. Securities Claimants.

39. Accordingly, U.S. Counsel's fee request is premised on a notional settlement amount of $63,146,285.00 (*i.e.*, 50% of $126,292,570.00).

40. For clarity, this notional allocation has no bearing on the actual distribution of settlement proceeds to Securities Claimants. As set forth in the Allocation and Distribution Scheme, attached as Schedule B to the CCAA Plan, the distribution of the total settlement

amounts (net of fees and expenses) is based on the claims made, the losses for those claims and the relevant risk adjustment factor for each claim.

C. U.S. Counsel's Fee Request

41. U.S. Counsel requests fees in the amount of $15,786,571.25, which is 25% of the U.S. Notional Settlement Amount.

42. This fee percentage has been authorized by the U.S. Class Action Lead Plaintiffs. Granite Point, the U.S. Class Action Lead Plaintiffs, retained Labaton to be its counsel in these proceedings with the understanding that its counsel's fees and expenses would be compensated on a contingent basis out of any recoveries or settlements and that Labaton may associate with other law firms to conduct the litigation. A copy of the retainer agreement is attached as **Exhibit "F"**. Granite Point understood that if the case were successful, its counsel could seek attorneys' fees in an amount not to exceed 25% of money recovered, plus expenses. Granite Point has authorized an attorneys' fee request of 25% of half the gross settlement amount to date, plus expenses and disbursements. *See* Declaration of C. David Bushley attached as **Exhibit "G"**.

43. In addition, pursuant to the U.S. Court's order in the U.S. Class Action, notice was issued to members of the U.S. class beginning in September 2021 in which U.S. Class Action Lead Plaintiffs advised class members that Canadian and U.S. Counsel would seek no more than a 25% fee on the gross settlement amounts. Although more than 115,000 notices were mailed to putative U.S. class members in the Fall of 2021, no class member objected to the fee request. As noted, the court overseeing the U.S. Class Action approved the Settlements and the Allocation and Distribution Scheme at a hearing on December 2, 2021. At the request of U.S. Counsel, the court did not rule on the request for fees and expenses.

44. The requested fee is well within the range that federal courts in the United States and, in particular, the Southern District of New York, have approved in past securities class action settlements.

D. Counsel's Efforts in Advancing the Securities Claims

45. I incorporate by reference paragraphs 53 to 54 and 57 to 69 of the Kalloghlian Affidavit, which set forth the efforts by CCAA Canadian Representative Counsel and CCAA U.S. Representative Counsel in the Ontario Class Action.

E. U.S. Counsel's Time and Disbursements Incurred

46. The work by U.S. Counsel was and is managed centrally by and delegated by my firm with a view to ensuring that it is performed by the members of the team who can do so most efficiently and effectively. This central delegating function also avoids duplication of efforts.

47. U.S. Counsel have already expended more than US $3.88 million in docketed time and US $302,000.62 in disbursements.

DOCKETED TIME			
	Hours	**Hourly Rate**	**Time-value (US $)**
Labaton Sucharow LLP			
Christopher Keller (1997)	113.00	$1,150	$129,950.00
James Johnson (1980)	863.00	$1,100	$949,300.00
Jonathan Gardner (1990)	11.00	$1,100	$12,100.00
Nicole Zeiss (1995)	376.90	$975	$367,477.50
Eric Belfi (1995)	9.20	$975	$8,970.00
Michael Rogers (2001)	620.30	$900	$558,270.00
David Schwartz (2008)	73.50	$800	$58,800.00
Francis McConville (2008)	35.00	$800	$28,000.00
Elizabeth Rosenberg (2001)	40.10	$800	$32,080.00
Joseph Einstein (1960)	5.00	$650	$3,250.00
William Schervish II (2007)	11.10	$565	$6,271.50
Alec Coquin (2014)	5.200	$525	$2,730.00
James Christie (2015)	868.00	$500	$434,000.00
Philip Leggio (2017)	531.00	$475	$252,225.00
Charles Wood (2018)	72.90	$450	$32,805.00
Anna Menkova (2017)	6.70	$450	$3,015.00
Robert Rowley (2020)	57.30	$400	$22,920.00

Inhouse investigators/law clerks/ paralegals/analysts/clerks	532.00	$185-$550	$205,647.00
Subtotal	**4,231.20**		**$3,107,811.00**
Levi & Korsinsky LLP			
Joseph Levi (1995)	7.75	$1,050	$8,137.50
Shannon Hopkins (2003)	42.00	$1,000	$42,000.00
Alexander Krot (2010)	2.50	$675	$1,687.50
Stephanie Bartone (2012)	37.50	$650	$24,375.00
Gregory Potrepka (2015)	5.75	$600	$3,450.00
Andrew Rocco (2017)	85.25	$575	$49,018.75
Michael Keating (2019)	79.10	$500	$39,550.00
Trever Sims (2017)	236.00	$475	$112,100.00
Amer Latif (2019)	153.50	$475	$72,912.50
Inhouse investigators/law clerks/ paralegals/analysts/clerks	102.00	$325-$375	$33,487.50
Subtotal	**751.35**		**$386,718.75**
Girard Sharp LLP			
Daniel Girard (1984)	10.60	$1,025	$10,865.00
Dena Sharp (2006)	8.80	$825	$7,260.00
Jordan Elias (2003)	42.30	$775	$32,782.50
Adam E. Polk (2010)	83.10	$700	$58,170.00
Jimmy Richardson (2009)	62.80	$575	$36,110.00
Mani Goehring (2008)	0.20	$475	$95.00
Kimberly Macey (2021)	4.30	$425	$1,827.50
Jessica Cook (2021)	0.30	$425	$127.50
Peng Shao (2017)	205.8	$385	$79,233.00
Inhouse investigators/law clerks/ paralegals/analysts/clerks	47.20	$200-$300	$10,555.00
Subtotal	**465.40**		**$237,025.50**
Gibbs Law Group			
Eric Gibbs (1995)	1.10	$975	$1,072.50
Dylan Hughes (2000)	19.20	$850	$16,320.00
Dave Stein (2007)	63.90	$730	$46,647.00
Kyla Gibboney (2014)	53.80	$500	$26,900.00
Eileen Epstein (2005)	74.00	$500	$37,000.00
Jeff Kosbie (2015)	14.10	$475	$6,697.50
Inhouse investigators/law clerks/ paralegals/analysts/clerks	52.40	$280	$14,672.00
Subtotal	**278.50**		**$149,309.00**
Total Docketed Time	**5,726.45**		**$3,880,864.25**

48. The disbursements comprise, among other things, expert fees and legal fees for WFK and predecessor counsel in Canada to represent the interests of the U.S. Class. Labaton retained WFK in September 2020 to represent interests of the U.S. Securities Claimants in the CCAA and related proceedings pending in Canada. Pursuant to that retention, Labaton agreed to pay, and has paid, WFK on an hourly basis for their legal services in these proceedings.

49. Considering the amount of work required, the steps taken, the division of work and responsibility between the firms, the amount of time spent was reasonable in all of the circumstances.

F. The Continuing Litigation Against KPMG

50. Litigation on behalf of the Securities Claimants has been resolved with all mediation participants except for KPMG. Following implementation of the CCAA Plan, CCAA Representative Counsel expects to advance claims in parallel against KPMG along with CannTrust's claim against KPMG on behalf of the Securities Claimants Trust. CCAA Representative Counsel expects that this will require significant resources.

G. Factors In Assessing Reasonableness of Class Counsel Fees

51. The requested fees of U.S. Counsel reflect a percentage of 25% of the settlement amounts notionally allocated to the U.S. Securities Claimants. In the view of U.S Counsel, the amount requested is fair and reasonable. Given that no member of the U.S. class objected to the fee request, it is fair to infer that the fee request has the support of U.S. class members as well U.S. Class Action Lead Plaintiffs.

52. U.S. Counsel took on the major risk that there would be little or no recovery from the defendants with the means to satisfy a judgment, while at the same time having to commit an incredible amount of time, money and resources to the litigation of Securities Claims. U.S.

Counsel have already expended more than US $3.88 million in docketed time and US $302,000.62 in disbursements.

53. The prosecution of these claims has involved significant risks and the result achieved is excellent under the circumstances.

1. Recovery Risk Was Very High from the Outset

54. U.S. Counsel were always confident of establishing liability against CannTrust and certain senior insiders; however, establishing liability against the defendants that could actually satisfy a large judgment was a significant risk.

55. The Insurers had denied coverage to CannTrust and the two senior insiders. CannTrust was and remains in a precarious financial situation and any judgment would likely result in a contested judicial liquidation over CannTrust's assets, making recovery for Securities Claimants uncertain.

56. In contrast, while other defendants such as the underwriters of CannTrust had the means to satisfy a substantial judgment, recovery was still a major challenge. To succeed against the Underwriters, the plaintiffs would have to prove a breach of the due diligence standard, which the Underwriters would vigorously dispute. The damages attributable to the primary market claim would be reduced further to the extent such liability is shared with co-defendants. Further, the Underwriters would argue that primary market damages were significantly lower than U.S. Class Action Lead Plaintiffs' experts' estimate of $48.3 million, and that primary market purchasers could not establish "traceability" (*i.e.*, that they would not be able to prove that their shares were purchased pursuant to the offering), further reducing damages.

57. Recovery from the Insurers of CannTrust and its officers and directors was also uncertain. Because they had denied coverage against CannTrust and culpable insiders, there was a major risk that they would not contribute to a judgment or resolution.

2. Counsel Achieved Significant Success

58. As set out in the Kalloghlian Affidavit at paragraphs 85-86, the value of the settlements is superior to the likely result that could be obtained through a judgment and contested liquidation of CannTrust's assets, and the damages likely recoverable from the defendants.

3. The Monetary Value and Importance of the Matter to the Class

59. This action was of significant importance to the U.S. Class Action Lead Plaintiffs and U.S. Securities Claimants for financial and personal reasons.

60. First, unlike many class proceedings where the monetary value of individual claims can be minuscule (*e.g.*, credit card or gas bill overcharges amounting to pennies or a few dollars, etc.), the individual compensation here will be much more significant, potentially in the hundreds of thousands of dollars for U.S. Securities Claimants with large holdings.

61. Second, the U.S. Securities Claimants place significant importance on the integrity of capital markets. In U.S. Counsel's view, results like this assist in maintaining that integrity, and this will benefit the U.S. Securities Claimants beyond the compensation that they will be awarded in the claims process.

H. Competence of Class Counsel

62. Labaton and the other U.S. Counsel are nationally recognized leaders in securities class proceedings and complex litigation. A copy of the firm resume of Labaton is attached as **Exhibit "H"**. U.S. Counsel's experience and expertise were brought to bear in this novel and complex case. U.S. Counsel expects that their efforts to drive this case forward and their reputation as effective class action counsel assisted significantly in achieving the settlements.

I. Conclusion

63. The fee of $15,786,571.25 and disbursements sought on this motion are fair and reasonable given the work done, the results achieved, and the risks undertaken.

I certify, under penalty of perjury under the laws of the United States, that the foregoing is true and correct to the best of my knowledge.

Executed in New York, New York this 8th day of December, 2021.

James W. Johnson

TAB A

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

ONTARIO
SUPERIOR COURT OF JUSTICE

[Commercial List]

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

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

AFFIDAVIT OF SERGE KALLOGHLIAN
(Fee Approval for CCAA Canadian Representative Counsel)
(Affirmed December 6, 2021)

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I, **SERGE KALLOGHLIAN**, of the City of Toronto, in the Province of Ontario, **AFFIRM**:

1. I am a partner at Kalloghlian Myers LLP, who along with Henein Hutchison LLP, Strosberg Sasso Sutts LLP, and A. Dimitri Lascaris Law Professional Corporation ("**CCAA Canadian Representative Counsel**"), are counsel to Patrick Hrusa and Dharambir Singh ("**CCAA Canadian Representatives**") in these proceedings, and in the proposed class action against CannTrust Holdings Inc. ("**CannTrust Holdings**") and others bearing (Toronto) Court File No. 19-000625181-00CP in the Ontario Superior Court of Justice ("**Ontario Class Action**").

2. Where I use the terms "us", "our", or "we" in this affidavit, I am referring to myself and the other lawyers comprising CCAA Canadian Representative Counsel.

3. I affirmed affidavits dated June 2, 2021 ("**First Affidavit**") and June 16, 2021 ("**Second Affidavit**") in support of the Applicants' motion for an order approving the plan of compromise, arrangement and reorganization of CannTrust Holdings, CannTrust Inc. and Elmcliffe Investments Inc. under the *Companies' Creditors Arrangement Act* (the "**CCAA**") dated April 16, 2021 (as amended from time to time) ("**CCAA Plan**") in these proceedings (the "**CCAA Proceedings**").

4. I also affirmed an affidavit of today's date in support of the CCAA Representatives' motion to authorize the Additional RSAs, approve notice and appoint a claims administrator ("**Third Affidavit**"). The First, Second, and Third Affidavits (without exhibits) (the "**Settlement Affidavits**") are marked and attached as **Exhibits** "**A-1**" to "**A-3**", respectively. I adopt the content of the Settlement Affidavits in respect of my views expressed herein.

5. I swear this affidavit in support of the motion for approval of counsel fees described below, and for no other or improper purpose.

6. 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.

7. All dollar amounts are indicated herein in Canadian currency, unless otherwise stated.

I. BACKGROUND

A. Litigation against CannTrust

8. 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.

9. Following disclosure on July 8, 2019 that CannTrust Holdings' manufacturing facilities were not compliant with applicable laws, its share price declined significantly on the TSX and NYSE. Class actions and other litigation were commenced in Canada on behalf of shareholders seeking to recover losses arising from alleged misrepresentations.

10. Pursuant to the Order of the Honourable Justice Glenn A. Hainey, dated January 28, 2020 (the "**Carriage Order**"), CCAA Canadian Representative Counsel was granted carriage of the Ontario Class Action, and all other proposed class actions in Ontario relating to the same subject matter were stayed.

11. Additionally, Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (the "**CCAA U.S. Representatives**", and together with the CCAA Canadian

Representatives, the "**CCAA Representatives**") commenced a class action against CannTrust Holdings and others in the Southern District of New York bearing court file No. 1:19-CV-06396 (JPO) (the "**U.S. Class Action**" and together with the Ontario Class Action, the "**Class Actions**").

12. Counsel to the U.S. Class Action plaintiffs is Labaton Sucharow LLP in the United States and Weisz Fell Kour LLP in Canada ("**CCAA U.S. Representative Counsel**", and together with CCAA Canadian Representative Counsel, "**CCAA Representative Counsel**").

13. 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 Holdings and its officers and directors made, or were involved in making, misrepresentations and failed to disclose material facts about CannTrust Holdings' compliance with applicable laws, regulations, and standards.

14. The Ontario and U.S. Class Actions allege (among other claims asserted) that the defendants are liable for misrepresentations to shareholders who acquired their shares (i) on the TSX, NYSE, or other secondary market pursuant to Parts XXIII.1 of the Ontario Securities Act ("***OSA***") and under Rule 10b-5 and s 10(b) of the United States Securities Exchange Act of 1934 ("**Secondary Market Claims**"); and (ii) pursuant to the May 2019 prospectus share offering pursuant to Part XXIII of the OSA and ss 11, 12(a)(2) and 15 of the United States Securities Act of 1933 ("**Prospectus Claims**").

15. The Class Actions allege that CannTrust Holdings' securities traded at artificially inflated prices due to the misrepresentations. The Class Actions seek recovery of the losses sustained by investors because of those misrepresentations.

B. Carriage Motion

16. Because of the multiple class proceedings commenced in Ontario relating to the allegations against CannTrust Holdings, it was necessary for there to be a motion to determine which action(s) should be permitted to proceed and which should be stayed ("**Carriage Motion**").

17. CCAA Canadian Representative Counsel's retainer agreements with the CCAA Canadian Representatives were before the Court on the Carriage Motion. One of CCAA Canadian Representative Counsel's key submissions was it should be chosen as class counsel because its retainer agreement was more favourable to class members than the retainers of the other counsel group, because its proposed fee arrangement would result in lower fees to the class. Attached as **Exhibit "B-1"** and "**B-2"** are the retainer agreements between CCAA Canadian Representative Counsel and the CCAA Canadian Representatives, dated October 10, 2019. Attached hereto as **Exhibit "C"** is the proposed fee arrangements from the competing counsel group.

18. Justice Hainey appointed CCAA Canadian Representative Counsel to prosecute the Ontario Class Action, and stayed the action commenced by the co-counsel group of Thornton Grout Finnigan LLP and Rochon Genova LLP. Attached as **Exhibits "D"** and **"E"** are copies of the order and reasons on the carriage motion.

C. CCAA Proceeding and Representation Order

19. On March 31, 2020, CannTrust along with CannTrust Inc., CTI Holdings (Osoyoos) Inc., and Elmcliffe Investments Inc. (the "**CCAA Applicants**" or the "**CannTrust Group**") filed for protection from their creditors by commencing these CCAA Proceedings. Attached as **Exhibit "F"** is a copy of the initial order.

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

21. On January 29, 2021, this court issued the CCAA Representation Order which appointed (i) the CCAA Canadian Representatives to represent the interests of the Canadian and non-US Securities Claimants in relation to their Securities Claims and (ii) CCAA Canadian Representative Counsel as counsel to the Canadian and non-US Securities Claimants with authorization to take instructions from the representatives and to act on behalf of the Canadian and non-US Securities Claimants in respect of their Securities Claims and related claims. Similar orders were made in respect of the CCAA US Representatives and Counsel.

22. The CCAA Representation Order dated January 29 2021, is attached hereto as **Exhibit "H"**.

D. Overview of the Settlements

23. Following many months of complex negotiations with multiple parties facilitated by the Court-Appointed Mediator, the CCAA Representatives and CCAA Representative Counsel reached agreements to resolve the Securities Claims against CannTrust Holdings and related claims against a number of co-defendants to the Class Actions and their Insurers.

24. In exchange for releases of their liabilities, upon implementation of the CCAA Plan and satisfaction of certain preconditions, CannTrust Holdings and other settling co-defendants and Insurers will (i) collectively pay a total of approximately $129 million into a trust (the "**Securities Claimant Trust**") to be established for the benefit of all Securities Claimants; and

(ii) CannTrust Holdings will assign to the Securities Claimant Trust its claim against its former auditor, KPMG LLP, which will be prosecuted for the benefit of Securities Claimants ("**Settlements**").

25. The payments comprising the cash component of the Settlements ("**Cash Contributions**") will be made in both Canadian and US dollars as follows:

a. CannTrust Holdings: CAD $50,000,000.00;
b. Paul Settling Parties: CAD $12,000,000.00;
c. Litwin Group: CAD $11,000,000.00;
d. ABC Insurers: US $30,000,000.00;
e. Underwriters: US$ 8,000,000.00; and
f. DIC Insurers: US $6,900,000.00.

26. The value in Canadian currency of the Cash Contributions is $129,542,570.00 calculated using an exchange rate of 1.2593, which is the CAD/USD exchange rate listed on the Bank of Canada website as of July 16, 2021 (the date of the Sanction Order). Attached as Exhibit "**I**" is a page from www.bankofcanada.ca showing the exchange rates between July 14-21, 2021.

27. Following the payment to the Zola Plaintiffs pursuant to the Zola RSA, the gross settlement amount paid for the benefit of the Securities Claimants is $126,292,570.00.

28. A description of the Mediation Process, the Settlements, and the rationale for entering into them are described in detail in my Settlement Affidavits.

29. The proceeds of the Settlements (following payment of counsel fees and other expenses) will be distributed to Securities Claimants pursuant to the Allocation & Distribution Scheme.

30. The Sanction Order issued July 16, 2021, authorized the CCAA Representatives and CCAA Representative Counsel to implement the Settlements authorized as of that date and the Allocation and Distribution Scheme in accordance and subject to their terms.

II. APPROVAL OF RETAINER AND CCAA CANADIAN REPRESENTATIVE COUNSEL FEES

31. CCAA Canadian Representative Counsel have acted in the Ontario Class Action and the CCAA Proceedings on a contingency fee basis. They collectively seek approval of $12,314,628.50, plus $1,600,901.71 in HST (totaling $13,915,530.21 in respect of fees), plus $366,994.83 for their disbursements incurred.

32. Section 4.2 of the CCAA Plan contemplates that the fees of CCAA Representative Counsel will be paid from amounts held in the Securities Claimant Trust in accordance with the terms of the Trust Declaration, subject to approval of the CCAA Court.

33. A draft form of the Trust Declaration is marked and attached as **Exhibit "J"**. Section 3.4(vii) thereof provides that the fees of CCAA Canadian Representative Counsel be paid out of the Securities Claimant Trust in accordance with the Retainer Agreements. The parties expect the final Trust Declaration to be substantially in the form of the attached draft and to be finalized and executed before the Plan Implementation Date.

A. Acting as Class or Representative Counsel

34. I have acted as class counsel in several securities class actions since I was called to the Bar in 2008, and I have been involved in a number of class action settlements.

35. I have also been involved in unsuccessful cases. The firms comprising CCAA Canadian Representative Counsel have collectively lost millions of dollars in time and out of pocket

expenses pursuing what they believed were meritorious cases. The practice creates unique risks, challenges and benefits.

36. First, class proceedings involve a significant commitment of time and financial resources. These actions are typically taken on a contingency fee basis. It is common to dedicate thousands of lawyer hours and hundreds of thousands of dollars in disbursements to a particular case. Investigation and expert expenses are typical.

37. Second, class proceedings are highly adversarial and are often protracted. The concept that class proceedings often settle soon after the motion for certification is not correct. Cases are increasingly continuing beyond certification, through productions, examination for discovery and trial. The defendants tend to be well-resourced. The defendants bring motions for almost any dispute and appeal almost all decisions. A scorched-earth approach is common. As a result, costs are generally high and litigation generally proceeds slowly.

38. Additionally, in class actions under Part XXIII.1 of the *OSA*, such as the Ontario Class Action, the preliminary motion for leave to proceed is often vigorously defended and costs awards of hundreds of thousands of dollars are typical.

39. Third, there are a number of risks from class proceedings procedure, including:

a. the risk that the action will not be certified as a class proceeding;

b. the risk that leave to proceed under Part XXIII.1 of the *OSA* will be denied;

c. the risk that a large number of class members opt out;

d. the risk that the defendant successfully moves to decertify a class proceeding;

e. the risk that an award of aggregate damages on a class-wide basis is denied and individual issues trials are ordered;

f. the risk that individual issues trials are ordered but are not economically feasible;

g. the risk that a defendant will invoke a contractual arbitration clause;

h. the risk that the court does not approve a settlement agreement after lengthy, time-consuming and expensive negotiations; and

i. the risk that the court does not approve class counsel fees, or approves them only at a reduced rate.

40. Fourth, class counsel's obligation to the class do not end at settlement approval, even where all defendants settle and the litigation is at an end. Class counsel typically perform the following work as part of settlement administration, including:

a. identifying class members;

b. advising and instructing class members with questions concerning the settlement agreement and claims process;

c. providing information to class members, including relevant documents;

d. assisting class members with claim forms, if necessary;

e. providing documentation to the accountants and financial advisors of class members to assist with determinations of tax implications of settlement proceeds;

f. facilitating the claims process;

g. monitoring settlement implementation to ensure the processed are be followed;

h. liaising with the claims administrator; and

i. overall coordination of the settlement distribution.

B. Notional Allocation of Settlement Amount

41. The Settlements provide for a gross recovery of CAD $126,292,570.00 to Securities Claimants. CCAA Canadian Representative Counsel and CCAA US Representative Counsel

have agreed to a notional allocation of that settlement amount between the US Securities Claimants and the Canadian and non-US Securities Claimants for the purposes of determining counsel fees.

42. The notional allocation to which they have agreed is that the fees of CCAA Canadian Representative Counsel and CCAA US Representative Counsel will each be determined on the basis that 50% of the gross recovery is allocated to the claims of Canadian Securities Claimants and 50% of the gross recovery is allocated to the claims of US Securities Claimants

43. Accordingly, CCAA Canadian Representative Counsel's fee request in accordance with its retainer agreement is calculated based on a notional settlement amount of $63,146,285.00 (50% of $126,292,570.00).

44. For clarity, this notional allocation has no bearing on the actual distribution of settlement proceeds to Securities Claimants. As set out in the Allocation and Distribution Scheme, attached as Schedule B to the CCAA Plan, the distribution of the total settlement amount (net of fees and expenses) is based on the claims made, the losses for those claims and the relevant risk adjustment factor for each claim.

C. CCAA Canadian Representative Counsel's Requested Fee

45. The retainer agreements provide for repayment without premium of all disbursements plus taxes and for a sliding scale of fees depending on the amount of money recovered ("**Recovery**") and the stage of the litigation, as follows:

	For the first $20 million of any Recovery	For the portion of the Recovery between $20 million and $40 million	For the portion of the Recovery between $40 million and $60 million	For the portion of the Recovery in excess of $60 million
If the Recovery occurs before the Court renders a decision on a contested certification motion.	**twenty-five percent (25%)**	**twenty percent (20%)**	**fifteen percent (15%)**	**ten percent (10%)**
If the Recovery occurs after the Court renders a decision on a contested certification motion, but before the date that is six weeks preceding the date set for commencement of the common issues trial.	**twenty-seven and a half percent (27.5%)**	**twenty-two and a half percent (22.5%)**	**seventeen and a half percent (17.5%)**	**twelve and a half percent (12.5%)**
If Recovery occurs after the date that is six weeks preceding the date set for commencement of the common issues trial	**thirty percent (30.0%)**	**twenty-five percent (25.0%)**	**twenty percent (20.0%)**	**Fifteen percent (15.0%)**

46. This sliding scale is meant to ensure that CCAA Canadian Representative Counsel is paid in a manner that is tied directly to the degree of success achieved in the action, while at the same time ensuring the overall fees are not excessive. Accordingly, this fee structure provides that the larger the recovery, the less counsel will be paid as a percentage of that recovery.

47. In addition, the fee structure provides that CCAA Canadian Representative Counsel is paid less if the action settles early in the proceeding. There are three different time periods contemplated: (a) settlement before a certification decision; (b) settlement after a certification decision and before the commencement of the common issues trial; and (c) settlement after the commencement of the common issues trial.

48. These different time periods are meant to reflect the resources that CCAA Canadian Representative Counsel expended in pursuing the claims and securing recovery. For instance,

had the defendants all settled the action within 30 days of its commencement in August 2019, CCAA Canadian Representative Counsel would have committed fewer resources to the action. In contrast, had the action proceeded to a common issues trial and success achieved only through judgment, CCAA Canadian Representative Counsel would have committed an even larger amount of resources to this litigation. The sliding scale is meant to take into account this increasing level of resources, but uses the objective measure of stages in the proceeding in order to determine when the next level of compensation will be awarded.

49. Because the Settlements occurred before certification, the first row of the fee grid applies as follows:

Recovery	Contingency %	Fee
$ 20,000,000.00	25%	$ 5,000,000.00
$ 20,000,000.00	20%	$ 4,000,000.00
$ 20,000,000.00	15%	$ 3,000,000.00
$ 3,146,285.00	10%	$ 314,628.50
$63,146,285.00	**19.5%**	**$12,314,628.50**

50. Accordingly, CCAA Canadian Representative Counsel requests fees in the amount of $12,314,628.50 which is equivalent to 19.5% of the Canadian Notional Settlement Amount.

51. The requested fee is well within the range of percentages that Ontario courts have approved in past securities class actions.

52. Notably, the retainer agreement did not contemplate these CCAA Proceedings and the work involved in them. Although these settlements were achieved prior to the certification motion, applying the first level (pre-certification) of the fee grid will result in lower fees to CCAA Canadian Representative Counsel than what is contemplated by the retainer agreement because counsel has expended far more time and resources participating in the CCAA

Proceeding than what would have been required to reach the post-certification judgment stage of the proceedings.

D. Counsel's Efforts in Advancing the Securities Claims

53. CCAA Canadian Representative Counsel expended significant effort in advancing the Ontario Class Action and obtaining the Settlements.

54. CCAA Canadian Representative Counsel work on this litigation to date has included:

a. Conducting an extensive legal and factual investigation, including and in particular:

   i. reviewing CannTrust Holdings' public disclosure documents and other publicly available information regarding CannTrust Holdings;

   ii. holding discussions with a CannTrust Holdings whistleblower and obtaining relevant emails;

   iii. retaining and communicating with private "fact" investigators;

   iv. identifying and interviewing potential "fact" witnesses;

   v. retaining a cannabis consultant to advise counsel;

   vi. retaining and instructing Cyrus Khory, managing director at Froese Forensic Partners Ltd., to provide an expert opinion regarding applicable accounting standards;

   vii. retaining and instructing Professor Efrim Boritz, Ph.D., FCPA, FCA, CISA, to provide an expert opinion regarding applicable auditing standards;

   viii. retaining and instructing James Miller to provide an expert opinion regarding applicable underwriting standards;

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

   x. reviewing CannTrust Holdings' responsive insurance policies and other non-public information provided to CCAA Representative Counsel in the course of the Mediation Process;

xi. drafting mediation briefs and considering the defendants' written mediation briefs, information and documents provided, and positions taken by the parties during the Mediation Process;

xii. negotiating cooperation agreements with settling defendants to assist in continuing litigation;

b. preparing materials for and arguing a motion for carriage of the Ontario Class Action;

c. preparing materials for the motions for certification and leave to proceed under Part XXIII.1 of the OSA, which were not heard due to the stay initiated by the CCAA Proceeding;

d. preparing for and arguing the motions described below and attending several other appearances in this CCAA Proceeding;

e. participating in the Mediation Process, including attendance at dozens of formal and informal mediation sessions over a one-year period;

f. negotiating the RSA settlement framework which ensured claims against non-debtor defendants would be minimally affected;

g. negotiating the Additional RSAs;

h. retaining and receiving advice from tax counsel regarding the structure of the Securities Claimant Trust;

i. filing a proof of claim on behalf of Securities Claimants and voting in support of the CCAA Plan;

j. preparing for, giving evidence, and making submissions in support of the Representation Order;

k. preparing for, giving evidence, and making made submissions in support of the motions to sanction the CCAA Plan, to authorize the Settlements and Allocation & Distribution Scheme;

l. preparing, with CCAA US Representative Counsel, the motions for notice approval and settlement approval in the US Court;

m. designing the Allocation & Distribution Scheme to distribute the Settlement proceeds to Securities Claimants; and

n. retaining and working with the Claims Administrator in respect of the claims filing procedure, website, and notice to Securities Claimants.

(i) Investigation, Carriage Motion, and Preparation for Certification and Leave

55. The disclosure about CannTrust Holdings' non-compliant activities occurred on July 8, 2019. CCAA Canadian Representative Counsel conducted a preliminary investigation before filing the proposed consolidated pleading. This included reviewing CannTrust Holdings' public filings and other publicly available articles and reports, retaining a private fact investigator, interviewing the whistleblower, identifying other witnesses, and retaining experts.

56. Following the Carriage Motion, CCAA Canadian Representative Counsel immediately began preparation of materials for the motions for certification and leave under Part XXIII.1 of the *OSA*, including fact affidavits and expert reports. CannTrust Holdings commenced these insolvency proceedings before those motions could be served.

(ii) CCAA Proceedings and Mediation Process

57. On March 31, 2020, CannTrust Holdings commenced these CCAA Proceedings and obtained an order for the stay of proceedings against it. CCAA Canadian Representative Counsel immediately appeared in these proceedings and took steps to ensure that the rights of Securities Claimants would not be unfairly compromised.

58. Following the issuance of the Mediation Order, CCAA Canadian Representative Counsel, CCAA US Representative Counsel, and eight different investors sought to participate in the mediation process. CCAA Canadian and US Representative Counsel ultimately agreed to work together as a single negotiating unit to advance the interests of all Securities Claimants (other than those with counsel).

59. The Settlements are a product of extensive and hard-fought negotiations with counsel to more than thirty defendants and nine insurers over the course of 18 months. CCAA Canadian Representative Counsel estimate participation in well over one hundred formal and informal mediation sessions or other discussions with the mediator and other mediation participants.

(iii) Representation Order

60. Following the negotiation of the RSA, the Applicants brought a motion to appoint me and my co-counsel as CCAA Canadian Representative Counsel to the Canadian and non-US Securities Claimants. I swore an affidavit in support of that motion, which is attached and marked as Exhibit "K". I was cross examined on my affidavit by counsel to Zola Finance Holdings Ltd. and Igor Gimelshteim ("**Zola**"), who opposed the motion. CCAA Canadian Representative Counsel made oral submissions in support of that order.

(iv) Meeting Order

61. The Applicants' motion for a meeting order was heard on April 16, 2021, following an adjournment of the motion in March. CCAA Representative Counsel submitted a factum and made oral submissions in support of that order.

62. CCAA Representative Counsel submitted proofs of claim on behalf of the Securities Claimant. I attended the Meeting as proxy for the Securities Claimants and voted in favour of the CCAA Plan.

(v) Sanction Order – Part I

63. The Sanction Order motion was heard on June 11 and 17, 2021.

64. The Sanction Order was opposed by KPMG and Newline (an insurer). I was cross examined by counsel to both parties on my First Affidavit. The Sanction Order was also

opposed by Zola, who objected to the proposed Allocation and Distribution Scheme. CCAA Representative Counsel submitted two facta and made oral submissions in support of the Sanction Order.

65. During the course of the hearing, we reached an agreement in principle to resolve claims against the Insurers. Accordingly, Newline withdrew its opposition to the motion.

66. On June 24, 2021, Justice Patillo dismissed the motion for the Sanction Order. The reasons for decision are marked and attached as **Exhibit "L"**.

(vi) Sanction Order – Part II

67. Following dismissal of the motion in June , CCAA Representative Counsel re-engaged in discussions with counsel to the Applicants and KPMG regarding an amended CCAA Plan that addressed the concerns raised by Justice Patillo.

68. On July 16, 2021, the Sanction Order was granted. By this date, CCAA Representative Counsel had reached settlement agreements with all defendants and insurers except for KPMG.

(vii) US Orders and Claims Administration

69. Following the CCAA Plan's sanction, CCAA Canadian Representative Counsel have continued to work diligently with US counsel to obtain the US Approval Order, coordinate noticing, and establish an efficient cross-border claims filing procedure for distribution of the settlement funds.

E. Counsel's time and Disbursements Incurred

70. Pursuant to the agreement between the members of the CCAA Canadian Representative Counsel, work on this file is managed centrally and delegated with a view to ensuring that it is performed by the members of the team who can do so most efficiently and effectively. This central delegating function also avoids duplication of efforts.

71. I am advised by my co-counsel and I believe CCAA Canadian Representative Counsel have already expended more than $4.5 million in docketed time (without HST), as set out below:

DOCKETED TIME			
	Hours	Hourly Rate (avg)	Time-value
Henein Hutchison LLP			
Marie Heinen (1992)	264.7	$1115.98	$295,399.00
Scott Hutchison (1987)	277.50	$950.00	$263,625.00
Other lawyers, students & clerks	300.80	$275.19	$ 82,777.50
Subtotal	843.0		$641,801.50
Strosberg Sasso Sutts LLP			
Jay Strosberg (2002)	479.40	$880.23	$421,982.50
David R. Wingfield (1988)	1566.30	$937.26	$1,468,027.50
Patricia Speight (1986)	196.60	$700.51	$137,720.00
Scott Robinson (2014)	218.20	$451.37	$98,490.00
Justin Smith (2018)	604.10	$272.94	$164,882.50
Other lawyers, students & clerks	420.80	$284.85	$119,866.50
Subtotal	3485.40		$2,410,969.00
A. Dimitri Lascaris Law Professional Corporation			
A. Dimitri Lascaris (1992 NY, 2004 ON)	238	$869.43	$206,925
Subtotal	238		$206,925
Kalloghlian Myers LLP			
Serge Kalloghlian (2008)	2213.05	$561.34	$1,242,283.75
Garth Myers (2013)	96.1	$546.67	$52,535.00
A.J. Freedman (2017)	124.51	$258.44	$32,178.50
Ashley Seely (2020)	26.21	$300	$7,863
Subtotal	2459.87		$1,334,860.25
Total Docketed Time			**$4,594,555.75**

72. I am advised by my co-counsel and I believe that CCAA Canadian Representative Counsel has expended $366,994.83 in disbursements which include expert fees of accounting, auditing and damages experts. Expert reports were prepared for the leave motions and the mediations.

73. Considering the amount of work required, the steps taken, the division of work and responsibility between the firms, the amount of time spent was reasonable in all of the circumstances.

F. The Continuing Litigation Against KPMG

74. Litigation on behalf of the Securities Claimants has been resolved with all mediation participants except for KPMG. Following implementation of the CCAA Plan, CCAA Representative Counsel expect to prosecute in parallel against KPMG the Class Actions as well as CannTrust Holdings' claim against KPMG on behalf of the Securities Claimants Trust. CCAA Representative Counsel expect this to require significant resources.

G. Factors in Assessing Reasonableness of Class Counsel Fees

75. The requested fees of CCAA Canadian Representative Counsel reflect a percentage of 19.5% of the settlement amount notionally allocated to Canadian and non-US Securities Claimants. In our view, this amount is fair and reasonable.

76. CCAA Canadian Representative Counsel took on the major risk that there would be little or no recovery from the defendants with the means to satisfy a judgment, while at the same time having to commit a large amount of time, money and resources to the prosecution of Securities

Claims. CCAA Canadian Representative Counsel have already expended more than $4.5 million in docketed time (without HST) and more than $366,994.83 in disbursements.

77. The prosecution of these claims has involved significant risks and the result achieved is excellent in the circumstances.

(i) Recovery risk was very high from the outset

78. CCAA Canadian Representative Counsel were always confident of establishing liability against CannTrust Holdings and certain senior insiders; however establishing liability against defendants that could actually satisfy a large judgment was the greatest risk for this litigation and thus CCAA Canadian Representative Counsel.

79. The Insurers had denied coverage to CannTrust Holdings and the two senior insiders. CannTrust Holdings was and remains in a precarious financial situation and any judgment would likely result in a contested judicial liquidation over CannTrust Holdings' assets, making recovery for Securities Claimants uncertain.

80. In contrast, while other defendants such as the Underwriters had the means to satisfy a substantial judgment, recovery was still a major challenge. To succeed against the Underwriters, the plaintiffs would have to prove a breach of the due diligence standard, which the Underwriters would vigorously dispute. The damages attributable to the primary market claim would be reduced further to the extent such liability is shared with co-defendants. Further, we would expect them to argue that primary market damages were significantly lower than our experts' estimate of $48.3 million, and that primary market purchasers could not establish "traceability" (i.e. that they would not be able to prove that their shares were purchased pursuant to the offering), further reducing damages.

81. Recovery from the Insurers was also uncertain. Because they had denied coverage against CannTrust Holdings and culpable insiders there was a major risk that they would not contribute to a judgment or resolution.

(ii) Counsel Assumed Funding and Adverse Costs Risk

82. The Retainer Agreements provided that CCAA Canadian Representative Counsel assumed the responsibility and risk (i) of funding disbursements; and (ii) indemnifying the plaintiffs for any adverse costs award.

83. Counsel did not offset these risks by seeking assistance from the Class Proceedings Fund ("**CPF**") or other third-party funding or insurance agreement. In exchange for disbursement funding and an indemnity against adverse costs, the CPF is entitled to a levy of 10% of the settlement amount. In my experience, I would expect an institutional third-party funder to charge a levy of between 7-12% in a case like this.

84. Accordingly, the assumption of these responsibilities and risks by Canadian CCAA Representative Counsel resulted in savings to the Securities Claimants of approximately $6 million.

(iii) Counsel Achieved Significant Success

85. As set out in my First Affidavit at paragraphs 55 and elsewhere, the value of the settlement is superior to the likely result that could be obtained through a judgment and contested liquidation of CannTrust Holdings' assets, and the damages likely recoverable from the defendants.

86. To our knowledge, the recovery from the Settlements is one of the largest securities settlements ever reached in Canada. Marked and attached as Exhibit “M” is a research report by ISS Securities Class Action Services which ranks the top 25 Canadian class action settlements of all time, as of May 2018.[1]

(iv) The Monetary Value and Importance of the Matter to the Class

87. This action was of significant importance to the Plaintiff and Securities Claimants for financial and personal reasons.

88. First, unlike many class proceedings where the monetary value of individual claims can be miniscule (e.g. credit card or gas bill overcharges amounting to pennies or a few dollars, etc.), the individual compensation will be much more significant, potentially in the hundreds of thousands of dollars for Securities Claimants with large holdings.

89. Second, the Securities Claimants place significant importance on the integrity of capital markets. In CCAA Canadian Representative Counsel’s view, results like this assist in maintaining that integrity, and this will benefit the Securities Claimants beyond the compensation that they will be awarded in the claims process.

(v) Competence of CCAA Canadian Representative Counsel

90. CCAA Canadian Representative Counsel are nationally recognized leaders in securities class proceedings and complex litigation. CCAA Canadian Representative Counsel expertise and experience were brought to bear in this novel and complex case. CCAA Canadian Representative Counsel believe that their efforts to drive this case forward and their reputation as effective class action counsel assisted significantly in achieving this settlement.

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[1] After the publication date, the *Valeant* securities class action settled for approximately $127 million.

H. Conclusion

91. I believe that the fee of $12,314,628.50 plus HST and disbursements sought on this motion is fair and reasonable given the work done, the results achieved, and the risks undertaken.

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 6th day of December, 2021.	Serge Kalloghlian
A Commissioner for taking Affidavits *(or as may be)*	

TAB B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In Re: CANNTRUST HOLDINGS INC. SECURITIES LITIGATION	No. 1:19-cv-06396-JPO JURY TRIAL DEMANDED Judge J. Paul Oetken CLASS ACTION

CONSOLIDATED CLASS ACTION COMPLAINT

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Court-appointed Lead Plaintiffs Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund ("Lead Plaintiffs" or "Granite Point"), and additional plaintiff Jose A. Silva ("Dr. Silva," and collectively with Granite Point, "Plaintiffs"), bring this action under Section 10(b) and 20(a) of the Exchange Act of 1934 (the "Exchange Act Claims") and separately under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act Claims") against CannTrust Holdings Inc. ("CannTrust" or the "Company"), several of its officers and directors, CannTrust's auditor, the underwriters of CannTrust's secondary public offering completed on May 6, 2019 (the "Offering"), and two holding companies owned by members of CannTrust's Board of Directors that sold shares in the Offering.

As it pertains to the Exchange Act Claims, Plaintiffs bring the Consolidated Class Action Complaint against Defendants: CannTrust; CannTrust's auditor, KPMG LLP ("KPMG"); and several of CannTrust's senior executives and directors: former Chief Executive Officer ("CEO") Peter Aceto, former Chief Financial Officer ("CFO") and current CEO Greg Guyatt, former CFO Ian Abramowitz, and former President and Chief Operating Officer ("COO") Brad Rogers (the "Individual Defendants"); and former Chairman of the Board and CEO, Eric Paul, and members of CannTrust's Board of Directors: Mark E. Dawber, Mitchell J. Sanders, John T. Kaden, Mark I. Litwin, Shawna Page, and Robert F. Marcovitch (the "Director Defendants," and together with CannTrust and the Individual Defendants, "Defendants").

As it pertains to the Securities Act Claims, Lead Plaintiffs bring the Consolidated Class Action Complaint against Defendants: CannTrust; Paul, Aceto, Guyatt, Litwin, Sanders, Marcovitch, Dawber, Page, and Kaden (collectively referred to herein as the "Individual Securities Act Defendants"); Merrill Lynch, Pierce, Fenner & Smith Inc. ("Merrill Lynch"), Citigroup Global Markets Inc. ("Citigroup"), Credit Suisse Securities (USA) LLC ("Credit

Suisse"), Jefferies LLC ("Jefferies"), RBC Dominion Securities Inc. ("RBC"), and Canaccord Genuity LLC ("Canaccord") (collectively referred to herein as the "Underwriter Defendants"); Cannamed Financial Corp. ("Cannamed") and Cajun Capital Corp. ("Cajun," and together with Cannamed the "Selling Shareholder Defendants"); and KPMG. CannTrust, the Individual Securities Act Defendants, the Underwriter Defendants, the Selling Shareholder Defendants and KPMG, are collectively referred to as the "Securities Act Defendants." 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, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud, intentional misconduct or deliberately reckless misconduct.

Plaintiffs' claims are brought upon personal knowledge as to their own acts, and upon information and belief as to all other matters, based upon, among other things, a review and analysis of: (1) reports and documents filed by CannTrust with the Securities and Exchange Commission ("SEC") and Canada's System for Electronic Document Analysis and Retrieval ("SEDAR"); (2) reports issued by analysts covering or concerning CannTrust and its business; (3) press releases, news articles, transcripts, videos, and other public statements issued by or about CannTrust, its business, and the Individual Defendants; (4) an investigation conducted by Plaintiffs' attorneys, including interviews with former CannTrust employees; and (5) other publicly available information concerning CannTrust, its business, and the allegations contained herein. Plaintiffs believe that substantial additional evidentiary support exists for the allegations herein and will continue to be revealed after Plaintiffs have a reasonable opportunity for discovery.

I. VIOLATIONS OF SECTIONS 10(b) AND 20(a) OF THE EXCHANGE ACT

The Exchange Act Claims set forth below in Counts I and II allege violations of Sections 10(b) and (20(a) of the Securities and Exchange Act of 1934. Plaintiffs bring the Exchange Act Claims individually and on behalf of all persons and entities who, during the period from June 26, 2018 through September 17, 2019, inclusive (the "Class Period"), purchased the publicly traded common stock of CannTrust on the New York Stock Exchange or on any U.S.-based trading platform during the Class Period and were damaged thereby (the "Exchange Act Class").[1]

II. NATURE OF THE EXCHANGE ACT CLAIMS

1. The Exchange Act Claims arise from Defendants' fraudulent attempt to take advantage of surging demand in the recreational and medicinal cannabis industry caused by the Canadian government's legalization of cannabis in 2018.

2. Defendants did so by knowingly growing and storing massive amounts of cannabis in unlicensed rooms to artificially boost the Company's production capacity. This unlicensed growing and storing scheme was accomplished purposely—with the knowledge and consent of CEO Defendant Aceto and Chairman of the Board Defendant Paul—in direct violation of the laws and regulations set forth by the Canadian Cannabis Act and the Canadian equivalent of the U.S. Food and Drug Administration, Health Canada.

[1] The following are excluded from the Exchange 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.

3. CannTrust also intentionally falsified its license applications to Health Canada by hanging up fake walls and staging photographs to make it appear as if its cannabis growing rooms were empty when they were in fact filled with thousands of cannabis plants.

4. Finally, CannTrust also boosted production capacity (and increased profits from surging demand) by growing cannabis using cheaper, unregulated seeds obtained on the black-market. CannTrust then mislabeled the cannabis grown from unregulated seeds to customers as if it were regulated and approved by Health Canada.

5. Because Health Canada was unaware of the black-market cannabis, CannTrust was able to increase its production capacity by commingling black-market and regulated cannabis and labeling it all as regulated. By engaging in this illicit growing and storing scheme and concealing it all from Health Canada, CannTrust knowingly put the entire Company and investors' money at serious risk were the regulator to discover the scheme.

6. Nonetheless, throughout the Class Period, Defendants consistently assured investors that CannTrust was in compliance with all Health Canada regulations and boasted that CannTrust was in pole-position to become one of the market leading cannabis companies in the world as demonstrated by its ostensibly strong revenue growth and inventory numbers.

7. However, little did investors know that CannTrust was in violation of numerous Health Canada regulations and that the Company's strong revenue and growth were directly attributable to the Company's illicit growing and storing of cannabis in unlicensed rooms and reliance on black-market seeds. As a result CannTrust also issued financial statements (some audited by KPMG) that materially overstated the Company's revenues, assets, and inventories throughout the Class Period.

8. The risk that Defendants' fraud would come crashing down eventually materialized in June 2019 when a former employee blew the whistle to Health Canada about Defendants' fraudulent practices. Shortly thereafter, Health Canada performed a surprise inspection of CannTrust's facilities, uncovering uncontroverted evidence of the illicit growing and storing scheme. Over the course of the next two months, the truth about CannTrust's fraudulent business practices and Defendants' knowledge and direction thereof were revealed in a series of bombshell disclosures that caused CannTrust's stock price to plunge **more than 73%**, injuring investors as nearly three-quarters of the Company's market cap disappeared.

A. CannTrust's Aggressive Expansion Plan

9. CannTrust was founded in 2013 and for years made money by selling medical cannabis to its approximately 58,000 prescription-carrying customers. However, beginning in 2017, the prospect of the legalization of recreational cannabis in Canada and an increasing number of U.S. states began to gain considerable momentum. By April 2018, legislation was introduced and quickly passed in Canada legalizing the recreational use and sale of cannabis as of October 17, 2018. Cannabis market commenters—and CannTrust itself—announced that they were anticipating a massive increase in demand that would come along with legalization and even predicted a nationwide shortage of recreational cannabis. This surge in demand presented a once-in-a-lifetime opportunity for CannTrust—which already had an established medicinal cannabis operation—to establish itself as a market leader in the soon-to-be booming recreational cannabis industry.

10. In order to take advantage of the upcoming surge in demand, CannTrust undertook an ambitious expansion plan in order to increase its production capacity. Accordingly, in March 2017, CannTrust acquired a massive 450,000-square-foot greenhouse facility in the Town of Pelham, within the regional municipality of Niagara, Ontario (the

"Niagara Facility").[2] Prior to that, CannTrust operated entirely out of a separate facility in Vaughan, Ontario, Canada (the "Vaughan Facility"). CannTrust's plan was to make the Niagara Facility the Company's sole growing facility, while the Vaughan Facility would exclusively handle the storage, processing, packaging, and shipping of CannTrust's cannabis products.

11. In addition to overhauling its growing and processing facilities, CannTrust also brought in a new team of executives who lacked expertise in the cannabis industry but had strong corporate finance backgrounds. These new executives presumably would take the Company from a mid-level medicinal cannabis producer to a large, market-leading recreational cannabis brand with hundreds-of-thousands of customers and investors.

12. Such a transformation would be required if CannTrust was to attract new investors who believed CannTrust had the expertise to become one of the top cannabis corporations in the world. At the forefront of this corporate overhaul was the hiring of Defendant Peter Aceto—a former banking and corporate finance CEO at Tangerine Bank— in October 2018 as the Company's new CEO who replaced Defendant Paul, the Company's Chairman of the Board of Directors, who assumed a role as a "Special Advisor."

13. Armed with a new corporate leadership team, 450,000 square feet of potential growing space in Niagara, and a streamlined storage and processing center in Vaughan, CannTrust appeared to be ideally positioned to profit from the booming demand for recreational cannabis.

14. Nevertheless, one major hurdle existed: many of the growing rooms at the new Niagara Facility and the storage rooms at the Vaughan Facility were **not yet licensed by Health Canada** and therefore **could not be used to grow or store cannabis**.

[2] The Niagara Facility is sometimes also referred to as the "Pelham Facility."

B. CannTrust Was Required to Follow Strict Regulations Governing the Production and Sale of Cannabis

15. Because cannabis and cannabis-related products are consumed by human beings, the production and sale of cannabis are highly regulated. Accordingly, along with the legalization of recreational cannabis came strict regulations governing CannTrust's growing, storage, and sale of cannabis. Indeed, the Cannabis Act, which replaced the previous Access to Cannabis for Medicinal Purposes Regulations ("ACMPR"), set forth a thorough regulatory framework and licensing process for CannTrust to comply with, including detailed licensing requirements for each phase or activity in the cannabis industry including production, growing, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession, and disposal of cannabis for both recreational and medical purposes.

16. Critically, CannTrust was also required to obtain **location-specific** licenses for each of the facilities and rooms in which each 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). Obtaining a license for a specific location or room, 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 its starting materials (*i.e.*, seeds and plants); and (iv) confirmation that adequate standard operating procedures (SOPs) have been established.

17. As of the start of the Class Period, however, at least **five of the twelve growing rooms** in the Niagara Facility were **not yet fully licensed** by Health Canada. Likewise, many of the rooms at the Company's Vaughan Facility were yet to be licensed for storage. Nonetheless, as early as June 2018, CannTrust started illicitly storing cannabis in unlicensed rooms at the

Vaughan Facility. And as early as October 2018, CannTrust started illicitly growing cannabis in unlicensed rooms at the Niagara Facility—in flagrant violation of Health Canada regulations. Moreover, as another way to boost production capacity, beginning in June 2018, CannTrust began to grow and sell cannabis from seeds obtained on the black-market and commingling it with regulated cannabis and labeling it all as the regulated strain and selling it to CannTrust's customers.

C. Defendants Knowingly Violated Health Canada Regulations to Increase Production Capacity[3]

18. Defendants' knowledge of the illicit growing and storage scheme is not reasonably in dispute. Following the November 2018 inspection by Health Canada of CannTrust's Niagara greenhouse growing facility, Graham Lee, CannTrust's Director of Quality and Compliance, **sent Defendants Aceto and Abramowitz— CannTrust's CEO and CFO, respectively—an email warning them: "We dodged some bullets . . . [Health Canada] did not ask about RG8E/W, which are unlicensed rooms currently full of plants**."

19. Lee explicitly listed the numerous instances of unlicensed growing and storing that was already occurring at CannTrust's facilities, with plans to expand the illicit practice in days: "**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**." This email was later **sent to Defendant Paul—CannTrust's Chairman of the Board**—who responded to the communication evidencing his knowledge of the illicit scheme.

[3] All emphases are added unless otherwise noted.

20. Neither Defendants Aceto, Abramowitz nor Paul reacted as they should have: immediately intervening to stop the illicit growing and storing practice. In fact, Defendant Aceto did exactly the opposite. According to internal CannTrust weekly production minutes from November 2018, while discussing the fact that CannTrust had plants growing in unlicensed rooms, **Defendant Aceto instructed CannTrust employees to "continue as planned**."

21. CannTrust then took affirmative steps to conceal the practice from Health Canada. According to former CannTrust employee and whistleblower, Nick Lalonde, senior CannTrust employees instructed him to hang fake walls in front of the unlicensed rooms so the Company could take pictures making it appear as though the room was empty when in reality it was filled to capacity with cannabis plants. CannTrust did this **so it could submit falsified pictures to Health Canada** as part of its application for a license to grow cannabis for those very rooms.

22. These allegations are all fully corroborated by numerous former CannTrust employees and confidential witnesses ("CWs") who confirmed that Defendants grew and stored cannabis in unlicensed rooms and engaged in other regulatory violations in order to boost production capacity and concealed it all from Health Canada.

23. For example, one former employee, CW1, who attended Quality Control meetings where issues at the Niagara Facility were discussed, recalled that she saw plants and greenhouses being opened where the Company had not obtained the proper permitting. The same employee confirmed that CannTrust took affirmative steps to hide the unlicensed growing from Health Canada, which included misleading Health Canada inspectors and hanging up fake walls and curtains in front of the plants in the unlicensed rooms so it appeared in photographs sent to Health Canada that the rooms were empty. Critically, **three former employees, CW1, CW2,**

and CW6 all confirmed that Defendant Aceto knew about and directed the unlicensed growing.

24. In fact, Defendants' knowledge of the illicit growing and storing scheme was so egregious that once Health Canada uncovered the violations, Defendants promptly admitted to the illicit practices. Indeed, in two separate press releases issued following Health Canada's surprise inspection of the Niagara Facility in June 2019 and audit of the Vaughan Facility in July 2019, **CannTrust admitted to engaging in the practice of growing and storing cannabis in unlicensed rooms from October 2018 and June 2018 respectively** (in addition to a multitude of other regulatory violations). Rather than provide an explanation, Defendant Aceto simply told investor investors: "**We made errors in judgement**."

25. Likewise, in a July 8, 2019 interview with a Canadian news outlet Globe & Mail, Defendant Aceto admitted: "We constructed these rooms in accordance with all the rules and regulations; the mistake that was made by CannTrust was putting plants in these rooms before we'd actually received the approval to do so."

D. Defendants Knowingly Misled Investors About The Illicit Growing and Storing Scheme and the Risks it Posed

26. Yet, in complete contradiction to what was happening behind CannTrust's walls, throughout the Class Period, Defendants brazenly and repeatedly assured investors that CannTrust was in compliance with all applicable regulations. For example, Defendants repeatedly assured investors during the Class Period:

- **[CannTrust] 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 . . . .**
- **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.**

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

27. Likewise, Defendants boasted to investors that CannTrust was successfully ramping up its production capacity and increasing inventory, which in turn led to massive increases in revenues from surging demand. But Defendants failed to disclose the true reason for the Company's new-found success: the illicit growing and storing strategy.

28. For example, during the Class Period Defendants told investors:

- ***CannTrust is excited and well-positioned to enter this new marketplace and has the production capacity and infrastructure . . . to immediately begin fulfilling adult consumer [i.e., recreational] use market orders on a national level.***

- ***CannTrust is a front-runner in the industry and perfectly positioned to continue its exponential growth in Canada and abroad following the legislative changes set to become effective in Canada on October 17th.***

- ***In the quarter ended March 31, 2019, we harvested approximately 9,424 kg of cannabis from our Niagara [F]acility, representing an increase of 96% from the fourth quarter of 2018.***

- ***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.***

- ***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.***

29. However, contrary to what Defendants told investors, and as known internally among CannTrust's executives, the real reason CannTrust was "perfectly positioned" and had the "production capacity and infrastructure" to "continue its exponential growth" and the resultant "increase in gross profit" was directly attributable to their knowing violation of Health Canada regulations in order to increase production capacity and take advantage of increased demand.

30. Moreover, Defendants' illicit growing and storage scheme also misleadingly propped up the Company's financial figures they reported to the market. Indeed during the Class Period, CannTrust boasted about its strong balance sheet of biological assets, inventory, and revenue figures when in reality those line items were materially overstated because they included cannabis that was both grown and stored in violation of Heath Canada regulations and accordingly in violation of numerous International Financial Reporting Standards and International Accounting Standards. Notably, because CannTrust lacked legal title to the illicitly grown cannabis, it was not able to properly recognize revenue therefrom. Some of these misleading financial statements were also purportedly audited by CannTrust's certified public accountants, KPMG, in stark violation of relevant auditing standards.

E. Defendants Cash-In While Unsuspecting Investors Pour Money Into CannTrust

31. By the beginning on 2019 CannTrust became one of the hottest cannabis stocks in the world based on the Company's exponential growth and soaring profits—much of which was unknowingly attributable to the production and sale of unlicensed cannabis. Indeed the Company applied to—and shortly thereafter was listed on—the New York Stock Exchange in February 2019 and became one of the most popular cannabis stocks to invest in.

32. Shortly afterwards, the Company filed a registration statement for a secondary offering of CannTrust common stock in order to generate additional capital. The registration statement and the supplemental prospectus filed pursuant thereto were riddled with false and misleading statements, including many of those mentioned above, regarding CannTrust's compliance with Health Canada regulations, increased production capacity and profits, and misleading consolidated financial statements supposedly audited by well-regarded member of the "big four" accounting firms, KPMG.

33. The secondary offering closed on May 6, 2019. All told, CannTrust generated approximately $200 million in the Offering. Critically however, Defendants Paul and Litwin—who signed the false consolidated financial statements—and Defendant Sanders collectively reaped more than **$33 million** in personal proceeds from the Offering.

F. Defendants' Illicit Growing and Storing Scheme—and The Risks It Posed—Are Revealed In a Series of Explosive Disclosures

34. Eventually, CannTrust's illicit growing and storage scheme could no longer be contained. In June 2019, Nick Lalonde, one of CannTrust's former employees, blew the whistle on CannTrust by sending an email to Health Canada detailing Defendants' fraud and stating "[i]f you look through the camera footage prior to the dates the pictures were taken and requested **you will clearly see us hanging up white poly walls to cover up thousands of plants**." Shortly thereafter, Health Canada conducted a surprise inspection and audit of the Niagara Facility that uncovered uncontroverted evidence of Defendants' unlicensed growing operations.

35. Then, on July 8, 2019, prior to the market opening, CannTrust issued a press release, disclosing that CannTrust had "received a compliance report from Health Canada notifying the Company that its greenhouse facility in [Niagara] is non-compliant with certain regulations" and that "[t]he non-compliant rating is based on observations by the regulator regarding the growing of cannabis in five unlicensed rooms . . . [which] took place from October 2018 to March 2019." The press release also stated that CannTrust "accepted Health Canada's non-compliance finding and has taken actions to ensure current and future compliance."

36. Health Canada's findings also had financial ramifications. The press release explained: "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 [Niagara], until it deems that the Company is compliant with regulations" and that "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." In response to this news, CannTrust's share price fell **more than 22%**.

37. As the explosive news of CannTrust's fraudulent scheme spread, the Canadian regulators and authorities and news outlets began to dig into the details of CannTrust's illicit growing and storage practices causing CannTrust stock to continue to plummet in a series of explosive revelations, decimating CannTrust's stock price.

38. On July 10, 2019 the Globe and Mail newspaper issued a news report that revealed the explicit details of Mr. Lalonde's email to Health Canada, including senior CannTrust employees directing Mr. Lalonde and others to hang fake walls in front of the unlicensed rooms to hide their unlicensed growing from Health Canada. In response, CannTrust's stock price fell over **12%**.

39. On July 11, 2019, after the market closed, CannTrust announced that "it has implemented a voluntary hold on sale and shipment of all cannabis products as a precaution while Health Canada visits and reviews its Vaughan, Ontario manufacturing facility." CannTrust also informed investors that it created a Special Committee "comprised of independent members of the Board of Directors" to "investigate [a compliance report] from Health Canada in its entirety." On this news, CannTrust fell another **17%**.

40. On July 15, 2019, after the market closed, the Financial Post published an article discussing an initial investigation by the enforcement team of the Ontario Securities Commission and the potential that Defendants' scheme could rise to the level of a "criminal offence." The article also explained that a number of class action lawsuits had been filed against the Company

in both Canada and the United States for securities fraud violations. As a result, CannTrust's stock price fell **10%**.

41. Then, on July 23, 2019, multiple news reports published for the first time excerpts from the internal CannTrust emails discussed above demonstrating that CannTrust executives, including Defendants Aceto and Paul, **knew about and directed** the unlicensed growing and storage scheme. On this news, CannTrust stock fell **over 22%.**

42. Following these revelations of Defendants Aceto's and Paul's direct involvement with the growing in the five unlicensed rooms, on July 25, 2019, the Company issued a press release, announcing: "The investigation into the Company's non-compliance with Health Canada regulations and ancillary matters uncovered new information that has resulted in a determination by the Board to **terminate with cause** CannTrust CEO Peter Aceto." The press release also announced that "the Board of Directors demanded the resignation of the Company's Chair Eric Paul and he complied."

43. On August 12, 2019, prior to the market opening, CannTrust told investors that Health Canada found significant regulatory violations at the Vaughan Facility. On that day, the Company issued a press release, stating "[a]fter trading hours on Friday, August 9, 2019, CannTrust received a report from Health Canada notifying the Company that its manufacturing facility in Vaughan, Ontario has been rated non-compliant with certain regulations."

44. Specifically, the disclosure revealed for the first time that CannTrust "conver[ted] five rooms from operational areas to storage areas, which were used for storage since June 2018 without prior approval of Health Canada." Again, Defendants admitted that the regulator's findings were accurate noting: "CannTrust has accepted Health Canada's findings and remedial actions are underway." On this news, CannTrust's stock price fell another **27%**.

45. The parade of troubling revelations ended on the last day of the Class Period—September 17, 2019. On that day, the Company informed investors that Health Canada was suspending its licenses, preventing CannTrust from continuing to produce and sell cannabis altogether. Of course, this also meant the Company's apparently legitimate and sustainable revenue stream would dry up. On this news, CannTrust's stock price fell **14%**.

46. Not long after that, on March 31, 2020, CannTrust filed for creditor protection (*i.e.*, bankruptcy) in Canada and trading was halted on the Toronto and New York Stock Exchanges.

III. JURISDICTION AND VENUE

47. These claims arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

48. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

49. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud 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.

50. 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.

IV. PARTIES

A. Plaintiffs

51. 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"). Located in Boston, Massachusetts, Granite Point is a hedge fund that manages approximately $177 million in assets. Granite Point purchased CannTrust securities during the Class Period, and suffered damages as a result of the federal securities law violations alleged herein. A list of Granite Point's Class Period transactions is included in Lead Plaintiffs' certification submitted with its application to be named Lead Plaintiff. (ECF No. 45-1).

52. Additional Plaintiff Jose A. Silva ("Dr. Silva") purchased CannTrust securities during the Class Period, and suffered damages as a result of the federal securities law violations alleged herein. A list of Dr. Silva's Class Period transactions is included in Dr. Silva's certification submitted with his application to be named lead plaintiff. (ECF No. 25-1).

B. Defendants

1. Corporate Defendant

53. 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[4] under the symbol "CNTTF" on the OTC Pink Open Market in

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[4] An F-share is a foreign security denominated in U.S. currency, and traded on the U.S. OTC Market based in New York. One share of CNTTF represents ownership of one share of CannTrust common stock sold under the ticker symbol TRST in Canada. An F-share is established in the U.S. when a broker-dealer files with the Financial Industry Regulatory

the United States.[5] On February 25, 2019, the Company's shares began trading on the NYSE under the symbol "CTST."

2. Individual Defendants

54. Defendant Peter Aceto ("Aceto") served as the Company's Chief Executive Officer since October 1, 2018. Prior to joining CannTrust, Defendant Aceto was President & CEO of Tangerine Bank (formerly, ING Direct); prior to that, Aceto held the positions of Chief Risk Officer, Chief of Staff and Chief Lending Officer at ING Direct in the U.S., and was Legal and General Counsel at ING Direct in Canada. Defendant Aceto made materially false and misleading statements and material omissions in CannTrust filings with the SEC and SEDAR,[6] press releases and on public conference calls and media platforms throughout the Class Period.

55. Defendant Greg Guyatt ("Guyatt") has served as the Company's CFO since February 19, 2019 and is CannTrust's current CEO since February 2020. Defendant Guyatt made materially false and misleading statements and material omissions in CannTrust filings with the SEC and SEDAR.

56. Defendant Ian Abramowitz ("Abramowitz") was the Company's CFO at the beginning of the Class Period through February 19, 2019. As of February 19, 2019, Defendant Abramowitz serves as CannTrust's SVP of Global Investments and Partnerships. Defendant

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Authority ("FINRA") to create a U.S. ticker symbol in order to facilitate reporting trades in the U.S. in the Company's security.

[5] CNTTF shares trade on the OTC Pink Open Market which is owned and operated by the OTC Markets Group, Inc. The OTC Markets Group is headquartered at 300 Vesey Street, 12th Floor, North End Ave, New York, NY 10282.

[6] SEDAR is the Canadian equivalent of the SEC website known as EDGAR and serves as the official website that provides access to public securities documents and information filed by issuers with the thirteen provincial and territorial securities regulatory authorities ("Canadian Securities Administrators" or "CSA"). SEDAR provides investors with real-time quantitative and qualitative information on all Canadian issuers and provides investors with transparency when choosing to invest in a Canadian company.

Abramowitz made materially false and misleading statements and material omissions in CannTrust filings with the SEC and SEDAR.

57. Defendant Brad Rogers ("Rogers") was the Company's President and COO at the beginning of the Class Period through November 9, 2018. Defendant Rogers made materially false and misleading statements and material omissions in CannTrust's SEDAR filings and press releases.

58. The Individual Defendants, by virtue of their high-level positions at CannTrust, directly participated in the management of the Company, were directly involved in the day-to-day operations of the Company at the highest levels, and were privy to confidential proprietary information about the Company, its business, operations, internal controls, growth, financial statements, and financial condition, as alleged herein.

3. Director Defendants

59. Eric Paul ("Paul") is a co-founder of CannTrust and was its CEO from inception until October 1, 2018, when he stepped down to assume the role of Chairman of CannTrust's Board and Special Advisor to CannTrust's management team. He was a director of CannTrust since 2015. Defendant Paul resides in Ontario, Canada. Defendant Paul (i) signed the Offering Materials; (ii) certified the August 14, 2018 Financial Statements and Management's Discussion and Analysis ("MD&A"), and (iii) on behalf of the board of directors, signed each of CannTrust's financial statements issued during the Class Period, and in doing so, he adopted as his own the false statements made in those documents. As a board member, he caused CannTrust to make the misrepresentations particularized below. During the Class Period, Defendant Paul, through entities he owns and/or controls (including Cannamed and the Paul Family Trust) sold CannTrust shares while having actual or constructive knowledge of the

material, non-public information described herein, including over three million shares in the Offering, and over 780,000 shares in the secondary market.

60. Mark E. Dawber ("Dawber") has been a director of CannTrust since 2017. He resides in Ontario, Canada. During the Class Period, Dawber was a member of the Audit Committee of CannTrust's Board of Directors. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused CannTrust to make the misrepresentations particularized below, including by signing the Offering Materials. Dawber was responsible for CannTrust's financial reporting process and the quality of its financial reporting. He was charged with the mandate of providing independent review and oversight of CannTrust's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of CannTrust's external auditors.

61. Mitchell J. Sanders ("Sanders") has been a director of CannTrust since 2015. He resides in Ontario, Canada. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, Defendant Sanders caused CannTrust to make the misrepresentations particularized below, including by signing the Offering Materials. During the Class Period, Sanders, through Cajun Capital Corporation Inc., which he controls, sold 250,000 CannTrust shares in the Offering while having actual or constructive knowledge of the material, non-public information described herein.

62. John T. Kaden ("Kaden") has been a director of CannTrust since October 22, 2018 until October 28, 2019. Kaden resides in New York in the United States of America. During the Class Period (as of February 14, 2019), Kaden was a member of the Audit Committee of CannTrust's Board of Directors, and was appointed to the Special Committee July 2019. As a board member, he adopted as his own the false statements made in each of CannTrust's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf, including by signing the Offering Materials. As a board member, he caused CannTrust to make the misrepresentations particularized below. Kaden was responsible for CannTrust's financial reporting process and the quality of its financial reporting. He was charged with the mandate of providing independent review and oversight of CannTrust's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of CannTrust's external auditors.

63. Mark I. Litwin ("Litwin") has been a director of CannTrust since 2015. He resides in Ontario, Canada. Litwin, on behalf of the board of directors, signed each of CannTrust's financial statements issued during the Class Period, and in doing so, he adopted as his own the false statements made in those documents, including by signing the Offering Materials. As a board member, he caused CannTrust to make the misrepresentations particularized below, including by signing the Offering Materials. During the Class Period, Litwin, through entities owned and/or controlled by him and his family members (including Cannamed, Mar-Risa Holdings, Inc., Forum Financial Corporation, and York Capital Funding, Inc.) sold CannTrust shares while having actual or constructive knowledge of the material, non-

public information described herein, including approximately 1.5 million CannTrust shares in the Offering, and over 2.3 million CannTrust shares in the secondary markets.

64. Shawna Page ("Page") has been a director of CannTrust since February 22, 2018. She resides in Ontario, Canada. As a board member, she adopted as her own the false statements made in each of CannTrust's annual financial statements released while she was a board member, particularized below, when such statements were signed on her behalf. As a board member, she caused CannTrust to make the misrepresentations particularized below, including by signing the Offering Materials.

65. Robert F. Marcovitch ("Marcovitch") has been a director of CannTrust since 2017. He resides in Washington State. During the Class Period, Marcovitch was a member of the audit committee of CannTrust's board of directors. As a board member, he signed SEC filings that contained false and misleading statements therein.

C. KPMG

66. Defendant KPMG has been engaged as CannTrust's auditor since 2018. KPMG purportedly provided audit services to CannTrust beginning in December 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.

67. KPMG issued a Report of Independent Registered Public Accounting Firm to the shareholders and Board of Directors of CannTrust that included an audit of CannTrust's consolidated statement of financial position, as of December, 31, 2018 (the "Audit Report").

KPMG consented to the use of its Audit Report and notes on CannTrust's consolidated financial statements for the year ended December 31, 2018. The Audit Report was published in numerous documents filed by CannTrust during the Class Period including the supplemental prospectus CannTrust filed on May 3, 2019.

D. Relevant Third Parties[7]

68. **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 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, such as Cam Fletcher and Nick Lalonde, 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.

69. **CW2** worked at CannTrust's headquarters at its Vaughan Facility from May 2019 until July 2019 as a Compliance Manager. CW2 was responsible for oversight and audits of CannTrust's business including their adherence to Health Canada's regulatory requirements. CW2 reported directly to Andrea Kirk, VP of Quality Operations, who reported to Defendant Aceto. CW2 initially shared an office with Andrea Kirk and Graham Lee, the Director of Quality and Compliance, but then Kirk moved to another office. According to CW2, Andrea

[7] All Confidential Witnesses ("CWs") are referred to with female pronouns, regardless of gender, to protect their identity.

Kirk would thereafter frequently come to their shared office to have closed door meetings with Lee and CW2 present.

70. **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.

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

72. **CW5** worked at CannTrust's headquarters at its Vaughan Facility from June 2018 until January 2020 as a Brand Manager. CW5 was hired by and worked for Jeff Zietlow, until Zietlow changed positions within CannTrust in December 2018. Then from December 2018 through October 2019, CW5 reported to Bernie Yeung until approximately October 2019. As a Brand Manager, CW5 was responsible for marketing CannTrust's products.

73. **CW6** worked at CannTrust's Niagara Facility from August 2018 to July 2019 as a Vault Inventory Supervisor. CW6 was responsible for overseeing the vault in the Niagara Facility that stored CannTrust's products after they were harvested, dried, cured, trimmed, and finished. CW6 reported to Chris Ash, Plant Manager. CW6 communicated with Defendant

Aceto during the Class Period when Defendant Aceto would visit the Niagara Facility, typically once a week. Indeed, Defendant Aceto visited the specific vault where CW6 worked.

74. **Nick Lalonde** worked at CannTrust's Niagara Facility from June 2017 to May 2019 as head of disposal operations. Shortly after Mr. Lalonde left CannTrust for a company outside the cannabis industry, Mr. Lalonde blew the whistle on CannTrust's illicit scheme of growing cannabis in unlicensed rooms to Health Canada. Specifically, on June 14, 2019, Mr. Lalonde sent Health Canada officials an email outlining the wrongdoing that took place at CannTrust during the Class Period, which included informing Health Canada that CannTrust staged photographs sent to Health Canada by erecting fake walls to conceal the unlicensed growing. When asked by The Voice, a weekly newspaper published in Pelham, Canada, why he came forward, Mr. Lalonde explained that his main motivation was to "show the country and the world that you shouldn't be scared to stand up for what's right. And for all the amazing employees that CannTrust lied to and made do illegal activities, risking their future for minimum wage."

75. **Health Canada**, pursuant to the Cannabis Act and the Cannabis Regulations, sets and enforces the standards required for production and sale of cannabis in Canada. Health Canada also held the sole authority to grant regulatory approval of all licenses and permits for cannabis production, as well as for any cannabis facility or growing rooms. In addition, Health Canada conducted site inspections of licensed producers, such as CannTrust to ensure regulatory compliance. According to Health Canada's website, "Health Canada can inspect the operations of a licensed producer at any reasonable time to confirm that the applicable legislative and regulatory requirements are being met."

V. SUBSTANTIVE ALLEGATIONS[8]

A. CannTrust Rapidly Expanded Its Growing Capacity in Light of Increased Demand for its Products

1. CannTrust's Medicinal Cannabis Business

76. 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. CannTrust sold various dried, extract, and capsule cannabis products to its approximately 58,000 medical patients that use the Company's products to treat a variety of medical conditions. The Company sold its medicinal products as dried flower (*i.e.*, dried plants), cannabis drops, encapsulated cannabis oil, and pre-rolled marijuana cigarettes. CannTrust has also developed, produced and sold a broad spectrum of concentrated, water-soluble, tasteless, and odorless consumer products, including food additives, beverages, edibles, and sprays—all providing the same intended effects as the Company's more traditional cannabis products.[9]

2. CannTrust Tries to Capitalize on Skyrocketing Demand Following the Legalization of Recreational Cannabis in Canada and the United States

77. CannTrust had been licensed to produce and sell medicinal marijuana in Canada for years prior to the start of the Class Period. 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

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[8] Unless otherwise noted, all references to CannTrust's business and operations refer to events that occurred during the Class Period as defined herein.

[9] During the Class Period the Company offered products under a variety of different marketing brands: liiv, Synr.g, Xscape, and Peak Leaf. CannTrust also offered different flavors of its cannabis products to attract new cannabis users who would were unfamiliar with the practice of smoking or otherwise consuming cannabis.

Facility"). Shortly thereafter, on February 9, 2015, the Company received its license to sell medicinal cannabis from Health Canada. But even by the start of the Class Period in June 2018, CannTrust was limited to selling its products to the approximately 58,000 customers who had a prescription from a medical professional to take cannabis as a treatment for a variety of conditions.

78. However, the legalization of recreational cannabis in Canada and in certain states within the United States presented a massive opportunity for CannTrust (and the cannabis industry) to grow its customer base exponentially. Rumors of legalization in Canada had been circulating for years after an increasing number of U.S. states began to legalize recreational cannabis including California and Colorado. Indeed, as far back as 2015, Canadian Prime Minister Justin Trudeau promised that he would legalize and regulate cannabis for recreational use in Canada. But, in 2017 the prospect of legal recreational cannabis in Canada became a reality. Specifically, on April 13, 2017, the Canadian government issued an official press release introducing legislation to legalize and regulate the use of recreational cannabis in Canada.

79. On June 26, 2018 (the first day of the Class Period) CannTrust issued a press release entitled "**CannTrust Positioned for Rapid Growth as Canada's Cannabis Act Receives Royal Assent**" that boasted to investors about CannTrust's position in the industry and ability to meet the production capacity needed to serve the soon-to-be booming recreational market: "***CannTrust is excited and well-positioned to enter this new marketplace and has the production capacity and infrastructure together with standardized products with precise label claims indicating the exact dosage, to immediately begin fulfilling adult consumer [i.e., recreational] use market orders on a national level***."

80. On October 17, 2018, the sale of cannabis for adult recreational use in Canada was legalized. According to the Wall Street Journal, "Canada became the largest country to legalize the recreational use of marijuana . . . , a potentially watershed moment for a nascent cannabis industry that is banking on showing the drug can be safely regulated." André Gagnon, a spokesman for Health Canada, was quoted by the New York Times as stating that October 17, 2018 "marked the end of nearly a century of criminal prohibition of cannabis and the launch of an entirely new regulated industry in our country."

3. Health Canada Strictly Regulated the Growing, Storing, and Sale of Medicinal and Recreational Cannabis

81. Along with the legalization of recreational cannabis 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.

82. 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.[10]

[10] The Cannabis Act replaced the old cannabis regulatory regime under the ACMPR standards, which had previously replaced the *Marijuana for Medical Purposes Regulations* ("MMPR") as of August 24, 2016. The Cannabis Act also replaced the *Controlled Drugs and Substances Act (Canada)* ("CDSA"), and both the ACMPR and CDSA were repealed the same day. However, like the Cannabis Act the previous ACMPR and CDSA regulations also imposed strict activity and location licensing requirements.

83. The Cannabis Act set forth a thorough regulatory framework and licensing scheme for Cannabis manufacturing companies such as CannTrust. The Cannabis Act contained detailed regulations and licensing requirements 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).

84. 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 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.*).

85. 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.

86. However, because of the legalization of cannabis in the Fall of 2018 and the resulting surge in cannabis production and applications for licenses, Health Canada allowed

cannabis producers to apply for licenses through an online portal known as the Cannabis Tracking and Licensing System ("CTLS").[11] As the Financial Post explained, "[a]s the number of licensed producers increased in the lead-up to legalization, Health Canada introduced an online portal called the [CTLS] where producers would submit any kind of amendment request through an online application form, which would then be reviewed by the department."

87. Critically, the license application process **required the producer to submit** an evidence package containing detailed visual evidence of the facilities compliance. For example, when applying for standard processing, standard cultivation, and sale for medical purposes with possession licenses, the license producer must send to Health Canada an evidence package with: (i) "Guided video tour of entire site (including both indoor and outdoor areas), highlighting all security features of the site perimeter, operations areas (including all grow areas) and storage areas. All devices must correspond to their location as indicated on the site plan (including all floor plans)"; (ii) "Photographic overview of each side of the defined site perimeter"; (3) "Visual recording device footage that includes the front, back and sides of the defined site perimeter (*e.g.*, east, west, south and north walls). Complete coverage may be best demonstrated by displaying multiple visual recording device feeds that capture an individual walking around the perimeter"; and (iv) "Footage from all visual recording devices in each operations areas (including the entry and exit points of the grow areas) and all storage areas." Additionally, the

[11] The Cannabis Act also allowed for Health Canada to conduct ad hoc, unscheduled site inspections of cannabis producers such as CannTrust to ensure compliance. According to Health Canada's website, "Health Canada can inspect the operations of a licensed producer at any reasonable time to confirm that the applicable legislative and regulatory requirements are being met." In the event that Health Canada's inspections uncovered violations, Health Canada could then issue the licensed producer a compliance report, informing the company of the violations and requiring corrective measures to be taken.

videos and images must "[c]apture the entirety of the areas identified (*i.e.*, no blind spots and/or obstructed views)."

88. It was well-known to all cannabis growers, producers, and sellers that failure to comply with these regulations would result in Health Canada seeking significant penalties against non-compliant producers, including the suspension and revocation of the producer's license to grow and sell cannabis in Canada. Indeed, CannTrust acknowledged that there would be serious adverse consequences to its business if it was found to be non-compliant with Health Canada regulations. In its Form 40-F for the year ended December 31, 2018 ("2018 Form 40-F"): "**A significant failure of the Company's site security measures and other facility requirements, including any failure to comply with regulatory requirements, could have an impact on its ability to continue operating under its Cannabis Licences or its prospects of renewing its Cannabis Licences, and could also result in a suspension or revocation of the Cannabis Licences**."

89. Moreover, Defendants were well aware of the severe ramifications of buying seeds on the black market and failing to comply with other applicable regulations. Indeed, Health Canada put all Canadian licensed producers on notice that if they fail to comply with the regulations, they *will* lose their licenses. For instance, Ascent Industries Corporation ("Ascent") deviated from applicable regulations by failing to meet its record keeping and other compliance requirements. On September 26, 2018, Health Canada partially suspended Ascent's producer's and dealer's licenses.

90. Similarly, Bonify Medical Cannabis ("Bonify") procured illegal cannabis from the black market and possessed, distributed, and sold product purchased from that illegal source. On February 4, 2019, Health Canada suspended its sales license and demanded Bonify to

"immediately suspend sales of all cannabis for both medical and nonmedical purposes." CannTrust therefore knew that if it failed to comply with applicable regulations that it would suffer the same fate as its peers.

4. CannTrust Rapidly Expanded its Production Capacity in Light of Increased Demand From Canadian and U.S. Legalization of Marijuana

91. As expected, almost immediately following legalization, demand for recreational cannabis skyrocketed—causing an imminent nationwide supply shortage of cannabis in Canada. According to a November 7, 2018 New York Times article, "Canada is running low on legal pot three weeks after sales of recreational marijuana were authorized."

92. Similarly, in November 2018, MarketWatch published an article explaining that "[a]fter more than a month of legal recreational marijuana sales in Canada, provinces say stores are still having trouble procuring enough pot from producers that have built large valuations on promises of selling tons of the drug."

93. Prior to and during the time when cannabis was legalized, CannTrust began a massive undertaking to expand its growing capacity in order to capitalize on the outsized demand for recreational cannabis thereby establishing itself as a market leader in the cannabis industry.

94. However, in order to accomplish this goal, CannTrust had to expand dramatically its growing capacity in a relatively short period of time. Accordingly, 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").[12]

[12] The Company acquired the facility through its wholly owned subsidiary, Elmcliffe Investments Inc. Specifically, Elmcliffe Investments is a wholly owned subsidiary of CannTrust Inc., and CannTrust Inc. is a wholly owned subsidiary of CannTrust Holdings, Inc.

95. 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). During the Class Period, 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.

96. However, before growing cannabis in the newly acquired Niagara Facility in accordance with Health Canada's stringent requirements, 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 chose to split the redevelopment of the facility into three phases. Splitting the conversion into three phases would 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.

97. 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.[13] 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 a total of twelve grow rooms with the

[13] 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.

capacity to produce an estimated 50,000 kilograms of cannabis per year.[14] 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.

98. As of the start of the Class Period, 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. Specifically, the five rooms that were last to get licensed were rooms RG8, RG9, RG10, RG11, and RG12. Accordingly, CannTrust was not permitted to grow cannabis in those five rooms for any purpose.

99. As discussed below, CannTrust did not receive those licenses from Health Canada until April 2019. Nonetheless, CannTrust started illicitly growing cannabis in those rooms by October 2018—in flagrant violation of Health Canada regulations—so Defendants could begin reaping the profits from the almost unrelenting demand for recreational cannabis.

5. CannTrust Replaced its Medicinal Cannabis Management Team With Individuals With Financial Backgrounds but With Little or No Experience with Cannabis Growing, Production, or Regulation

100. During the same time, in response to concerns over an inability to meet increased demand, CannTrust replaced the Company's senior management with individuals with finance backgrounds who had the corporate financial knowledge to take CannTrust from a medicinal cannabis producer to a trusted market-leader in the recreational and medicinal cannabis space. Accordingly, on October 1, 2018, CannTrust announced that Defendant Paul, CannTrust's co-founder and leader, had stepped down from his role as CEO, and has transitioned to Chairman of

[14] 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.

the Board and "Special Advisor" to CannTrust's management team. Defendant Aceto, a former CEO and President at Tangerine Bank, replaced Defendant Paul as CEO effective immediately.

101. Because of his extensive background in corporate finance, Defendant Aceto was appointed with one goal in mind—to maximize capacity and take advantage of the limitless demand facing the cannabis industry at the time. Indeed, as the Financial Post reported, Defendant "Aceto was brought in to lead CannTrust in a climate where licensed producers were under pressure to scale-up production because of a nationwide supply shortage."

102. Shortly thereafter, in November 2018, CannTrust continued to re-vamp its management team and announced the departures of the Company's long-time president, Defendant Rogers, who is credited with growing CannTrust from 20 to nearly 500 employees at the time of his departure, as well as Michael Ravensdale, CannTrust's SVP of Quality and Production Management.[15]

103. However, this transition meant that the Company was at that time being run by corporate finance rather than medicinal cannabis executives. Indeed, according to several CannTrust employees that spoke to the Financial Post, the change in leadership resulted in the Company being run by "a group of 'young, inexperienced growers calling the shots.'" The article further explained that those same CannTrust employees recalled that at that time the Company became "disorganized and chaotic" and that this change in management "was the beginning of a major shift in the [C]ompany's workplace culture, one that saw a drive towards increased productivity 'at all costs.'" The Company would soon find out that attention to detail, and ensuring adherence to regulations in a highly regulated industry like recreational cannabis

[15] As discussed below, on February 19, 2019, CannTrust also replaced their Chief Financial Officer Defendant Abramowitz, with Defendant Guyatt who had no prior cannabis experience.

was as critical, if not more critical, to CannTrust's success than simply driving increased productivity at all costs.

B. CannTrust Purposefully Violated the Cannabis Act In Order to Take Advantage of Massive Demand For Recreational Cannabis

104. Leading up to Canada's legalization of cannabis in October 2018 (and the surge in demand it created), CannTrust—led by its newly-appointed CEO Defendant Aceto and new "Special Advisor" Defendant Paul—began implementing an expansion and growing strategy that would allow CannTrust to profit from the dramatic increase in demand. The key to this expansion and growing strategy was to increase the Company's growing capacity—and its profits—by growing massive amounts of cannabis in illegal, unlicensed rooms at the Niagara Facility and hiding it from Health Canada.

105. Similarly, and at that same time, when Defendants ran out of licensed space to store the excess cannabis grown in the unlicensed rooms, they chose to store the overflow in similarly unlicensed rooms in the Company's Vaughan Facility. Simultaneously, Defendants were committing a number of other regulatory violations including the use of cheaper, black-market cannabis seeds in order to maximize profits and then selling that cannabis with false labeling stating that the cannabis came from an approved cannabis strain.

106. Critically, in addition to knowingly violating Health Canada's strict regulations, Defendants also repeatedly concealed this fact from investors despite profiting handsomely themselves by selling considerable amounts of stock and raising approximately $200 million of cash in the Offering—all prior to Defendants' illicit scheme becoming public.

107. By engaging in this illicit practice, Defendants put the entire Company (and investors' money) at risk. Indeed, were Health Canada to uncover CannTrust's illicit growing strategy and suspend or terminate the Company's license to grow and sell marijuana from those

unlicensed rooms or even altogether, the foreseeably result would be the end of the Company's apparently legitimate and sustainable revenue stream.

1. CannTrust Began Illegally Growing and Storing Cannabis in Unlicensed Rooms

108. Defendants' fraudulent concealment of their illegal growing strategy is straightforward. At the time that recreational cannabis became legal in Canada, CannTrust's Niagara Facility was the Company's only growing facility. The Company's other facility, the Vaughan Facility, was repurposed into solely an extraction, manufacturing, and packaging facility (*i.e.*, where the raw cannabis grown at the Niagara facility was sent to be packaged and shipped to customers). The Niagara Facility consisted of twelve grow rooms total. However, by October 2018, CannTrust was unable to utilize the Niagara Facility at full capacity because only seven of the twelve rooms had the proper Health Canada license to allow the growing of cannabis at that time.

109. Five of the grow rooms—RG8, RG9, RG10, RG11, and RG12—did not have the proper Health Canada licenses, and therefore CannTrust was prohibited from growing cannabis inside them. But, for Defendants, the fact remained that they were not producing enough cannabis to keep up with demand. Growing in those rooms would allow Defendants to sell more cannabis and vastly increase their profits. So they did.

110. From October 2018 through March 2019, Defendants grew cannabis in those five unlicensed rooms within their Niagara Facility—in direct violation of Health Canada regulations. This foreseeably put the Company's ability to continue selling recreational and medicinal cannabis in serious jeopardy, which in turn put the Company's revenue stream at risk.[16]

[16] As discussed in Section V.F.2, *infra*, Defendants eventually admitted to this illicit growing practice. In their July 8, 2019 press release the Company stated: "[g]rowing in unlicensed rooms

111. Defendants' carried out their unlicensed growing scheme, in part, by instructing their employees, including whistleblower Nick Lalonde, to conceal the unlicensed rooms and the plants therein by staging photographs sent to Health Canada to make it appear as though the unlicensed rooms were empty when they were not. As discussed below, Mr. Lalonde detailed CannTrust's wrongdoing in an email he sent to Health Canada, which explained that CannTrust was growing thousands of plants in unlicensed growing rooms at the Niagara Facility.

112. Mr. Lalonde's description of Defendants' illicit growing scheme is corroborated by numerous CannTrust employees who observed the growing of cannabis plants in unlicensed rooms. For example, CW1 confirmed that she knew about the plants in the unlicensed rooms during the Class Period. CW2 also recalled that during the Class Period, Defendants were growing cannabis in unlicensed rooms. According to CW4, the illegal growing started at the same time that Defendant Aceto took over as CEO. Similarly, CW2 explained that there were discussions in Vaughan about the illegal growing activities in the Niagara Facility "way before" May 2019.

113. Critically, 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. But that did not stop Defendants. Defendants went

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took place from October 2018 to March 2019 during which time CannTrust had pending applications for these rooms with Health Canada." This unlicensed growing ultimately led to CannTrust receiving a compliance report from Health Canada, and as the July 8, 2019 press release indicated, the "non-compliant rating is based on observations by the regulator regarding the growing of cannabis in five unlicensed rooms. . ."

ahead anyway and chose to store the excess unlicensed grown cannabis inside unlicensed storage rooms in the Vaughan Facility.[17]

114. Multiple 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. For instance, CW3 recalled that some cannabis being stored in the Vaughan Facility that had been highlighted in the violations by Health Canada was the same cannabis grown in the rooms in the Niagara Facility without proper permitting. 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.

115. CW2 similarly recalled that CannTrust was doing the same thing in Vaughan as it was in Niagara by storing product in unlicensed rooms. CW2 stated that CannTrust had opened up extra areas in the Vaughan Facility that had also not received the proper permitting from Health Canada, and those areas were referred to internally as "the new warehouse."

116. CW2 explained that CannTrust had decided to use the warehouse in the Vaughan Facility because it needed it for all the product coming from Niagara, and that CannTrust knew it was waiting for the licenses to come through from Health Canada but they said "screw it, we are

[17] As with the illicit growing in unlicensed rooms, Defendants also eventually admitted to the illicit practice of storing cannabis in unlicensed rooms at the Vaughan Facility. Specifically, the Company's August 12, 2019 press release noted that Health Canada has uncovered "[t]he conversion of five rooms from operational areas to storage areas, which were used for storage since June 2018 without prior approval of Health Canada and that "CannTrust has accepted Health Canada's findings and remedial actions are underway."

just going to use them." CW2 also recounted an example of a room that was supposed to be for packaging but CannTrust was using it for storage of excess dry cannabis. CW2 further recalled that CannTrust Director of Distribution Luca Rea told CannTrust employees "don't tell anybody . . . we do not have anywhere to put anything."

117. In fact, according to several former CannTrust employees—whose accounts of the unlicensed growing strategy were published in a July 24, 2019 Financial Post article—**photographic evidence of cannabis being grown in one of the unlicensed rooms (and Defendant Aceto's undeniable knowledge of that fact) actually appeared in a CannTrust promotional video that was published on CannTrust's YouTube account on February 27, 2019**. Specifically, according to the Financial Post news article, five former CannTrust employees confirmed to the Financial Post that the Company's February 27, 2019 YouTube video shows Defendant Aceto standing outside grow room RG8—one of the five unlicensed rooms—while it was still unlicensed yet **filled with cannabis plants**.

118. According to the former employees, several of them knew the video depicted unlicensed growing in RG8 because "[t]hree of those employees worked in the room as grow technicians between October 2018 and April 2019" during the time when RG8 was unlicensed. And two of those employees "saw the video being filmed in early 2019." The following image is a screen shot from the February 27, 2019 YouTube video of the specific scene described by the former employees of Defendant Aceto (pictured on the left, with the green hairnet) standing in front of the unlicensed RG8 growing room with cannabis plants inside RG8 in the background:

2. **Defendants Hid the Unlicensed Growing from Health Canada**

119. As explained above, Health Canada required producers who sought license approval to submit an evidence package consisting of, *inter alia*, photographs of each grow room in each facility. However, CannTrust could not easily submit photographs of the yet to be licensed rooms at the Niagara Facility because, at the time, **Defendants had already put thousands of cannabis plants in those rooms in violation of Health Canada regulations**. CannTrust was nonetheless required to send photographs of the rooms as part of the evidence package in order to obtain licenses. Thus, Defendants took it upon themselves to hide the illicit growing strategy.

120. In order to conceal the plants in the unlicensed rooms, CannTrust management (at the direction of Defendants Aceto and Paul) told CannTrust employees to hang fake walls in front of the thousands of plants in the unlicensed rooms so when photographs of the rooms were

taken, it would appear as though the rooms were empty. Indeed, as whistleblower Mr. Lalonde explained in an email he wrote to Health Canada detailing Defendants' wrongdoing, he had been asked by his supervisors to hang white poly walls so that the unlicensed rooms would appear empty in photographs the Company submitted to Health Canada. In fact, Mr. Lalonde even suggested to Health Canada how to confirm that the Company engaged in this illicit practice telling Health Canada: "If you look through the camera footage prior to the dates the pictures were taken and requested you will clearly see us hanging up white poly walls to cover up thousands of plants." Furthermore, according to Mr. Lalonde, CannTrust employees were also "moving tables with hundreds of plants on them out of the camera view, just to snap a picture of the room with nothing in it."

121. Other former CannTrust employees confirm Mr. Lalonde's contentions. For example, CW1 also recalled that CannTrust hung up curtains to to make it look like there were not cannabis growth activities in those rooms. CW1 confirmed that she knew at the time that CannTrust staff removed the plants from the unlicensed rooms, hung up curtains, and took framed pictures to make it look like there were no growth activities occurring in those rooms.

122. Likewise, with respect to the cannabis being stored in unlicensed rooms in the Vaughan Facility, CW2 recalled that when she questioned Director of Distribution Luca Rea about how they were going explain to Health Canada that they were using a room to store excess dry cannabis contrary to the room's permitted use, Luca Rea's response to CW2 was to "just put some bins in front of it" so the regulators would not ask about it. Indeed, CW2 explained that the purpose of putting storage containers in front of the doors of the rooms was to "deter" Health Canada from wanting to enter those unlicensed storage rooms.

3. Defendants Themselves Directed the Illicit Growing and Storing of Cannabis in Unlicensed Rooms

123. Defendant Aceto personally directed the illicit growing strategy at CannTrust notwithstanding the serious risk it was putting CannTrust (and investors' money) in. Indeed, CannTrust executives indisputably knew that the Company was growing cannabis in five unlicensed rooms from the beginning of the Class Period. To be sure, the decision to engage in the illegal growing strategy came directly from the Company's top executives, namely Defendant Aceto.

124. According to a BNN Bloomberg news article which obtained internal CannTrust emails, on November 14, 2018—the same day as the conference call discussing the earnings result for the third quarter of 2018 ("3Q 2018 Earnings Call")—the Company held a weekly production meeting, which was attended by at least seven CannTrust employees, including three vice-presidents and Graham Lee, the Company's Director of Quality and Compliance. The purpose of the meeting was to provide updates on developments at RG9, one of five unlicensed rooms at the Company's Niagara Facility. During the meeting, senior CannTrust staff confirmed that RG9 was not licensed by Health Canada and that further work in the room "needs [to] be run up the chain before anything is planted in there."

125. According to the internal emails, at the production meeting held the next week on November 21, 2018, the meeting minutes stated that RG9 remained unlicensed but Lee—who attended each of the production meetings—stated he **spoke to Defendant Aceto about the unlicensed room and was instructed to "continue as planned."** Defendant Aceto and Lee's "plan[]" was to begin planting cannabis in the unlicensed rooms despite knowing that they were not yet approved by Health Canada.

126. The emails continued to detail that, a week later, at the November 28, 2018 weekly production meeting, the minutes similarly stated that CannTrust employees had submitted an application to Health Canada for the RG9 license and were still waiting for approval from the federal regulator. Yet, the minutes went on to state that CannTrust still decided to plant a huge quantity of cannabis in RG9 that day noting: "**Still moving forward with planting today – 3 lots.**" One lot is approximately 1,000 cannabis plants, which can produce as much as 1,000 kilograms (or 2,200 pounds) of marijuana, Thus, **Defendants planted approximately 3,000 plants in RG9 without a license, enough to produce 3,000 kilograms (or 6,600 pounds) of cannabis.**

127. In addition to weekly production meetings, the unlicensed rooms were also discussed in Quality Control Meetings. For example, CW1 recalled that at the Quality Control meetings, which were held weekly in Niagara, and attended by Epp, Scott Rolph, Emily Tarrant, Emily Mclinchey, and others, issues at the Niagara Facility were discussed. Specifically, CW1 explained that at these meetings, they discussed the Niagara Facility "not being up to par," documents not being filled out properly, cleanliness issues along with other quality issues. CW1 further explained that they openly discussed the unlicensed grow rooms, RG8-12, and referred to them by their numbers.

128. Indeed, CW1 recalled that they openly discussed making sure those rooms were clean before the plants were put in but CW1 explained that she refused to partake in documenting the related cleaning logs because the rooms were unlicensed. According to CW1, because she "pushed back" by saying that it was "above her pay grade," those logs were handled by someone else. CW1 recalled that Rolph and Mclinchey also pushed back on the unlicensed rooms.

129. Notably, CW1 explained that Tarrant took the notes for the minutes at those Quality Control Meetings and that all documents and minutes "went to corporate" in Vaughan. CW1 stated that the minutes sent to corporate reflected discussions of RG8-RG12, and CW1 confirmed that those discussions that were reflected in the minutes included references to the unlicensed rooms.

130. Defendants' knowledge of the illicit growing strategy and direct participation in the fraud on investors was further confirmed in another article detailing their brazen and risky scheme. A July 23, 2019 Globe & Mail article revealed that—based on internal CannTrust emails that the news organization obtained—"[b]oth the chairman and the chief executive officer of CannTrust Holdings Inc. were informed that the [C]ompany was growing cannabis in unlicensed rooms about seven months before Health Canada uncovered the regulatory breach."

131. Indeed, according to internal CannTrust emails sent directly to Defendants Aceto and Abramowitz and was forwarded on the same day to Defendant Paul in November 2018, Graham Lee, CannTrust's Director of Quality and Compliance expressed relief that Defendants "**dodged some bullets**" because Health Canada did not find out about Defendants' growing in the unlicensed rooms during an in-person, on-site inspection. The emails confirmed that CannTrust executives—including Defendants Aceto, Paul and Abramowitz—were aware that this unlicensed growing was occurring in multiple rooms, as well as the fact that doing so posed a significant risk and exposed the Company to potential liability. The article revealed the explosive contents of the email:

> In an e-mail dated Nov. 16, 2018, Graham Lee, CannTrust's [D]irector of [Q]uality and [C]ompliance, informed [Defendant] 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 [Health Canada] in the building," Mr. Lee wrote.

Along with [Defendant] Aceto, the e-mail was sent to [Defendant] Ian Abramowitz, a CannTrust executive who was chief financial officer at the time, and Ilana Platt, the [C]ompany's vice-president of innovation and regulatory affairs.

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The November e-mail was sent shortly after a targeted inspection of CannTrust's Pelham [F]acility 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 [Health Canada], 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 [e]ffect," 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 [Health Canada] visits [the] Vaughan [Facility] in the near future and that could compound [Health Canada'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."

132. Former CannTrust employees further corroborated the internal emails in which Defendant Aceto directed employees to grow in unlicensed rooms and conceal the illicit growing from Health Canada. For example, CW1 recalled that Defendant Aceto and the executives in Vaughan "dictated" what they did at the facility level and corporate level, such as Graham Lee, "mandated all aspects of the business" including growth, and how they set-up the greenhouses.

133. Similarly, CW6 recalled that the decision to grow in the unlicensed rooms came from Defendants Aceto and Abramowitz. According to CW6, Defendant Aceto visited the Niagara Facility typically once a week. CW6 also stated that Defendant Abramowitz and Defendant Guyatt also visited the Niagara Facility.

134. Likewise, former CannTrust employees also recounted that other CannTrust executives had knowledge of the Company's unlicensed growing as well. For instance, CW2 recalled that both Andrea Kirk, VP of Quality Operations, and Lee knew about the unlicensed growing and that **Lee had told the executives and the board of directors that if Health Canada found out about the rooms, "there was going to be a lot of issues."** Yet, while CW2 stated that Kirk and Lee knew about the unlicensed rooms in the Niagara Facility, the decision to go ahead with growing in those rooms was made by Defendants Aceto and Paul. CW2 was privy to this information because she sat in the same office as Lee, and Kirk would frequently come to their shared office to have a lot of closed door meetings.

135. Additionally, with respect to storing the excess unlicensed-grown cannabis in the unlicensed storage rooms in the Vaughan Facility, CW2 recalled that the decision to store in the warehouse was made by Kirk with Defendant Aceto's and the Board's blessing. CW2 explained that those decisions were made in an Upper Management meeting attended by Defendant Aceto, Defendant Abramowitz, Defendant Paul, Kirk, Lee, and others. These Upper Management meetings were scheduled monthly and held in the boardroom in Vaughan. CW2 further explained that Kirk instructed her to audit the unlicensed rooms or "new warehouse." Yet, after CW2 audited the warehouse and wrote up her findings and detailed the problems, she was told that the warehouse was going to be used anyway. Additionally, CW2 explained that Defendant Paul and Graham met regularly, and that Defendant Paul was on site regularly.

4. Defendants Grew Cannabis Using Illegal, Black Market Seeds In Order to Increase Production

136. 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 and selling the cannabis as a different, Health Canada- approved strain. 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 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.

137. Indeed, according to a September 6, 2019 BNN Bloomberg article—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 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.

138. According to the internal documents cited in the article, in an effort to conceal the use of the black market cannabis seeds from regulators, CannTrust employees changed the names of as many as twenty strains to names which the Company was already licensed to sell in the medicinal and recreational markets.

139. The article went on to quote one of the sources who stated: "I can guarantee you they would harvest [plants that originated from black market seeds], trim them and send them out . . . Guaranteed, they went to the legal market. I can tell you 100 per cent they did."

140. According to three of the sources cited in the article, the use of black market seeds ramped up shortly after CannTrust president Brad Rogers and head of production, Michael Ravensdale, left the Company in October 2018.

141. However, according to other former employees, Defendants' use of black market seeds to bolster CannTrust's production capacity began as early as June 2018. Specifically, CW5 stated that three of the strains that she was responsible for selling were "cultivated illegally" and came from seeds not approved by Health Canada. According to CW5, specifically "Blueberry Kush" and "Gold Kush" were two of the strains that were cultivated illegally. She went on to say that at CannTrust, the Blueberry Kush and Gold Kush strains were "snuck in" to their operations and grown at mass. According to CW5, CannTrust then sold them without the proper permitting and one was even an award winning strain.

142. CW5 went on to say that CannTrust did not go through the proper Health Canada channels to have those strains become a part of the Company's "assortment." According to CW5, the Blueberry and Gold Kush were some of the most potent strains sold by CannTrust.

143. CW5 confirmed that she knows that Gold Kush was being grown by CannTrust before the Cannabis Act had even passed and specifically that it was launched about a week before she joined the Company in June 2018.

C. CannTrust Misled Investors About Growing and Storing Cannabis in Unlicensed Rooms and Knowingly Violating Health Canada Regulations

144. Despite the magnitude of the scheme to defraud that CannTrust was perpetrating, throughout the Class Period, Defendants repeatedly concealed the truth about the illicit growing and storing schemes at the Niagara and Vaughan Facilities from investors.

145. During the Class Period, Defendants consistently told investors that CannTrust was in compliance with applicable Health Canada regulations despite knowing they were illicitly growing and storing cannabis in unlicensed rooms. In doing so, Defendants also concealed the risk of being caught by Health Canada for growing and storing cannabis in unlicensed rooms and having to put holds on their inventory, being banned from producing any more cannabis, and losing their license to sell cannabis which in turn put the Company's only revenue stream at risk.

146. Likewise, prior to the Niagara Facility receiving the necessary licenses and permits to legally grow cannabis in each of its rooms (which they eventually received in April 2019), Defendants repeatedly told investors that CannTrust was in a position to materially expand its growing capacity with the upcoming approval of the unlicensed growing rooms at the Niagara Facility.

147. But Defendants concealed the fact that they had already been growing in the unlicensed rooms despite not having the necessary licenses and permits. This undisclosed fact

rendered their statements about increased capacity and attributing their success to increased capacity materially misleading because the true reason for the increased capacity was the illicitly grown cannabis. As such, Defendants also concealed the risk of being caught by Health Canada for growing and storing cannabis in unlicensed rooms and having to put holds on their inventory, being banned from producing any more cannabis, and losing their license to sell cannabis and thereby risking the complete loss of their only revenue stream.

148. After the Niagara Facility received the necessary licenses and permits to grow in each of its rooms in April 2019, Defendants continued to tout to investors that they were now fully licensed and in position to capitalize on the increased growing capacity. However, as before, Defendants failed to disclose that they had already been growing in unlicensed rooms prior to ever receiving the necessary licenses and permits which was the true reason for the Company's increased cannabis production. As with the above, Defendants also concealed the continued and on-going risk of Health Canada uncovering the illicit growing and storing strategy and having to put holds on their inventory, being banned from producing any more cannabis, and losing their license to sell cannabis which in turn put the Company's only revenue stream at risk.

149. Finally, as a result of their illicit growing strategy, Defendants reported materially overstated inventory, biological assets and profitability figures because they falsely included the cannabis that was grown and stored in unlicensed rooms and sold thereafter in those financial figures. Included in those falsely issued financial statements was the Company's 2018 consolidated financial statements which were purportedly audited by Defendant KPMG who knowingly or recklessly issued a clean audit report which contained misleading financial figures and misstatements about KPMG's audit.

1. Defendants Touted Being In Compliance with Applicable Regulations

150. During the Class Period, Defendants also blatantly misled investors about CannTrust's compliance with Health Canada regulations. Yet at the same time those statements were made, Defendants knew that the Company was growing and storing cannabis in unlicensed rooms—in direct violation of Health Canada regulations.

151. For example, on January 8, 2019, CannTrust filed with the SEC a Form 40-F registration statement pursuant to Section 12 of the Exchange Act (the "January 8, 2019 Form 40-F), which was signed by Defendant Abramowitz. Filed with the January 8, 2019 Form 40-F were 130 exhibits. The January 8, 2019 Form 40-F, through those exhibits, touted that CannTrust was complying with all applicable regulations:

> The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, ***the Company is currently in compliance with all such laws***.

152. Similarly, the January 8, 2019 Form 40-F stated:

> Health Canada conducts ad hoc, unscheduled site inspections of Licensed Producers. CannTrust Opco has experienced these inspections at its Vaughan Facility on a monthly basis. CannTrust Opco has responded to and complied with all requests from Health Canada within the time frames indicated in such requests. ***As of the date hereof, there are no outstanding inspection issues with Health Canada beyond day- to- day adjustments that may occur in order to ensure ongoing compliance***.

153. The January 8, 2019 Form 40-F further stated that "[t]he 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***."

154. Likewise, on March 28, 2019, CannTrust filed its 2018 Form 40-F, which was signed by Defendant Guyatt and accompanied by certifications pursuant to the Sarbanes-Oxley Act ("SOX") Sections 302 and 906 signed by Defendants Aceto and Guyatt. Notably, CannTrust touted to investors in the 2018 Form 40-F that 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***."

155. The 2018 Form 40-F further stated "[t]he Company distributes its recreational cannabis products in accordance with the federal and provincial regulatory frameworks" and continued that "any expansion of the Niagara Facility is subject to Health Canada regulatory approvals." And despite knowing that once Health Canada discovered the growing in the five unlicensed rooms that they would lose approval to continue operations and not meet demand, Defendants stated, "[t]he delay or denial of such approvals may have a material adverse impact on the business of the Company and may result in the Company not meeting anticipated or future demand when it arises."

156. Likewise, despite knowing the consequences of Health Canada finding out that they were growing in rooms prior to receiving the proper licenses, Defendants continued to tout in both the 2018 Form 40-F and the March 28, 2019 Form 6-K, with respect to increasing production in their Niagara Facility, that the "***Company is positioned to receive all necessary regulatory approvals to support this planned growth.***"

157. Defendants continued to conceal the truth during the March 28, 2019 conference call discussing the earnings result for the fourth quarter of 2018 ("4Q 2018 Earnings Call") when asked directly about the outstanding licenses in the Company's Phase 2 expansion plan. Indeed,

Defendant Aceto blatantly misled investors when explaining that Defendants were still waiting on Health Canada approval on the final rooms of Phase 2, while reassuring investors that CannTrust planted in the licensed rooms and will plant in the remaining rooms, but only once they receive the proper licenses.

158. Specifically, during the 4Q 2018 Earnings Call, Defendant Aceto explicitly stated in a back-and-forth with an analyst that Defendants had planted in licensed rooms, while omitting that they had also planted in unlicensed rooms:

> **Analyst:** Okay, got it. And last question here is, so you mentioned that construction of Phase 2 is now complete, but could you talk a bit more about where are you in ramping up the growing and planting of the Phase 2? And what licensing, if any, is still outstanding for the Phase 2 part?
>
> **Defendant Aceto:** Yes. So the construction is complete on Phase 2, and we await final license. So we have a broad license which we make amendments to, which has created sort of efficiency in our process with Health Canada. ***But there still remains our last few rooms that we await Health Canada approval from, and we will continue to wait for that.*** Their turnaround times have been generally reasonable. ***So the last rooms, we await final licensing for.***
>
> **Analyst:** And the rest have been planted, I assume?
>
> **Defendant Aceto:** ***Correct. Anything that's been licensed has been planted***.

159. Additionally, on April 8, 2019, CannTrust issued a press release that quoted Defendant Aceto touting CannTrust's ability to always "meet and exceed regulatory standards":

> ***We have always been confident that our processes meet and exceed regulatory standards, and we now have further validation of this from our regulators*** . . . . With this approval, CannTrust is set to meet its plan to reach 50,000kg of annualized capacity at the perpetual harvest greenhouse and continue providing award-winning products in a cost-effective manner.

160. Defendants' statements and material omissions affirming CannTrust's compliance with all applicable regulations were false and misleading because contrary to Defendants' statements CannTrust was purposefully violating Health Canada regulations in order to increase

production capacity and capitalize on increasing demand. Among other regulatory violations, CannTrust: (1) illicitly grew cannabis in unlicensed rooms at the Niagara Facility; (2) illicitly stored cannabis in unlicensed rooms at the Vaughan Facility; and (3) grew and sold marijuana from unlicensed, black-market seeds. Defendants knowingly engaged in these activities but failed to disclose the practices to investors despite knowing that were Health Canada to uncover the practices, CannTrust would have its licenses to grow and sell marijuana suspended or revoked which in turn put the Company's only revenue stream at risk.

2. From November 2018 through April 2019 Defendants Touted CannTrust's Success and Growth Due to Increased Capacity and Expansion of the Niagara Facility

161. Throughout the Class Period, Defendants repeatedly touted CannTrust's success and growth to investors, and attributed that success and growth to the increased capacity and expansion of the Niagara Facility. In doing so, Defendants led investors to believe that the Company was in position to meet the surge in demand for cannabis and become a market leader in recreational and medicinal cannabis sales. Accordingly, Defendants reassured investors that they had taken certain steps and implemented the regulatory requirements required to do so.

162. However, unbeknownst to investors, Defendants were growing cannabis in five unlicensed rooms within their Niagara Facility from October 2018 through March 2019 and then storing that excess cannabis in unlicensed rooms at the Vaughan Facility. Thus, even if the CannTrust's expansion plans and success were literally true, Defendants concealed from investors that the real reason CannTrust's capacity was increasing was because the Company was engaging in an illicit, unlicensed growing strategy in order to take advantage of the surging demand despite attributing the Company's success and growth to other factors. Moreover, Defendants failed to disclose the practices to investors despite knowing that were Health Canada

to uncover the practices, CannTrust would have its licenses to grow and sell marijuana suspended or revoked which in turn put the Company's only revenue stream at risk.

163. For example, on June 26, 2018—the first day of the Class Period—Defendants touted: "CannTrust is excited and well-positioned to enter this new marketplace and has the production capacity and infrastructure together with standardized products with precise label claims indicating the exact dosage, to immediately begin fulfilling adult consumer use market orders on a national level."

164. Similarly, on August 14, 2018, CannTrust issued a press release, touting that "[o]perating a facility of this scale, CannTrust is well-positioned to meet the increased Canadian and global demand for cannabis."

165. On October 1, 2018, CannTrust issued a press release, announcing the appointment of Defendant Aceto as CEO and boasting, "CannTrust is a front-runner in the industry and perfectly positioned to continue its exponential growth in Canada and abroad following the legislative changes set to become effective in Canada on October 17th."

166. Likewise, on November 14, 2018, Defendants issued a MD&A based on information available to management as of November 13, 2018, which was filed with SEDAR that same day touting the Company's ability to meet surging demand: "***With the completion of all phases of the Niagara expansion, the Company will have the ability to supply a substantial share of the increased demand*** arising from international markets."

167. Similarly, in a December 19, 2018 press release, Defendant Aceto continued to reassure investors that the Company had no issues meeting demand by using its other greenhouses: "***The use of other greenhouses and outdoor crop production are both viable***

options that can help us meet our production targets. If developments change our production targets, we plan to communicate that with investors."

168. Analysts were encouraged by Defendants' ability to leverage and profit from the surge in demand of recreational cannabis. For example, on December 21, 2018, ROTH Capital Partners ("ROTH Capital") initiated a "Buy" rating on CannTrust and reported, "[o]ngoing production expansion allows recreational focus around own brands and potential for new alcohol beverage, food, and cosmetics partnerships."

169. However, Defendants' statements were false and misleading because the true reason CannTrust had "***the ability to supply a substantial share of the increased demand***" and "***meet [its] production targets***" was not because of any "***alternatives to increase capacity***" or the "***completion of all phases of the Niagara expansion***" but because the Company was, at the time these statements were made, knowingly engaging in an illicit growing strategy in direct violation of Health Canada regulations in order to increase its cannabis production capacity.

170. Indeed, as set forth in Section V.B, *supra*, Defendants Aceto, Paul, and Abramowitz knew that CannTrust was growing cannabis in five unlicensed rooms at the Niagara Facility and that CannTrust purposefully concealed that fact from Health Canada by ordering Company employees to hang up fake walls and stage photographs to make it appear as though the unlicensed rooms were empty.

171. Defendants continued to make similar false and misleading statements concealing the Company's illicit growing strategy right up until the time the Company actually received its license. For example, in an interview with Global Edmonton News Morning on January 9, 2019, Defendant Aceto again touted that "***every single week that goes by, we're getting new records in***

terms of what we're getting out and so it is getting better all the time, and I think you can expect that improvement to continue."

172. Analysts continued to believe that CannTrust was well positioned to profit from increased demand, establishing the Company a major player in the cannabis industry. For instance, on January 22, 2019, Canaccord Genuity Capital Markets ("Canaccord") opined, after discussing the Company's Phases 2 and 3, that "[w]e continue to believe CannTrust is generating strong momentum and market share gains within the segment, as we estimate the [C]ompany is capturing more than a third of all new medical patients registered with Health Canada."

173. Furthermore, within CannTrust's 2018 Form 40-F, which was filed on March 28, 2019, Defendants touted that "***[t]he redeveloped [Niagara] Facility provides the Company with increased production capacity to meet growing market demand.***"

174. The 2018 Form 40-F also misleadingly boasted to investors about the remarkable increased revenue, biological assets, and inventory the Company had achieved, omitting, of course, the illicit scheme underlying this apparent growth, and thereby painting an artificially inflated picture of the Company's financial health, as reflected on its balance sheet and income statement:

- ***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***.
- 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.
- 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.***
- 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.***
>
> - ***Record annual revenue 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.

175. On March 28, 2019, Defendants also issued a press release attached to a Form 6-K signed by Defendant Guyatt and dated that same day, which also boasted about the Company's success while omitting that the primary reason for the success came from the Company's unlicensed growing. For example, in the March 28, 2019 press release, Defendant Aceto touted that the "***CannTrust team has delivered remarkable growth in the fourth quarter of 2018***" and that "***CannTrust remained in a strong financial position***." Moreover, in connection with detailing the specific revenue increases, the press release continued to explain that the "***increase in revenue was attributable to increased sales volumes primarily due to the continued growth in the Company's medical patient base and sales derived from the recreational market in Canada***."

176. Defendants' positive statements about the Company's strong financial position, ability to meet the high demand for cannabis, and the expansion of the Niagara Facility continued to leave analysts and the Company's investors in the dark with respect to Defendants' illicit practice of growing and storing cannabis in unlicensed rooms and the serious consequences or risks the practice posed if Health Canada found out.

177. For example, a report by ROTH Capital on March 29, 2019, which issued a "Buy" rating on CannTrust stock, relied on Defendants' assurances that CannTrust was not yet growing in the remaining rooms in the Niagara Facility's Phase 2, and that once Defendants obtained approval from Health Canada, they would be operating at improved capacities.

Specifically, the report stated, "[t]he Company expects gross margins to improve by the second half of this year due to potential price increases and production efficiency improvements now that the Phase 2 build is soon to be fully licensed." Likewise, that same day, Canaccord issued an analyst report noting that "CannTrust has yet to fully ramp-up production within its recently expanded [Niagara Facility]." On April 1, 2019, Jefferies similarly reported that CannTrust's "facility [was] not yet at full operations."

3. Defendants Overstated Their Audited Financial Figures, Including Revenues and the Values of Inventory and Biological Assets

178. Throughout the Class Period, Defendants routinely touted their positive financial figures, including their values of inventory and biological assets. However, what Defendants did not disclose to investors was that those values **included revenue, inventory, and biological assets that were being grown in the five unlicensed rooms**. Moreover, Defendants failed to disclose the practices to investors despite knowing that were Health Canada to uncover the practices, CannTrust would have its licenses to grow and sell marijuana suspended or revoked, which in turn would put the Company's only revenue stream at risk as well as the Company's biological assets and inventory, which could be seized or ordered to be destroyed.

179. The fact that CannTrust's inventory and biological assets were overstated during the Class Period cannot be disputed. Indeed, on August 1, 2019, the Company disclosed that the value of impacted inventory and biological assets from the five unlicensed rooms totaled approximately $51 million. The Company also explained that the impacted inventory represented approximately 53% of the Company's total inventory and the impacted biological assets represented approximately 30% of the Company's total biological assets. Later, on October 14, 2019, CannTrust explained that to effectuate the Company's remediation efforts, "CannTrust's Board of Directors has determined that it is necessary to destroy approximately

$12 million of biological assets and approximately $65 million worth of inventory that was not authorized by CannTrust's licence."

180. On March 28, 2019, CannTrust released its Consolidated Financial Statements for period ended December 31, 2018 ("2018 Consolidated Financial Statements"), which was signed by Director Defendants Paul and Litwin. The 4Q 2018 Consolidated Financial Statements were audited by Defendant.

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

181. However, these figures were false and misleading and were materially overstated because they included inventory, biological assets, and revenues derived therefrom in violation of applicable Health Canada regulations and International Financial Reporting Standards ("IFRS") standards. Critically, CannTrust routinely issued inflated biological asset, inventory, and revenue figures in its financial statements throughout the Class Period. Moreover, as

discussed below, CannTrust's Class Period financial statements violated numerous well established accounting rules that CannTrust claimed it followed.

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

182. 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.[18] 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 International Accounting Standards Board ("IASB")." (*Id.*) IFRS are comparable to U.S. generally accepted accounting principles ("GAAP") and the SEC has supported efforts to converge the standards. (*Id.*).

183. According to CannTrust's 2017 and 2018 annual reports, the Company reported and prepared its financial statements in accordance with the IFRS.[19]

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

184. 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.

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

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

	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

185. 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.

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

187. 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.

188. 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."

189. 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 **as is required to accurately assess fair market value under IAS 41.8**.[20] 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 black-market products existed. Consequently, CannTrust did not have the ability to reliably measure the fair value of those biological assets.

190. 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.[21] 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.

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[20] "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.

[21] *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."

191. 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.

192. 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 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

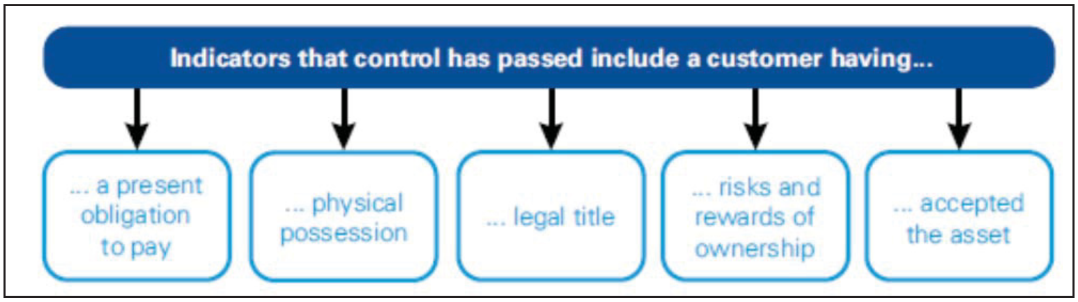
193. In addition to overstating inventory and biological assets, Defendants also overstated its revenue. Indeed, as discussed below, under relevant IFRS standards, CannTrust was permitted to recognize revenue only for products for which the Company **held valid legal title**. And because CannTrust generated 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.

194. 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.

195. 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.

196. 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.



197. 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.[22]

198. 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.[23]

[22] 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.
[23] *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)."

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

199. 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:

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

200. 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.

201. That Defendants did not disclose any such uncertainty is not surprising. Defendants knew that if Health Canada were to discover the illicit unlicensed 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 fraudulent illicit growing and storing scheme and use of black-market seeds.

202. 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.

(c) CannTrust Lacked Effective Internal Controls During the Class Period

203. Under IFRS, CannTrust was required to have disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Company was made known to senior management, including the CEO (*i.e.*, Defendant Aceto and former CEO Defendant Paul) and CFO (*i.e.*, Defendant Guyatt and former CFO Defendant Abramowitz). Accordingly, Internal Controls over Financial Reporting ("ICFR") was required to be designed by management, under the supervision of the CEO and CFO, so that investors could be assured that financial statements were prepared and reported in accordance with IFRS. Effective DC&P also required CannTrust's financial information be recorded, processed, summarized, and reported within the time periods specified under the Securities Act, Exchange Act, and the rules and regulations promulgated thereunder.

204. Despite these requirements, CannTrust acknowledged in its 2018 Form 40-F that a deficiency in internal controls existed as of December 31, 2018. However, while the Company disclosed these past internal control issues, it immediately reassured investors that "as of December 31, 2018, and [the Company] **has since implemented new mitigating controls and procedures**." Specifically, CannTrust disclosed:

> As of December 31, 2018, the Company had limited accounting personnel with expertise to assist in the effective preparation of financial statements and related note disclosures. In particular, the Company did not have sufficient resources with appropriate knowledge of IFRS to allow for an independent review in complex areas of financial reporting with respect to non-routine transactions, resulting in a reasonable likelihood that a material misstatement to the consolidated financial statements may not be prevented or detected on a timely basis. As a result of the non-routine transaction assessment, management concluded that the DC&P and ICFR were not effective as of December 31, 2018, and has since implemented new mitigating controls and procedures.

205. In reality, however, CannTrust's internal controls were significantly out of compliance with relevant ICFR standards both before and after this disclosure.

206. First, CannTrust failed to address the deficiencies in its "control environment" as required by their own auditor KPMG's Internal Control over Financial Reporting Guide ("KPMG ICFR Guide"). One of the requirements for an adequate internal controls and control environment is an adequate "tone at the top" of the organization.

207. For example, the first principle of the control environment required that the organization demonstrates a commitment to integrity and ethical values. CannTrust, however, knowingly violated Health Canada regulations by engaging in the unlicensed growing and storing of cannabis, the acquisition of black-market seeds, and the mislabeling of cannabis grown from the black market seeds—all with the knowledge of CannTrust's CEO and Chairman of the

Board. Such behavior by CannTrust's leadership demonstrates a significant lack of effective internal controls.

208. Second, CannTrust failed to address obvious deficiencies in its Risk Assessment process. For example, according to the KPMG ICFR Guide, a compliant entity is expected to have controls in place to mitigate the risk of noncompliance with laws and regulations that have a direct impact on the financial statements. During the Class Period, CannTrust either failed to appropriately design effective control activities or failed to monitor whether such control activities operated effectively as demonstrated by the fact that the Company engaged in a far-ranging illicit scheme of growing and storing of cannabis in unlicensed rooms and growing and selling cannabis from black-market seeds for months.

209. Based on these observations, CannTrust lacked sufficient internal controls during the Class Period.

(d) CannTrust Was Required to Disclose the Significant Uncertainty that the Company Could Not Continue As a Going Concern, But Failed to Do So

210. According to CannTrust's SEC and SEDAR filings, the Company prepared its financial statements on a going concern basis. Going concern is an accounting principle under IAS Rule 1 that allows the readers of financial statements to assume that the company will continue on long enough to carry out its objectives and commitments. In other words, the lack of disclosure regarding the uncertainties about the Company's going concern indicates to investors that the Company's accountants believe that the Company will not liquidate in the near future.

211. At the time CannTrust prepared its financial statements, CannTrust was required to periodically perform an assessment of material uncertainties that cast doubt on its ability to continue as a going concern under IAS 1 – Presentation of Financial Statements, 1.25. This

assessment of material uncertainties was required to consider all information regarding the foreseeable future, including at least the next twelve months. *See* IAS 1.26.

212. Here, the uncertainty caused by Health Canada uncovering CannTrust's growing and storing cannabis in unlicensed rooms and using black-market seeds—and revoking the Company's license as a result—cast significant doubt on CannTrust's ability to operate as a going concern—the Company would not be able to operate at all were its licenses suspended or revoked.

213. Indeed, after Health Canada uncovered CannTrust's actions, CannTrust was forced to stop the sale of inventory, stop the sale of new products, and continuously failed to meet financial statement filing deadlines since. Following the end of the Class Period, on March 31, 2020, CannTrust effectively admitted that there was substantial doubt regarding its ability to continue as a going concern:

> Despite the efforts by CannTrust's management and Board of Directors to preserve the Company's cash liquidity while seeking to restore the Company to operations and resolve the multiple litigations and other contingent claims facing the Company, the Company's future remains uncertain.

214. However, under the applicable regulations, the conditions for disclosing the uncertainty regarding the Company's status as a going concern existed beginning in June 2018 through the end of the Class Period while CannTrust operated under the substantial risk that the Company's licenses could be suspended or revoked. Thus, while significant risks to CannTrust's ability to operate as a going concern existed, the Company's financial statements in 2018 and 2019 failed to identify any such uncertainties caused by the operation of its business in direct violation of Health Canada regulations.

5. KPMG Knowingly or Recklessly Issued An Audit Report In Violation of Auditing and Accounting Standards

(a) KPMG Was Required to Follow PCAOB Standards in Conducting its Audit of CannTrust

215. When it performed its audit of CannTrust, KPMG was required to comply with auditing standards issued by the Public Company Accounting Oversight Board ("PCAOB"). Indeed, KPMG's Audit Report confirmed 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**."

216. As described herein, KPMG knowingly and/or recklessly violated applicable audit standards and thereby provided clean audit opinions that allowed CannTrust to perpetrate its fraud with respect to its financial statements. As a result, KPMG's Audit Report contained false and misleading statements therein.

217. An independent auditor's role has been described as that of a "public watchdog," established in part to improve the reliability of financial statements, enhance the credibility of those financial statements, and allow investors to invest in companies with confidence that an independent auditor has verified the company's financial statements.

218. To oversee independent auditors, the Sarbanes-Oxley Act of 2002 established the PCAOB. The PCAOB is responsible for establishing professional audit standards applicable to audits of publicly-traded companies, including CannTrust. PCAOB Standards set the minimum level of ethical, performance and quality that auditors are expected to achieve. PCAOB Standards are referred to herein as "AS."

219. Since 2004, the PCAOB has required that foreign issuer auditors register with the PCAOB. The introduction of this requirement by the PCAOB had the effect of compelling the "big four" accounting firms, including KPMG, to provide greater oversight and control over their respective foreign issuer auditors in order to protect the credibility and independence of the big four accounting firms. The consequence of this new PCAOB requirement was a heightened oversight and agency relationship by and among those KPMG affiliated entities.

(b) KPMG Was Responsible for Obtaining Reasonable Assurance that CannTrust's Financial Statements were Fairly Presented in Conformity with IFRS Standards

220. The objective of a financial statement audit under PCAOB standards is the expression of an opinion on the fairness with which the financial statements present, in all material respects, the financial position, results of operations, and the cash flows, in conformity with generally accepted accounting principles, here IFRS. *See* AS 1001, *Responsibilities and Functions of the Independent Auditor*, AS 1001.01. However, as discussed below, KPMG simply did not perform its obligations as an independent auditor as required by PCAOB Standards. Had it done so, KPMG would have discovered that CannTrust was materially overstating its revenue, biological assets, and inventory figures by including the proceeds of cannabis grow and stored in unlicensed rooms and cannabis sourced from black-market seeds.

221. These misstatements had pervasive impacts on CannTrust's financial statements. Specifically, the overstatement of the value of inventory and biological assets resulted in corresponding overstatements of current and total assets, as well as Shareholders' Equity. Similarly, the overstatement of revenue resulted in corresponding overstatements of gross profit and earnings metrics including earnings per share and Adjusted EBITDA. In essence, CannTrust's fraud caused virtually all measures in its financial statements to be misleading.

222. KPMG had a responsibility to plan and perform its audit in order to obtain reasonable assurance about whether CannTrust's financial statements were free of material misstatement whether caused by error or fraud. *See* AS 1001.02. PCAOB standards state that "reasonable assurance" means a "high level" of assurance. *See* AS 1015, *Due Professional Care in the Performance of Work,* 1015.10.

223. KPMG was also required to identify and assess the *risks* of material misstatement. *See* AS 2110, *Identifying and Assessing Risks of Material Misstatement*. For example, KPMG was obligated to perform risk assessment procedures that were "sufficient to provide a reasonable basis for identifying and assessing" the risks of material misstatement affecting CannTrust's financial statements, whether due to error or fraud. *See* AS 2110.04 and AS 2110.74. In order to satisfy these requirements, KPMG was required to obtain a sufficient understanding of CannTrust, its business environment, and its internal controls over financial reporting. *See* AS 2110.05. Matters that KPMG was required to investigate and understand included:

> (a) Relevant industry, regulatory, and other external factors affecting CannTrust. Obtaining an understanding of relevant industry, regulatory, and other external factors encompasses industry factors, including the competitive environment and technological developments; the regulatory environment, including the applicable financial reporting framework and the legal and political environment; and external factors, including general economic conditions. *See* AS 1101, AS 2110, AS 2110.09 and AS 2301;
>
> (b) The nature of the Company, including the organizational structure, management personnel, key personnel, key supplier and customer relationships, significant investments, joint ventures and the Company's operating characteristics, including its size and complexity; *See* AS 2110.10; and
>
> (c) The Company's objectives and strategies and those related business risks that might reasonably be expected to result in risks of material misstatement. Examples of situations in which business risks might result in material misstatement of the financial statements include industry developments, **expansion of the business, current and prospective financing requirements**

and regulatory requirements (including increased legal exposure). *See* AS 2110.15.

224. Through these procedures, KPMG was expected to obtain an understanding of CannTrust's business processes to ensure that no misstatements related to these matters existed. *See* AS 2110.31. For instance, business processes are the activities designed to "**[e]nsure compliance with laws and regulations relevant to the financial statements**." *See* AS 2110.30. Similarly, KPMG's audit planning should have evaluated the laws and regulations and regulatory matters important to CannTrust's financial statements. *See* AS 2101, *Audit Planning*, AS 2101.07.

225. After obtaining an appropriate understanding of CannTrust's business and identifying applicable risks of material misstatement, regulatory risks, and legal risks, PCAOB standards required KPMG to "design and implement audit responses that address the [assessed] risks of material misstatement" and reduce "audit risk to an appropriately low level." *See* AS 1101.03, AS 2301, *The Auditor's Responses to the Risks of Material Misstatement,* AS 2301.03. In simple terms, an "audit response" is the procedure, work process, or action the auditor performs to adequately address any identified risks of material misstatement so that the auditor can accurately assess whether or not a material misstatement exists. *See* AS 2301.04, AS 2301.05, AS 2301.08-10.

226. Audit responses recognized by PCAOB Standards to address risks of material misstatement include: (1) "[r]esponses that have an overall effect on how the audit is conducted" (*e.g.*, evaluating the company's "selection and application of significant accounting principles" and "[p]roviding the extent of supervision that is appropriate for the circumstances, including, in particular, the assessed risks of material misstatement" (*see* AS 2301.04 and AS 2301.05.) and

(2) "responses involving the nature, timing and extent of audit procedures to be performed." *See* AS 2301.04.

227. For significant risks, including the risk that revenue was overstated (as it was with CannTrust), KPMG was required to "perform substantive procedures, including tests of details, that are specifically responsive to the assessed risks." *See* AS 2301.11. KPMG was also required to "plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis" for its audit opinion. *See* AS 1105, *Audit Evidence*, 1105.04. In this regard, PCAOB Standards state that as the risk of material misstatement increases, "the amount of evidence that the auditor should obtain also increases. For example, more evidence is needed to respond to significant risks." This is a requirement because it assures that the auditor has a reasonable basis for its opinion where a significant risk of material misstatement exists. *See* AS 1105.05.

228. Under PCAOB Standards, fraud is an intentional act that results in a material misstatement in financial statements that are the subject of an audit. *See* AS 2401.05, *Consideration of Fraud in a Financial Statement Audit*. For purposes of its audits, KPMG was required to exercise "professional skepticism," which is defined as an attitude that includes a questioning mind and a critical assessment of the audit evidence. *See* AS 2401.13. Specifically, "professional skepticism is described as follows:

> [P]rofessional skepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud has occurred. In exercising professional skepticism in gathering and evaluating evidence, the auditor should not be satisfied with less-than-persuasive evidence because of a belief that management is honest.

(c) KPMG Ignored Red Flags and Inconsistencies Related to CannTrust's Revenue Biological Assets and Inventory

229. By any objective measure, revenue, inventory, and biological assets were significant accounts for CannTrust's financial statements. For example, these accounts had large balances that grew significantly in a year-over-year basis, were highly susceptible to misstatement, and had increased activity. *See* AS 2110.60. In particular, KPMG should have presumed a fraud risk existed related to improper revenue recognition by CannTrust:

> *Presumption of Fraud Risk Involving Improper Revenue Recognition*. The auditor should presume that there is a fraud risk involving improper revenue recognition and evaluate which types of revenue, revenue transactions, or assertions may give rise to such risks.

See AS 2110.68.

230. Yet, rather than presume there is a fraud risk regarding improper revenue recognition, KPMG simply rubber-stamped CannTrust's financial statements while ignoring massive red flags and inconsistencies. Under these circumstances, KPMG's practices were so deficient that the audit amounted to no audit at all, or an egregious refusal to see the obvious.

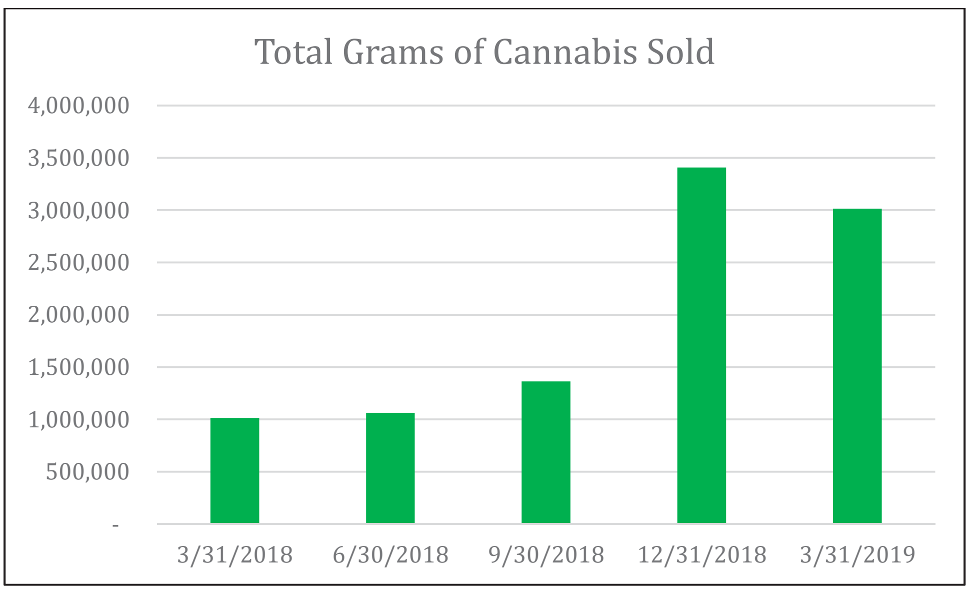
231. As an initial matter, KPMG appears to have failed to perform any required analytical procedures. Analytical procedures are an important part of the audit process that evaluate the correlation or financial relationships between financial and non-financial information. *See* AS 2305, *Analytical Procedures*, AS 2305.02. Analytical procedures are effective tests for misstatements that would not be apparent from an examination of more detailed evidence (*e.g.*, simply evaluating invoices and cash receipts for the sale of cannabis would not effectively detect whether CannTrust was licensed to sell the cannabis). *See* AS 2305.12.

232. Here, given the spike in CannTrust's cannabis production, KPMG should have performed analytical procedures to identify the underlying financial relationship between

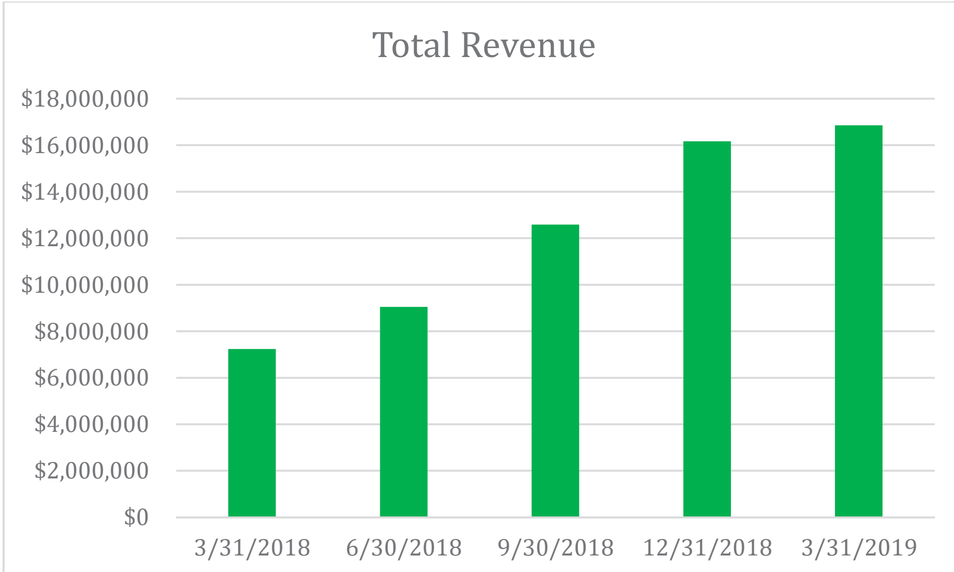
CannTrust's increased cannabis production and financial results. *See* AS 2110.46.a. Such analytical procedures would have enabled KPMG to identify specific risks relevant to the audit, including unusual transactions and events that warrant investigation. AS 2110.46.b. Analytical procedures were particularly relevant to CannTrust's reporting of revenue:

> In applying analytical procedures as risk assessment procedures, the auditor should perform analytical procedures relating to revenue with the objective of identifying unusual or unexpected relationships involving revenue accounts that might indicate a material misstatement, including material misstatement due to fraud. *See* AS 2110.47.

233. CannTrust's unlicensed production of cannabis began in October 2018. Unsurprisingly, the next quarter CannTrust experienced an immediate and unprecedented growth in volume in grams of cannabis sold. The following chart summarizes this growth over the five quarters leading up to March 31, 2019:



234. The growth in grams of cannabis fueled a comparable level of growth in reported revenue. Such growth would not have been possible without the unlicensed use of CannTrust's growing facilities:



235. This spike had pervasive and material impacts on CannTrust's financial statements. A basic analytical procedure that KPMG should have performed was to compare cannabis production with revenue. In doing so, KPMG would have identified that CannTrust's cannabis volume tripled in Q4 2018 as compared to the three earlier quarters in 2018. Consequently, the total grams of cannabis sold by CannTrust in Q4 2018 constituted 50% of total grams sold during 2018 and was therefore clearly inconsistent with its licensed level of cannabis production.

236. Confronted with these circumstances and its knowledge of CannTrust's business, KPMG should have pursued audit evidence to investigate this inconsistency and to corroborate that CannTrust was in fact licensed for the related magnitude of production. For example, KPMG should have performed procedures including inquiry of operating personnel unrelated to the financial reporting process to address the risk of fraud. *See* AS 2110.57. Rather than approach these circumstances with the "questioning mind" required under AS 2110.53, instead, KPMG simply failed to probe the reason for the changes reported by CannTrust in its financial statements.

237. PCAOB rule AS 1105.29 required KPMG to perform additional audit procedures in light of these inconsistencies:

> If audit evidence obtained from one source is inconsistent with that obtained from another, or if the auditor has doubts about the reliability of information to be used as audit evidence, the auditor should perform the audit procedures necessary to resolve the matter and should determine the effect, if any, on other aspects of the audit.

238. KPMG ignored the inconsistent audit evidence regarding CannTrust's clearly evident failure to limit its production to what it was licensed to grow and sell, and should have applied audit procedures to respond to this inconsistent audit evidence, understand the limits of those licenses and the resulting impact on the Company's financial results. Indeed, CannTrust's periodic filings with SEDAR and the SEC set forth the importance of its business licenses in operating the Vaughan and Niagara facilities.

239. For example, CannTrust's Form 40-F explained "[a] significant failure of the Company's site security measures and other facility requirements, including any failure to comply with regulatory requirements, could have an impact on its ability to continue operating under its Cannabis Licences or its prospects of renewing its Cannabis Licences, and could also result in a suspension or revocation of the Cannabis Licences."

240. Accordingly, because of the licenses' importance, KPMG was required to consider such information in performing its audit. *See* AS 2701, *Other Information in Documents Containing Audited Financial Statements*, AS 2701.04. This data served to emphasize what was already clear from the Company's financial statement disclosures: the operation of CannTrust's facilities required licensure and CannTrust's rights to the related assets were dependent on CannTrust's compliance with applicable laws and regulations in order to maintain those business licenses.

241. Likewise, under PCAOB Standards, KPMG was required to consider laws and regulations that had a direct and material effect on the determination of CannTrust's financial statement amounts. *See* AS 2405.05. This requirement is consistent with other applicable standards that required KPMG to understand laws and regulations relevant to CannTrust's financial statements. AS 2110.30-31.

242. PCAOB Standards provide an example of compliance with laws and regulations that have a direct and material effect on the determination of financial statement amounts. An example of a circumstance where the auditors must investigate and ensure compliance with relevant laws and regulations includes where "applicable laws and regulations may affect the amount of revenue accrued." *See* AS 2405.05. This scenario is wholly consistent with the circumstances confronted by KPMG when performing the audit of CannTrust. That is, KPMG was obligated to assess how much cannabis CannTrust was licensed to sell and thereby ask the question whether revenue fairly presented based on the price at which CannTrust reportedly sold the cannabis.

243. Specifically, KPMG was responsible for assessing how CannTrust's compliance with laws and regulations impacted financial statement assertions made by CannTrust:

> [T]he auditor considers such laws or regulations from the perspective of their known relation to audit objectives derived from **financial statements assertions** rather than from the perspective of legality per se. The auditor's responsibility to detect and report misstatements resulting from illegal acts having a direct and material effect on the determination of financial statement amounts is the same as that for misstatements caused by error or fraud as described in AS 1001, *Responsibilities and Functions of the Independent Auditor*; AS 2405.05.

244. Under PCAOB auditing standards (*see* AS 1105.11), CannTrust's financial statements reflected assertions made by management classified into the following five categories:

No.	Assertion	Definition
1	Existence or occurrence	Assets or liabilities of the company exist at a given date, and recorded transactions have occurred during a given period.
2	Completeness	All transactions and accounts that should be presented in the financial statements are so included.
3	Valuation or allocation	Asset, liability, equity, revenue, and expense components have been included in the financial statements at appropriate amounts.
4	Rights and obligations	The company holds or controls rights to the assets, and liabilities are obligations of the company at a given date.
5	Presentation and disclosure	The components of the financial statements are properly classified, described, and disclosed.

245. KPMG was required to perform substantive audit procedures for each relevant assertion of each significant account and disclosure. *See* AS 2301.36. In other words, CannTrust's reported revenue, inventory and biological assets reflected management's assertion that the Company possessed the *rights* to such amounts. Thus, KPMG was required to obtain relevant and reliable evidence to audit whether CannTrust's assertions, including those about *valuation* and *rights* to its revenue, biological assets, and inventory supported the amounts the Company reported in its financial statements. AS 1105.02, AS 1105.07-08.

246. As discussed in Section V.C.4, *supra*, KPMG failed to adequately determine that CannTrust's revenue, biological assets, and inventory were adequately *valued* at the appropriate amounts. Indeed, CannTrust violated IFRS in presenting materially overstated revenue, biological assets, and inventory in its consolidated financial statements, as well as all of the consequential effects on earnings measures and liquidity. Yet, KPMG's audit failed to identify any of the accounting violations. KPMG's failures constitute an extreme departure from the standards of ordinary care.

247. KPMG also failed to assess whether or not CannTrust held or controlled the rights to its biological assets and inventory. The need for KPMG to carry out testing of CannTrust's

assertion that it had adequate *rights* to its cannabis was heightened by the fact that CannTrust was both: (1) subject to "new accounting, statutory, or regulatory requirements" under the Cannabis Act; and (2) experiencing "[r]apid growth or unusual profitability, especially compared to that of other companies in the same industry." Both of these items are specifically listed by the PCAOB standards as risk factors (*i.e.*, red flags) of fraudulent financial reporting. *See* AS 2401.A.2.a. Yet, KPMG performed no such assessment, allowing CannTrust's fraud to be perpetrated.

248. Further, under PCAOB rules, "it is ordinarily necessary for the independent auditor to be present at the time of [the inventory] count." *See* AS 2510, *Auditing Inventories*, AS 2510.09. Thus, at least for purposes of inventory testing, KPMG would have been physically present at CannTrust's facilities, including at or around the December 31, 2018, when such a count was performed. As discussed above, CannTrust's inventory was materially overstated because it included cannabis grown and stored in unlicensed rooms and was sourced from black-market seeds. Yet, KPMG reported no such overstatement of inventory.

249. Moreover, given the above evidence demonstrating that CannTrust violated Health Canada regulations, KPMG was presented with the illegal act under PCAOB Standards. *See* AS 2405, *Illegal Acts by Client,* 2405.02. Generally, the further removed an illegal act is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of the act or recognize its possible illegality. *See* AS 2405.04. Here, however, Defendants' violations of Health Canada regulations are **directly related to the events and transactions reflected in the financial statements** because the Company's illicit growing and storing scheme resulted in overstated financial statements.

250. Presented with audit evidence that a possible illegal act occurred, KPMG should have applied audit procedures to detect whether an illegal act had occurred. AS 2405.07. Specifically, KPMG should have reviewed relevant regulatory filings to, and communications with, Health Canada and other information to understand the extent CannTrust was authorized to produce and grow cannabis at the levels of revenue and assets it was reporting. *See e.g.*, AS 1105, AS 2101, AS 2110, AS 2301, AS 2401 and AS 2405.09 (including any "[i]nvestigation by a governmental agency," and "[v]iolations of laws or regulations cited in reports of examinations by regulatory agencies that have been made available to the auditor"). If no such communications had occurred, KPMG should have consulted CannTrust's counsel to understand whether CannTrust could legitimately operate outside of its business licenses. *See* AS 2405.08. Yet, it appears KPMG engaged in no such inquiry.

251. Furthermore, the evaluation of an illegal act such as CannTrust's operation without a business license should have caused KPMG to consider the indirect impact on the financial statements, such as the payment of fines and penalties. KPMG was required to consider such contingencies for purposes of CannTrust's 2018 financial statements. *See* AS 2405.13-14.

252. Ultimately, KPMG should have ensured that CannTrust's financial statements disclosed the potential effects of the illegal act on its operations:

> The auditor should evaluate the adequacy of disclosure in the financial statements of the potential effects of an illegal act on the entity's operations. **If material revenue or earnings are derived from transactions involving illegal acts**, or if **illegal acts create significant unusual risks associated with material revenue or earnings**, such as loss of a significant business relationship, **that information should be considered for disclosure**. *See* AS 2405.15.

253. Despite these rules and requirements, KPMG's audit knowingly and/or recklessly failed to detect CannTrust's material misstatements of revenue, inventory, and biological assets.

As a result, KPMG issued an Audit Report with materially false and misleading statements and that aided CannTrust in the fraud being perpetrated.

(d) KPMG Was on Notice of CannTrust's Lack of Internal Controls and Failed to Respond With Increased Audit Procedures

254. As discussed in Section V.C.4.c, *supra*, KPMG was on notice that CannTrust acknowledged in its 2018 Form 40-F that deficiency in internal controls existed as of December 31, 2018. Knowing this, KPMG was under a heighted responsibility to assess CannTrust's financial statements and assertions as the Company's independent auditor.

255. An auditor's understanding of internal controls over financial reporting includes evaluating the design of controls that are relevant to the audit and determining whether the controls have been implemented. Effective internal controls mitigate fraud risk. *See* AS 2110.72. Conversely, ineffective controls increase the risk of fraud. *See, e.g.*, AS 2405.07, ("circumstances [for fraud] exist, for example, [where there is] the absence of controls, ineffective controls, or the ability of management to override controls-that provide an opportunity for a fraud to be perpetrated").[24]

256. Here, CannTrust's internal controls were woefully inadequate because the Company conceded that it "had limited accounting personnel with expertise to assist in the effective preparation of financial statements and related note disclosures." Consequently, KPMG knew that a reasonable possibility existed that the CannTrust's financial statements were inaccurate or overstated.

[24] Even if KPMG asserts that CannTrust's misstatement of revenue was attributable to management override of internal controls, KPMG was still required to have considered this risk. *See* AS 2110.69.

257. Thus, KPMG should have been responsive to the increased risk by augmenting its audit procedures to detect improper revenue recognition. KPMG should have considered the types of misstatements that could have arisen and obtained more persuasive evidence to assure that no such misstatements existed. *See* AS 2301.09. Specifically, KPMG should have changed the nature, timing, and extent of its audit procedures to address the risk that revenue, inventory, and biological assets were misstated. *See* AS 2301.14. Audit procedures were relevant to evaluate whether significant transactions (*e.g.*, the Q4 2018 spike in revenue) were unusual for reasons related to the nature of the transactions, here revenue from unlicensed and illicit growing and storing of cannabis. *See* AS 2301.15.

(e) KPMG Failed to Evaluate Whether CannTrust Could Continue as a Going Concern

258. In addition to the above, KPMG was also obligated to evaluate CannTrust's ability to continue as a going concern. AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern*, AS 2415.02. That is, if CannTrust's businesses were suspended or revoked, was there substantial doubt about its ability to continue to operate as a going concern? As discussed in Section V.C.4.d, *supra*, such doubt regarding CannTrust's ability to operate as a going concern existed at the time KPMG performed its audit of the Company. Specifically, under PCAOB standards, the need to significantly revise operations, and external matters that may jeopardize an entity's ability to operate are recognized conditions that may indicate such substantial doubt exists. *See* AS 2415.06.

259. When an auditor identifies substantial doubt about an entity's ability to continue as a going concern, the auditor is required to pursue evidence from management to mitigate the circumstances causing the substantial doubt. *See* AS 2415.07. If the auditor is unable to overcome this substantial doubt, the audit report should include an explanatory paragraph to that

effect. *See* AS 2415.12. Moreover, because CannTrust itself failed to provide disclosure with respect to its ability to continue as a going concern, a departure from IFRS existed. KPMG's audit report failed to follow this standard by not addressing CannTrust's departure from IFRS or providing an explanatory paragraph to address the substantial doubt about CannTrust's ability to continue as a going concern.

(f) KPMG Issued a Clean Audit Report That Contained False and Misleading Statements

260. 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 28, 2019, KPMG made numerous false and misleading statements in its Audit Report.

261. Specifically, KPMG's Audit Report misleadingly told investors that KPMG audited the March 28, 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***."

262. 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***."

263. 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***."

264. 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***."

265. 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]***."

266. Each of these statements were false and misleading because, as discussed in Sections V.C.5.a-c, *supra*, KPMG's audit of CannTrust violated numerous PCAOB auditing standards and CannTrust's financial statements violated applicable accounting standards. KPMG's clean audit opinion reinforced the credibility of CannTrust's financial statements and allowed CannTrust to perpetrate its fraud. Indeed, contrary to these statements and the representations, KPMG did not conduct its audit in accordance with PCAOB standards; as described herein, the financial statements referred to in these statements contained material errors and omissions in violation of IFRS; and KPMG lacked a reasonable basis for its opinion that the financial statements referred to in these statements were fairly presented in accordance with IFRS.

D. CannTrust Failed to Disclose to Investors That the Company's Success Was Attributable to the Cannabis Grown in the Unlicensed Rooms

267. Propped up by the increased production and capacity of cannabis from the unlicensed rooms, in early 2019, CannTrust began to distinguish itself as a powerful market leader in the medicinal and recreational cannabis sector. On February 13, 2019, CannTrust announced that it was hiring a new CFO, Defendant Guyatt, who had previous experience, as a

CPA at Deloitte & Touche, as an investment banker at UBS, and as a senior finance member of Sears Canada, running the financial aspects of a larger company. And effective, February 19, 2019, Defendant Guyatt became the Company's CFO, replacing Defendant Abramowitz, who remained with the Company but transitioned to a role as SVP of Global Investments and Partnerships.

268. Shortly thereafter, CannTrust took another step towards becoming a cannabis powerhouse by applying to be listed on the pre-eminent stock exchange in the world, the NYSE. The application was granted, and on February 25, 2019, common shares began trading on the NYSE under the ticker symbol "CTST." The Company explained that its shares would continue to be listed on the TSE under the ticker symbol "TRST" and that shareholders that purchased common shares on the OTC Pink Open Market could now trade their shares on the NYSE.

269. After being listed on the NYSE, Defendants decided to cash in while the Company's ongoing illicit growing strategy was still a secret to CannTrust's regulators and investors. Accordingly, on March 18, 2019, CannTrust issued a press release announcing that the Company "filed a (final) short form base shelf prospectus (the 'Shelf Prospectus') with the securities commissions in each of the provinces of Canada, except Québec, and a corresponding shelf registration statement on Form F-10 (the 'Registration Statement') with the [SEC] under the U.S./Canada Multijurisdictional Disclosure System ('MJDS')." The Shelf Prospectus and Registration statement allowed CannTrust to offer up to $200 million worth of common shares.

270. The Registration Statement and Prospectus issued in connection with the Offering were riddled with misleading statements falsely inducing investors to invest in CannTrust's booming cannabis business. For example, the Prospectus misleadingly touted CannTrust's explosive growth and profitability while failing to disclose that the real reason for CannTrust's

success was directly attributable to the Company's illicit practice of growing and storing cannabis in unlicensed rooms and use of cheaper black market seeds to boost production numbers stating, *inter alia*: "***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***." The Prospectus continued: "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***."

E. Defendants Continued to Mislead Investors About the Illicit Growing and Storing Scheme After Health Canada Approved the Rooms for Growing Based on Defendants' Falsified Applications

271. On April 8, 2019, CannTrust announced that its Niagara Facility became fully licensed by Health Canada. However, Defendants continued to mislead investors regarding the increased capacity after Health Canada licensed the unlicensed growing rooms. Indeed, Defendants failed to tell investors that they had already been growing thousands of plants in those rooms since at least October 2018—notwithstanding the fact that they knew the rooms were not licensed. Specifically, CannTrust's press release, which was attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announced that CannTrust "is pleased to announce that its cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of its Phase 2 expansion. ***The entire 450,000 sq. ft. of its perpetual harvest greenhouse in [Niagara], is now fully licensed.***"

272. Likewise, in the MD&A that CannTrust issued on May 14, 2019 and based on information available to CannTrust management as of May 13, 2019 ("May 14, 2019 MD&A"), the Company reiterated that the Niagara Facility "***was fully licensed as of April 2019***."

273. The May 14, 2019 MD&A also explained that "[t]he redeveloped Perpetual Harvest Facility provides the Company with increased production capacity to meet growing market demand."

274. As the Class Period continued, Defendants continued to mislead investors about the Company's growing, production, and sale of cannabis that was grown in unlicensed rooms. For instance, in its May 14, 2019 press release, attached to a Form 6-K signed by Defendant Guyatt, the Company continued to tout "***exceptional operational growth in the first quarter [of 2019], with harvested production of over 9,400kg***," which is the quarter prior to receiving the license approvals from Health Canada for the remaining rooms in the Niagara Facility. The press release further touted the increased harvested production, yet omitted that growing in unlicensed grow rooms attributed to such production: "***Harvested production increased by more than 400% to over 9,400kg, versus the first quarter of 2018, and 96% over the fourth quarter of 2018***."

275. However, Defendants' statements continued to mislead investors by falsely attributing the Company's success to legitimate means while failing to disclose that the real reason was because of the illicit growing and storing scheme and reliance on black market seeds to increase production capacity.

276. Analysts continued to believe that CannTrust was succeeding by legitimate means, and had not the slightest clue of the catastrophic risks that the Company faced from Health Canada should the regulator uncover the Company's unlicensed growing practices. Furthermore, analysts continued to report on the recently completed Phase 2, optimistic that such completion would allow Defendants to operate at full capacity and improve harvest numbers.

277. For example, on May 14, 2019, Jefferies issued a "Buy" rating for CannTrust and reported: "The near term outlook for CannTrust also appears strong. With kg harvested doubling in the [first quarter], and the Phase 2 expansion fully operational and planted, expect a 50,000kg/y run rate by Q3, contributing significantly to the top line. This leverage will contribute to gross margin improvements." The next day, ROTH Capital maintained a "Buy" rating and similarly reported that "[w]ith the completion of the Phase 2 expansion, [CannTrust] is ramping the production capacity to further penetrate supply constrained recreational markets through its LIIV and Xscape brands. We forecast a meaningful increase in revenues in 2H19, with continuing strong medical and increasing recreational sales."

F. CannTrust's Unlicensed Growing Strategy is Revealed and the Undisclosed Risks of the Illicit Strategy Materialized Causing the Company's Stock Price to Plummet

278. As discussed above, from October 2018 to March 2019—the months that CannTrust was growing cannabis in five unlicensed rooms—CannTrust concealed the five unlicensed grow rooms (and the thousands of plants therein) from Health Canada. To do so, CannTrust management directed lower level employees, many of which were making close to minimum wage, to work late hours and hang fake walls to make it appear as though the unlicensed rooms were empty.

279. However, in June 2019, one of those employees, Nick Lalonde,[25] blew the whistle on CannTrust and its practice of concealing the unlicensed rooms from regulators. These explosive revelations caused a chain of events that would result in not only the precipitous decline of the Company's stock price, but Health Canada suspending CannTrust's licenses to

[25] Mr. Lalonde worked for CannTrust from June 2017 to May 2019, and served as head of disposal operations at the Niagara Facility.

grow and sell cannabis altogether and, ultimately, the Company filing for the Canadian equivalent of bankruptcy.

1. CannTrust Whistleblower Nick Lalonde Reported Defendants' Fraudulent Scheme to Health Canada

280. On June 14, 2019, Mr. Lalonde sent Health Canada officials an email outlining the wrongdoing that took place at CannTrust beginning in October 2018. In the email, Mr. Lalonde told Health Canada that he had been asked by his supervisors to hang the white poly walls so that the unlicensed greenhouse rooms would appear empty in photos the Company submitted to the regulator in order to have the rooms licensed for growing. Mr. Lalonde further asked Health Canada to investigate and even suggested exactly how Health Canada could uncover the illicit scheme. In his letter, Mr. Lalonde detailed to Health Canada, "[i]f you look through the camera footage prior to the dates the pictures were taken and requested **you will clearly see us hanging up white poly walls to cover up thousands of plants**."

281. Indeed, in an interview Mr. Lalonde had with the Globe and Mail on July 10, 2019, Mr. Lalonde elaborated that in the Fall of 2018 (before November), employees were asked to stay late to set up fake walls to hide "several thousand" plants from view, in order to take photographs that had been required by Health Canada as part of routine licensing requirements. Mr. Lalonde explained to the Globe and Mail, "**Health Canada requested pictures of the ranges [greenhouse rooms] in order to give the licence and the permit; they wanted to see pictures of the range complete and functioning correctly with no plants in it, because it's not a licensed room at the time.**" Mr. Lalonde continued, "**We're hanging these poly walls, these white poly walls . . . moving tables with hundreds of plants on them out of the camera view, just to snap a picture of the room with nothing in it.**"

282. Mr. Lalonde also explained to the Financial Post in a July 11, 2019 article that when he asked why they were hanging the walls, he was told that they were for "before and after photos." Mr. Lalonde further told the Financial Post that: "If I wouldn't have sent that email, CannTrust would've still been going along, day-to-day, like nothing happened," and "Health Canada would have no knowledge of it. Nobody would have any knowledge of this going on."

2. Health Canada Conducts a Surprise Inspection Uncovering CannTrust's Illicit Growing Scheme And Sanctions the Company

283. Several days after Health Canada received Mr. Lalonde's email, on June 17, 2019, Health Canada conducted a surprise inspection and audit of the Niagara Facility that uncovered uncontroverted evidence of Defendants unlicensed growing operations.

284. Following the surprise inspection, Health Canada issued CannTrust a compliance report detailing the regulators damning findings. On July 8, 2019, prior to the market opening, CannTrust issued a press release, disclosing that CannTrust had "received a compliance report from Health Canada notifying the Company that its greenhouse facility in Pelham, Ontario is non-compliant with certain regulations" and that the Company "accepted Health Canada's non-compliance finding and has taken actions to ensure current and future compliance."

285. The press release went on to confirm that from October 2018 to March 2019, Defendants had been growing cannabis in five unlicensed rooms and misled Health Canada inspectors during their audit in June of the Niagara Facility:

> 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.

286. Although these rooms were eventually issued licenses in April 2019, Defendants further explained that "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 [Niagara], until it deems that the Company is compliant with regulations." Defendants also told investors that "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 further announced that "[d]ue to the product on hold, some CannTrust customers and patients will experience temporary product shortages."

287. Notably, within that same press release, Defendant Aceto conceded that with respect to their communications with Health Canada about growing in five unlicensed rooms, "[w]e made errors in judgment."

288. In response to this news, CannTrust's share price fell $1.11, or **more than 22%**, to close at $3.83 per share on July 8, 2019 from $4.94 per share on July 5, 2019, on **unusually heavy trading volume**.

289. Analysts and the media were shocked by this news and directly linked CannTrust's stock decline to its disclosure of the compliance issues. For example, on July 8, 2019, Canaccord reported that "a breach of Hea[l]th Canada regulations is an unfortunate setback for CannTrust and will likely materially impact Q3/19 results." Jefferies also issued a report that same day that explained that "today's update was the last thing [CannTrust] needed," and that "[n]ear term, there will undoubtedly be a financial impact" and "[l]ong term, it impacts credibility." The report further noted that "[t]he fact the [C]ompany never spotted this, or indeed still doesn't know how it happened, is a concern."

290. Similarly, ROTH Capital issued a report that same day linking the drop in share price to Defendants' announcement: "CTST shares are down ~20% to $3.87 while investors weigh the ramifications of cannabis production in unlicensed rooms and the pending inventory

concerns in the near term." The analyst report further expressed concern over Defendants' misrepresentations that they made to Health Canada, stating, "we are concerned with the non-compliance rating and that Health Canada felt [CannTrust] employees misled regulators during the June audit."

291. Likewise, news outlet Globe and Mail published an article on July 8, 2019, explaining that "CannTrust Holdings Inc. shares plunged more than 20 per cent on Monday, after the NYSE-listed cannabis grower disclosed that Health Canada discovered unlicensed growing activity at the [C]ompany's main greenhouse in Ontario and put a sales freeze on 5,200 kilograms of CannTrust's inventory, pending further investigation." Indeed, the article quoted Defendant Aceto admitting: "We constructed these rooms in accordance with all the rules and regulations; the mistake that was made by CannTrust was putting plants in these rooms before we'd actually received the approval to do so."

292. ROTH Capital issued another report the next day on July 9, 2019 and downgraded the Company's stock to Neutral, further explaining that "CannTrust has taken a huge credibility hit from the issued Hea[l]th Canada non-compliance rating audit report," and opining that CannTrust demonstrated "a flagrant lack of compliance surrounding cultivating cannabis in five unlicensed rooms over a five month timeframe." The report further found that "[w]ith a number of cannabis brands currently competing for market share, we believe this will materially slow CTST's likelihood of becoming a top-tier cannabis producer over the next year."

293. However, the revelation of the unlicensed growing rooms was just the tip of the iceberg. Investors were still unaware of the extent of Company's regulatory violations, Defendants' direct knowledge and participation in the scheme, and what penalties Health Canada would impose on CannTrust as more and more was uncovered by the regulator. Indeed, some

analysts expressed concern that there might still be further measures or actions by Health Canada or other authorities as a result of Defendants' non-compliance. As ROTH Capital explained on July 8, 2019, "It is still unclear if this is a temporary hold (with CTST able to sell inventory once cannabis quality from unlicensed rooms is verified), or if Health Canada will require more drastic measures such as destroying the crop grown in the unlicensed rooms."

3. CannTrust's Stock Price Continues to Plummet as the Extent of Defendants' Illicit Growing Scheme is Revealed

294. On July 10, 2019, the Globe and Mail published an explosive article detailing whistleblower Nick Lalonde's email to Health Canada, further revealing details about Defendants' fraudulent conduct. As explained above, the Globe and Mail article for the first time revealed the explicit details of Mr. Lalonde's email, such as Defendants requiring CannTrust employees to hang fake walls in front of the unlicensed rooms to hide their unregulated growing from Health Canada.

295. In response to this news CannTrust's stock price fell over **12%** from $3.60 per share on July 9, 2019 to $3.16 per share on July 10, 2019, again on unusually heavy trading volume.

296. Analysts responded to the revelation in turn. For example, on July 11, 2019, Canaccord reduced its rating of CannTrust stock to Hold, in light of recent "allegations that employees of CannTrust may have knowingly deceived Health Canada to grow cannabis in rooms which had yet to be licensed."

4. CannTrust Announces a Hold on the Sale and Shipment of All Cannabis Products While Health Canada Continued its Audit

297. On July 11, 2019, CannTrust announced that "it has implemented a voluntary hold on sale and shipment of all cannabis products as a precaution ***while Health Canada visits and reviews its Vaughan, Ontario manufacturing facility***." Critically, despite the fact

Defendants knew at the time that the Company had also been storing excess cannabis from the Niagara Facility in unlicensed rooms at the Vaughan Facility, they once again failed to disclose to investors that they had illicitly stored cannabis there, and accordingly, that there was a considerable risk that Health Canada would uncover the illicit storage during its review of the Vaughan Facility. Defendants' failure to disclose this information rendered their statement regarding the review of the Vaughan Facility false and misleading.

298. CannTrust also informed investors that it created a Special Committee "comprised of independent members of the Board of Directors" to "investigate th[e] matter in its entirety." Specifically, per a later press release, "the Special Committee was appointed by the Board of Directors to investigate a compliance report from Health Canada notifying the Company that its greenhouse facility in Pelham, Ontario is non-compliant with certain regulations."

299. Moreover, the Special Committee had a "broad mandate to, among other things, investigate the Company's non-compliance with Health Canada regulations and ancillary matters, to make recommendations to the Board of Directors regarding any actions to be taken by CannTrust as a result of the investigation, and to assess any impact on the Company's bio assets, inventory, sales and revenue." At the time, the Special Committee met with its legal counsel, McCarthy Tétrault LLP, several times.

300. As a result of this news, CannTrust's stock price fell over **17%** from $3.11 per share on July 11, 2019 to $2.58 per share on July 12, 2019, on unusually high trading volume.

5. CannTrust's Stock Price Continues to Decline Following News of Several Legal Actions Filed Against the Company

301. Then, on July 15, 2019, after the close of trading, the Financial Post published an article entitled "OSC complaint, class-action lawsuits could add to CannTrust's woes," which detailed the various legal actions CannTrust was facing as a result of the illicit growing scheme

and the negative impact they could have on the Company. Specifically, the article discussed an initial investigation by the enforcement team of the Ontario Securities Commission ("OSC") revealed the possibility that Defendants' actions concerning the growing in the five unlicensed rooms could rise to the level of a "criminal offence." The article also explained that a number of class action lawsuits had been filed against the Company in both Canada and the United States for securities fraud violations.

302. As a result, on July 16, 2019, CannTrust's stock price fell over **10%**, from $3.06 per share on July 15, 2019 to $2.75 per share on July 16, 2019, on unusually high trading volume.

303. Analysts continued to be uncertain about the full impact that Defendants' fraudulent conduct would have on the Company going forward. For example, on July 15, 2019, ROTH Capital issued a report that placed CannTrust shares "Under Review" and reported: "The biggest unknown is the response by Health Canada, as the federal regulator has the power to potentially suspend or revoke CTST's license. Additional legal actions may come about pending further investigations of violating The Cannabis Act. At this time, the impact of these matters on CTST's financial results are unknown."

304. Likewise, Jefferies reported on July 15, 2019 that "[f]or a company that we had found to be well set up to succeed, we have been disappointed by execution and a lack of catalysts." The report further stated: "As more details emerge, it becomes less likely that Health Canada will provide a swift resolution to the situation, with a number of cases likely to be put to CannTrust for violation of the Cannabis Act, or potentially worse. There are also question marks over whether management had been aware of such schemes during its $200m equity offering."

6. CannTrust Shares Continue to Plunge as Investors Discover that Defendants Aceto, Abramowitz and Paul Were Aware of the Illicit Growing Scheme

305. Then, between July 23, 2019 and July 24, 2019, multiple news reports revealed for the first time that CannTrust executives, including Defendants Aceto, Abramowitz and Paul, knew of the unlicensed growing. On July 23, 2019 Globe & Mail published an article revealing that—based on internal CannTrust emails obtained by the news organization—"**[b]oth the chairman and the chief executive officer of CannTrust Holdings Inc. were informed that the [C]ompany was growing cannabis in unlicensed rooms about seven months before Health Canada uncovered the regulatory breach.**" As explained in further detail above, the article explained that the internal emails "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."

306. Similarly, on July 24, 2019, BNN Bloomberg published an article that—according to internal Company documents obtained by BNN Bloomberg—disclosed that Defendant "Aceto told senior company officials to 'continue as planned' and plant cannabis in an unlicensed room in mid-November." In reviewing internal weekly production meeting minutes, the article set forth a detailed timeline of when senior CannTrust executives—including Defendant Aceto and Paul—knew of the illegal growing.

307. On this news, CannTrust stock fell **over 22%** from $2.62 per share on July 23, 2019 to $2.04 per share on July 24, 2019, on unusually high trading volume.

308. The financial media attributed the stock drop directly to the new information about Defendants' explicit knowledge of the illicit unlicensed growing rooms. For example, Global News reported on July 24, 2019 that "CannTrust Holdings Corp. shares have plummeted

further after a media report alleging that the cannabis company's chief executive and chairman of the board were aware of pot cultivation in rooms without government approval months before Health Canada discovered the illicit activity."

309. Following these revelations of Defendant Aceto's and Paul's direct involvement with the growing in the five unlicensed rooms, on July 25, 2019, the Company issued a press release, announcing: "The investigation into the Company's non-compliance with Health Canada regulations and ancillary matters uncovered new information that has resulted in a determination by the Board to **terminate with cause** CannTrust CEO Peter Aceto." The press release also announced that "the Board of Directors demanded the resignation of the Company's Chair Eric Paul and he complied." The Company named the Special Committee Chair, Defendant Marcovitch, as interim CEO.

310. Shortly thereafter, on August 1, 2019, the OSC initiated an investigation into CannTrust surrounding the five unlicensed rooms. The investigation was being handled by the OSC's Joint Serious Offences Team ("JSOT"), and was understood to be pursuing the matter as a "quasi-criminal" case, a type of proceeding that has the potential to lead to jail time depending on what charges are uncovered, brought, and successfully prosecuted.

311. The same day, the Company issued a press release on August 1, 2019, that estimated the value of impacted inventory and biological assets from the five unlicensed rooms at approximately $51 million as of June 30, 2019.[26] The August 1, 2019 press release further announced that CannTrust "will likely miss its filing deadline . . . of August 14, 2019 to file an

[26] As the Company announced in an August 15, 2019 press release, that "impacted inventory represents approximately 53% of the Company's total inventory as at June 30, 2019 and the impacted biological assets represent approximately 30% of the Company's total biological assets as at June 30, 2019."

interim financial report for the three and six month periods ended June 30, 2019, an interim management's discussion and analysis for the corresponding period and certifications of interim filings." The likely missed filing deadline was due to the uncertainty of the Health Canada investigation related to revenue and asset valuation.

312. As time passed, the fallout from Defendants' fraudulent concealment of the unlicensed growing rooms continued to materialize. On August 9, 2019, CannTrust issued a press release, attached to a Form 6-K dated that same day, announcing that, effective the day prior, "the Company's independent auditor, [KPMG], . . . 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."

313. Additionally, in light of the "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," "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."

314. KPMG's decision to withdraw its reports were directly linked to the Special Committee's adverse findings, as well as the Company's own comments cautioning the public from relying on prior financial reports. Specifically, with respect to why KPMG withdrew its reports, the press release explained:

> 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

7. Health Canada Uncovers Additional Violations at the Vaughan Facility Including the Storage of Cannabis in Unlicensed Rooms

315. In addition to previously reprimanding CannTrust for growing in unlicensed rooms in its Niagara Facility, Health Canada soon discovered that CannTrust had been storing cannabis in unlicensed rooms in its Vaughan Facility following its review of the facility in July 2019. Indeed, on August 12, 2019, CannTrust told investors that Health Canada found significant regulatory violations at the Vaughan facility. On that day, the Company issued a press release, stating "[a]fter trading hours on Friday, August 9, 2019, CannTrust received a report from Health Canada notifying the Company that its manufacturing facility in Vaughan, Ontario has been rated non-compliant with certain regulations." Health Canada found the following violations:

> 1. 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;
>
> 2. The construction of two new areas without prior approval of Health Canada, one of which was used to store cannabis since November 2018;
>
> 3. Insufficient security controls at the manufacturing facility;
>
> 4. Inadequate quality assurance investigations and controls;
>
> 5. Standard operating procedures that did not [] meet the requirements under regulations; and
>
> 6. Documents or information that were not retained in a manner to enable Health Canada to complete its audit in a timely manner.

316. These findings were "based on observations made during an inspection completed during the period July 10-16, 2019." Again, Defendants admitted that the regulator's findings were accurate noting: "CannTrust has accepted Health Canada's findings and remedial actions are underway."

317. As explained above, Defendants' need to store cannabis in the unlicensed rooms was a result of their growing in the unlicensed rooms in the Niagara Facility. As discussed above, CW3 recalled that some cannabis being stored in the Vaughan Facility was the same cannabis grown in the unlicensed rooms in the Niagara Facility. CW3 explained 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.

318. Defendants had thus concealed not only that they had stored the excess illegally grown cannabis in unlicensed rooms, but also that if Health Canada discovers the unlicensed store rooms, then CannTrust would suffer further ramifications. Accordingly, the risk that Health Canada would discover that CannTrust was storing its excess inventory in unlicensed rooms fully materialized causing CannTrust's stock price to plummet.

319. On this news CannTrust's stock price fell approximately **30%** from a closing price of $3.17 per share on Friday, August 9, 2019 to a closing price of $2.32 on Monday, August 12, 2019.

320. Analysts attributed the additional regulatory violations related to the use of unlicensed rooms at CannTrust's Vaughan Facility as the cause of the stock drop. For example, on August 19, 2019, Jefferies reported that despite CannTrust's shares experiencing a gain as a possible result of a certain cannabis ETF rebalancing (*i.e.*, allocating a larger portion of the overall ETF to CannTrust shares), "[t]hese gains were all but lost though after CannTrust

announced on Monday morning that it has received a report from Health Canada informing it that its manufacturing facility in Vaughan, Ontario was non-compliant with certain regulations, which is in addition to the non-compliance finding for its Pelham facility previously."

321. As more news about CannTrust's non-compliance was disclosed, the Company's customers, including the provincial entities in charge of wholesale distribution began to return the illicitly grown cannabis that CannTrust sold to them because the cannabis was non-conforming. For example, on August 19, 2019, the CannTrust filed a Form 6-K and press release disclosing that the Ontario Cannabis Store, the Crown corporation in charge of wholesale distribution of cannabis products in Ontario, notified the Company that certain products sold were non-conforming (C$2.9 million) and would be returned.

322. Then, on September 6, 2019, numerous news reports were released revealing CannTrust's use of black-market seeds and mislabeling of cannabis from those seeds as a regulated and approved strain. For example, on that day, BNN Bloomberg published an article entitled "Black market pot entered CannTrust facility, flowed into legal market last year: Sources" According to the article, internal CannTrust documents obtained by BNN Bloomberg showed that CannTrust tried to conceal the black-market cannabis seeds from Health Canada and that some CannTrust employees changed the names of the black market cannabis strains to those which the Company was licensed to sell in the legal medical and recreational markets. The article went on to note "[a]dding cannabis seeds obtained through the black market would have allowed CannTrust to significantly bolster its production at a time when it had overcommitted itself with supply contracts with provinces and other licensed marijuana producers."

8. The Risk of Growing Cannabis in Unlicensed Rooms and Violating Health Canada Regulations Materializes When Health Canada Suspends CannTrust's License to Grow and Sell Cannabis

323. The foreseeable risk associated with Defendants' illicit growing and storing scheme fully materialized on September 17, 2019 when the Company informed investors that Health Canada was suspending its license, preventing CannTrust from continuing to sell cannabis altogether.

324. On that day, CannTrust published a press release, attached to a Form 6-K dated September 18, 2019, that "it received late this morning a Notice of Licence Suspension . . . under section 64(1) of the Cannabis Act (Canada)," which "states that **Health Canada has suspended CannTrust's authority to produce . . . and to sell cannabis**."

325. The press release continued: "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." Also, "[d]uring the suspension, CannTrust may not propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis." The Notice cited "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."

326. On this news, CannTrust's stock price fell **14%** from a closing price of $1.50 per share on September 16, 2019 to a closing price of $1.29 on September 17, 2019, on unusually high trading volume.

327. Analysts acknowledged that the suspension was a result of Defendants' illicit growing in the five unlicensed rooms at the Niagara facility and the other regulatory violations.

For example, on September 18, 2019, ROTH Capital reported that "[t]he recent announcement stems from the previous non-compliance of CTST growing cannabis in five unlicensed rooms."

G. Post-Class Period Events

328. On October 14, 2019, CannTrust issued a press release, attached to a Form 6-K dated that same day, announcing its purported success in its remediation efforts. Critically, part of the Company's remediation efforts involved destroying a significant amount of biological assets and inventory that related to their illegal growing in the five unlicensed rooms. Specifically, the press release explained:

> In order to implement these measures, CannTrust's Board of Directors has determined that it is **necessary to destroy approximately $12 million of biological assets and approximately $65 million worth of inventory that was not authorized by CannTrust's licence**. The exact amount of material destroyed will be validated and verified once the destruction is complete. The inventory being destroyed includes product that was returned by patients, distributors, and retailers. **Given the status of its licenses, the Company is unable to process the material being destroyed or sell it to other licensed producers.** The destruction process will allow the Company to free up much needed capacity to both implement remediation measures and store material that has been grown and processed in accordance with the Company's license since April 5, 2019.

329. Similarly, in an October 24, 2019 press release, attached to a Form 6-K dated that same day, CannTrust explained that it "will also take steps to recover all cannabis from distributors and retailers that has not already been sold to end consumers or returned to CannTrust." Within that same press release, interim CEO Defendant Marcovitch reiterated that as a result of the Special Committee's findings, "CannTrust has taken swift action to begin addressing the factors that led to its non-compliance, including several involuntary departures from the Company's leadership team"—referring mainly to Defendant Aceto being terminated for cause.

330. On November 26, 2019, the Company announced that "the Toronto Stock Exchange ('TSX') has advised the Company that it intends to review CannTrust's eligibility for continued listing of the Company's common shares on the TSX, pursuant to Part VII of the *TSX Company Manual*." The TSX indicated the reason for the review related to Company being in arrears for satisfying certain disclosure requirements, namely the preparation and filing of the Company's restated audited financial statements for the year ended December 31, 2018, its restated interim financial statements for the first quarter of 2019, and its interim financial statements for the second and third quarters of 2019, together with the related management's discussion and analysis ("MD&A") for the corresponding periods."

331. Then, on December 10, 2019, the Company announced that it received written notification on December 9, 2019 from the NYSE that "CannTrust is no longer in compliance with the NYSE's continued listing standard rules because the per share trading price of the Company's common shares has fallen below the NYSE's share price rule," *i.e.*, "[a]s of December 9, 2019, the 30 trading-day average closing price of the Company's common shares was" less than $1.00 per share.

332. Finally, on March 31, 2020—similar to bankruptcy protection in the United States—CannTrust applied for and obtained an order from the Ontario Superior Court of Justice granting protection under the *Companies' Creditors Arrangement Act*, c. C-36, as amended, a Canadian federal law allowing insolvent corporations that owe their creditors in excess of $5 million to restructure their business and financial affairs. In a press release issued by the Company on March 31, 2020, it indicated that it seeks to address "the multiple putative class actions and other litigation brought against CannTrust in several jurisdictions, seeking to resolve all of the claims and contingent claims against the Company in a single forum."

333. CannTrust informed investors in its March 31, 2020 press release that trading in CannTrust's common shares on the TSX and NYSE had been halted. CannTrust common stock was ultimately delisted from the NYSE on April 27, 2020.

VI. DEFENDANTS' FALSE AND MISLEADING STATEMENTS

334. Plaintiffs allege that the statements highlighted in bold and italics within this section were knowingly and materially false and misleading and/or omitted to disclose material information of which Defendants were aware or were reckless in not knowing. As alleged herein, such statements artificially inflated or maintained the price of CannTrust's publicly traded common stock and operated as a fraud or deceit on all persons and entities that purchased common stock during the Class Period.

335. Throughout the Class Period, Defendants made a series of misrepresentations concerning the Niagara and Vaughan Facilities in which they concealed from investors that they grew and stored cannabis in rooms prior to receiving the proper licenses in addition to committing several other regulatory violations including the growth and sale of cannabis from black-market seeds.

336. Because Defendants failed to disclose that they grew and stored cannabis in unlicensed rooms from June 2018 through March 2019 in violation of applicable rules and regulations, and that this illicit practice subjected CannTrust to significant regulatory risks, Defendants misled investors each time Defendants touted: (1) that CannTrust was in compliance with applicable regulations; (2) CannTrust's success and growth due to increases in capacity and expansion of the Niagara Facility; (3) the Company's continued successful expansion after Health Canada licensed the five unlicensed rooms in April 2019; and (4) reported certain overstated financial figures as a result of counting illicitly grown cannabis toward their reported inventory and biological assets.

A. Defendants Misled Investors About Being In Compliance with Applicable Regulations

337. During the Class Period, Defendants consistently told investors that the Company was in compliance with Health Canada regulations when in fact the Company knew that it was growing and storing cannabis in unlicensed rooms, and growing and selling cannabis from black-market seeds in direct violation of Health Canada regulations. Moreover, if Health Canada found CannTrust to be in violation of its regulations, it posed significant regulatory risks that would negatively impact CannTrust's continuing ability to operate including, *inter alia*, the loss or suspension of CannTrust's license to grow and sell cannabis.

338. In addition, even if Defendants' statements were literally true, they were false and misleading by omission because they 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.

1. December 19, 2018 – Press Release

339. On December 19, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, updating investors on Phases 2 and 2 of the Niagara Facility expansion. In the December 19, 2018 press release, CannTrust told investors that "***[t]he fully-permitted Phase II expansion remains on course to bring the Company's capacity to 50,000 kg per year. CannTrust expects first harvest from the expansion in Q1/19. Construction of the final range should be complete in January 2019***."

340. The statements above regarding CannTrust's compliance with regulations as well as CannTrust's representations that it was a licensed or permitted producer and distributer 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; (iv) CannTrust's product packaging mislabeled "black market" seed cannabis as one of the licensed strain names, in violation of the Cannabis Act; and (v) CannTrust distributed and sold cannabis to consumers without a proper permit. Accordingly, CannTrust was not operating in compliance with regulations and did not have a license to produce, store, and sell certain of its products.

341. For example, multiple former CannTrust employees corroborated that Defendants were growing in unlicensed rooms during the Class Period. According to former CannTrust employees, including whistleblower Nick Lalonde, Defendants knew or were reckless in not knowing that the Company was growing cannabis in five unlicensed rooms in the Niagara Facility from the beginning of the Class Period—in violation of Health Canada regulations. For example, Mr. Lalonde, who served as head of disposal operations at the Niagara Facility, recounted that CannTrust was growing in unlicensed rooms and intentionally concealed that fact from both Health Canada and investors. In fact, Mr. Lalonde detailed CannTrust's wrongdoing to Health Canada in an email, which included divulging that CannTrust was growing thousands of plants in unlicensed rooms and concealed the illicit growing scheme from Health Canada.

342. Similarly, CW1, who attended Quality Control meetings where issues in the facility were discussed, recalled that she saw plants and greenhouses being opened where the

Company had not obtained the proper permitting. CW4 likewise stated that the illegal growing started at the same time that Defendant Aceto took over as CEO, which happened in October 2018.

343. Indeed, Defendants admitted to doing so after receiving a compliance report from Health Canada on July 8, 2019. For instance, CannTrust issued a press release that same day, explaining that 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," and that the "[g]rowing in unlicensed rooms took place from October 2018 to March 2019 during which time CannTrust had pending applications for these rooms with Health Canada." Notably, the press release further stated that "CannTrust has accepted Health Canada's non-compliance finding," and Defendant Aceto conceded that with respect to Defendants' communications with Health Canada about growing in five unlicensed rooms, "[w]e made errors in judgement."

344. In addition, not only did CannTrust grow cannabis in five unlicensed rooms from October 2018 through March 2019, but the Individual Defendants either knew or were reckless in not knowing that it was occurring. Critically, the decision to do so was given by CannTrust executives—including Defendant Aceto. For example, as explained in Section V.B, according to internal CannTrust minutes from weekly production meetings held on November 21, 2018 and November 28, 2018, CannTrust executives explicitly discussed growing in unlicensed rooms and stated that Defendant Aceto was informed of the same and that Defendant Aceto instructed them to "continue as planned." Former CannTrust employees, such as whistleblower Mr. Lalonde, CW1, CW6, and CW2, corroborated that certain Individual Defendants knew about and directed the unlicensed growing.

345. Moreover, in addition to weekly production meetings, the unlicensed rooms were also discussed in Quality Control Meetings. For example, CW1 recalled that at the Quality Control meetings, which were held weekly in Niagara, and attended by Epp, Scott Rolph, Emily Tarrant, Emily Mclinchey, and others, issues at the Niagara Facility were discussed. Specifically, CW1 explained that at these meetings, they discussed the Niagara Facility "not being up to par," documents not being filled out properly, cleanliness issues along with other quality issues. CW1 further explained that they openly discussed the unlicensed grow rooms, RG8-12, and referred to them by their numbers.

346. Indeed, CW1 recalled that they openly discussed making sure those rooms were clean before the plants were put in but CW1 explained that she refused to partake in documenting the related cleaning logs because the rooms were unlicensed. According to CW1, because she "pushed back" by saying that it was "above her pay grade," those logs were handled by someone else. CW1 recalled that Rolph and Mclinchey also pushed back on the unlicensed rooms.

347. Notably, CW1 explained that Tarrant took the notes for the minutes at those Quality Control Meetings and that all documents and minutes "went to corporate" in Vaughan. CW1 stated that the minutes sent to corporate reflected discussions of RG8-RG12, and CW1 confirmed that those discussions that were reflected in the minutes included references to the unlicensed rooms.

348. In addition, as explained in Section V.B, according to Mr. Lalonde and CW1, CannTrust took affirmative steps to hide the unlicensed growing from Health Canada, which included misleading Health Canada inspectors and hanging up fake walls and curtains in front of

the plants in the unlicensed rooms so it appeared in photographs sent to Health Canada that the rooms were empty.

349. CannTrust executives—including Defendant Aceto—acknowledged that very fact in an email exchange on November 16, 2018. Subsequent to a Health Canada inspection, Graham Lee, CannTrust's director of quality and compliance, sent Defendant Aceto an email explaining, "[w]e dodged some bullets," and "[Health Canada] did not ask about RG8E/W, which are unlicensed rooms currently full of plants." Critically, the email further explicitly mentioned that Defendants had plants in unlicensed rooms: "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." Defendant Paul was then forwarded this email and responded to this email later that same day on November 16, 2018.

350. Moreover, in addition to growing cannabis in unlicensed rooms in their Niagara Facility, Defendants also stored cannabis in unlicensed rooms in their Vaughan Facility. Defendants ran out of space to store the excess cannabis that Defendants had grown in the unlicensed rooms, and thus chose to store the overflow from the unlicensed rooms in Niagara in other unlicensed rooms at the Company's Vaughan Facility.

351. Health Canada reprimanded CannTrust for this very practice in August 2019. Specifically, CannTrust announced on August 12, 2019 that Health Canada issued Defendants a report on August 12, 2019 that outlined violations found in the Vaughan Facility. These violations included, *inter alia*, "[t]he conversion of five rooms from operational areas to storage areas, which were used for storage since June 2018 without prior approval of Health Canada";

and "[t]he construction of two new areas without prior approval of Health Canada, one of which was used to store cannabis since November 2018."

352. Multiple former CannTrust employees corroborate that much of the overflow cannabis that was grown in the unlicensed Niagara Facility rooms were stored in the unlicensed Vaughan Facility rooms. For instance, CW3 recalled that some cannabis being stored in the Vaughan Facility was the same cannabis grown in the unlicensed rooms 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.

353. CW2 similarly recalled that CannTrust had opened up extra areas in the Vaughan Facility to use as storage because it needed it for all the product coming from the Niagara Facility, and that CannTrust knew it was waiting for the licenses to come through from Health Canada but they said "screw it, we are just going to use them." Additionally, CW2 recalled that there was product coming from the Niagara Facility, and CW2 recounted an example of a room that was supposed to be for packaging but CannTrust was using it for storage of excess dry cannabis. CW2 further recalled that CannTrust Director of Distribution Luca Rea told CannTrust employees "don't tell anybody . . . we do not have anywhere to put anything."

354. Finally, as set forth in Section V.B.4, according to former CannTrust employees and internal CannTrust documents, CannTrust obtained and used illegal seeds from the black-market to create additional strains of cannabis and to increase production and then mislabeled the cannabis grown from those seeds as approved and regulated strains.

355. For example, according to CW5, three of the strains that she was responsible for selling were "cultivated illegally" and came from seeds that were not approved by Health Canada. CW5 also stated that CannTrust did not go through the proper Health Canada channels

to have those strains become a part of the Company's "assortment." Specifically, CW5 recalled that "Blueberry Kush" and "Gold Kush" were two of the strains that were cultivated illegally.

356. CW5 recalled that CannTrust had been growing Gold Kush as early as June 2018. CW5 further explained that at CannTrust, the Blueberry and Gold strains were "snuck in" to their operations and grown at mass. CW5 stated that CannTrust then sold them without the proper permitting.

357. Moreover, BNN Bloomberg published an article on September 6, 2019 stating that—according to internal CannTrust documents and four sources directly familiar with the matter—"[s]enior operating staff working at [CannTrust's] Pelham, Ont[ario] facility late last year brought cannabis seeds from the black market into production rooms, leading to some illicitly-grown pot flowing into the legal market." The documents obtained by BNN Bloomberg "suggest that, in an apparent effort to conceal the black market cannabis seeds from regulatory inspections and other staff members, some CannTrust employees changed the names of as many as 20 strains to those which the [C]ompany was licensed to sell in the legal medical and recreational markets."

358. The article's sources also explained that "[c]annabis 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." The documents indicated that "more than one thousand cannabis plants that originated from the illicit seeds were grown at CannTrust's cultivation facility." The sources further informed BNN Bloomberg that "[a]dding cannabis seeds obtained through the black market would have allowed CannTrust to significantly bolster its production at a time when it had overcommitted itself with supply contracts with provinces and other licensed marijuana producers."

359. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

2. January 8, 2019 – Form 40-F (Registration Statement)

360. On January 8, 2019, CannTrust filed with the SEC a Form 40-F registration statement pursuant to Section 12 of the Exchange Act (the "January 8, 2019 Form 40-F), which was signed by Defendant Abramowitz. Filed with the January 8, 2019 Form 40-F were 130 exhibits. The January 8, 2019 Form 40-F, through those exhibits, touted that CannTrust was complying with all applicable regulations:

> The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To the knowledge of management, other than the requirement that the Company make routine corrections that may be required by Health Canada from time to time, ***the Company is currently in compliance with all such laws***.

361. Similarly, the January 8, 2019 Form 40-F stated:

> Health Canada conducts ad hoc, unscheduled site inspections of Licensed Producers. CannTrust Opco has experienced these inspections at its Vaughan Facility on a monthly basis. CannTrust Opco has responded to and complied with all requests from Health Canada within the time frames indicated in such requests. ***As of the date hereof, there are no outstanding inspection issues with Health Canada beyond day- to- day adjustments that may occur in order to ensure ongoing compliance.***

362. The January 8, 2019 Form 40-F further stated that "[t]he 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***."

363. The January 8, 2019 Form 40-F also purported to warn that "***[t]he failure of the Company to obtain and maintain the applicable licenses and amendments thereto would have a material adverse impact upon the Company.***"

364. Defendants' statements concerning being in compliance with all applicable regulations and the Company's purported risk factors *should* it fail to comply with applicable regulations were materially false and misleading for the same reasons set forth in paragraphs 340-358.

365. In addition, even if Defendants' purported risk factor was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

366. Moreover, Defendants' purported warning was materially false and misleading because it was misleading for Defendants to issue a warning that failing to "obtain and maintain applicable licenses" *would* adversely impact CannTrust when Defendants already knew, or were reckless in not knowing, that CannTrust was already failing to comply with applicable licenses.

367. 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.

3. March 1, 2019 – Registration Statement

368. On March 1, 2019, CannTrust filed a Registration Statement on Form 10-F with the SEC for a proposed offering of securities (the "Registration Statement"). The Registration Statement was signed by Defendants Aceto, Guyatt, Dawber, Paul, Sanders, Kaden, Page, Litwin, and Marcovitch.

369. The Registration Statement touted that the Company was not violating any regulations at the time the statement was made: "***The Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations***."

370. The Registration Statement further stated:

> ***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, the Company 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.***

371. Defendants' statements that the Company was *"in material compliance with all laws and regulations*" and concerning the Company's purported risk factors should it fail to comply with applicable regulations were materially false and misleading for the same reasons set forth in paragraphs 340-358.

372. In addition, even if Defendants' purported warnings 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.

373. Moreover, Defendants' purported warnings were materially false and misleading because it was misleading for Defendants to issue a warning that CannTrust *may* or *could* face the risk of adverse consequences if Defendants fail to comply with applicable regulations when Defendants already knew, or were reckless in not knowing, that CannTrust was already failing to comply with applicable regulations and had already faced the risk of having its licenses suspended from Health Canada.

374. 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.

4. March 18, 2019 – Amended Registration Statement

375. On March 18, 2019, the Company filed with the SEC an amendment to the Registration Statement on Form F-10/A (the "Amended Registration Statement"). The Amended Registration Statement was signed by Defendants Aceto, Guyatt, Dawber, Paul, Sanders, Kaden, Page, Litwin, and Marcovitch. On March 19, 2019, the SEC declared the Amended Registration Statement effective.

376. Like the Registration Statement, the Amended Registration Statement similarly touted that "***[t]he Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations summarized below***" and stated:

> ***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, the Company 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.***

377. The Amended Registration Statement also purported to warn that "any expansion of the Niagara Facility is subject to Health Canada regulatory approvals. ***The delay or denial of such approvals may have a material adverse impact on the business of the Company and may result in the Company not meeting anticipated or future demand when it arises.***"

378. The Amended Registration Statement also stated: "***The Company is required to obtain and maintain certain permits, licenses or other approvals from regulatory agencies*** in countries and markets outside of Canada in which it operates, or to which it exports, in order to produce or export to, and sell its 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 the Company will be able to comply with these standards***."

379. Defendants' statements that the Company was *"in material compliance with all laws and regulations*" and concerning the Company's purported risk factors should it fail to comply with applicable regulations were materially false and misleading for the same reasons set forth in paragraphs 340-358.

380. In addition, even if Defendants' purported warnings 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.

381. Moreover, Defendants' purported warnings were materially false and misleading because it was misleading for Defendants to issue a warning that CannTrust *may* or *could* face the risk of adverse consequences if Defendants fail to comply with applicable regulations when Defendants already knew, or were reckless in not knowing, that CannTrust was already failing to comply with applicable regulations and had already faced the risk of having its licenses suspended from Health Canada.

382. 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.

5. March 28, 2019 – Press Release and 2018 Form 40-F

383. On March 28, 2019, CannTrust issued a press release, attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announcing its financial results for the

fourth quarter of 2018. The March 28, 2019 press release explained to investors the Company's "expect[ation] to increase production capacity to 50,000kg on an annualized basis," and notably, that the "***Company is positioned to receive all necessary regulatory approvals to support this planned growth.***"

384. Also on March 28, 2019, CannTrust filed with the SEC its 2018 Form 40-F, which was signed by Defendant Guyatt and accompanied by certifications signed by Defendants Aceto and Guyatt, in which Defendants represented: "***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.***"

385. Notably, the 2018 Form 40-F touted that 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.***"

386. The 2018 Form 40-F further stated that "***[f]ailure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations.***"

387. The 2018 Form 40-F further stated that "***any expansion of the Niagara Facility is subject to Health Canada regulatory approvals.***" Furthermore, despite knowing that once Health Canada discovered the growing in the five unlicensed rooms, they would lose approval to continue operations and not meet demand, Defendants stated, "***[t]he delay or denial of such approvals may have a material adverse impact on the business of the Company and may result in the Company not meeting anticipated or future demand when it arises***."

388. Similarly, the 2018 Form 40-F touted that "***[t]he Company distributes its recreational cannabis products in accordance with the federal and provincial regulatory frameworks.***"

389. Defendants' statements concerning complying with Health Canada regulations were materially false and misleading for the same reasons set forth in paragraphs 340-358.

390. 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.

391. Moreover, Defendants' purported warnings were materially false and misleading because it was misleading for Defendants to issue a warning that CannTrust *may* face the risk of adverse consequences if Defendants fail to comply with applicable regulations when Defendants already knew, or were reckless in not knowing, that CannTrust was already failing to comply with applicable regulations and had already faced the risk of having its licenses suspended from Health Canada.

392. 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.

6. April 8, 2019 – Press Release

393. On April 8, 2019, within CannTrust's press release, which was attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announcing that its Pelham Facility became fully licensed, Defendant Aceto touted CannTrust's ability to always "meet and exceed regulatory standards":

> ***We have always been confident that our processes meet and exceed regulatory standards, and we now have further validation of this from our regulators*** . . . . With this approval, CannTrust is set to meet its plan to reach 50,000kg of annualized capacity at the perpetual harvest greenhouse and continue providing award-winning products in a cost-effective manner.

394. Defendant Aceto's statement that "[w]e have always been confident that our processes meet and exceed regulatory standards, and we now have further validation of this from our regulators," was materially false and misleading for the same reasons set forth in paragraphs 340-358.

7. April 22, 2019 – Preliminary Prospectus

395. On April 22, 2019, CannTrust filed a Preliminary Prospectus Supplement (the "Preliminary Prospectus") with the SEC, which preliminarily announced offering an aggregate of $200 million of common shares but did not set an offering price.

396. The Preliminary Prospectus touted: "***The Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations.***"

397. The Preliminary Prospectus further touted that "[w]ith [The Company's] 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***."

398. The Preliminary Prospectus also stated that "[w]e operate only in countries where cannabis is legal and ***abide by applicable federal, state and provincial laws.***"

399. Furthermore, the Preliminary Prospectus stated:

> ***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 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, the Company 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.***

400. The Preliminary Prospectus further stated:

> ***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 Licences or our prospects of renewing the Cannabis Licences, and could also result in a suspension or revocation of the Cannabis Licences.*** 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 were able to commence production at another facility.

401. Moreover, the Preliminary Prospectus stated that "any expansion of the Niagara Facility is subject to Health Canada regulatory approvals. ***The delay or denial of such approvals may have a material adverse impact on our business and may result in us not meeting anticipated or future demand when it arises***."

402. Defendants' statements that the Company was "in material compliance with all laws and regulations," that "[w]e are positioned to receive all necessary regulatory approvals,"

that "[we] abide by applicable federal, state and provincial laws," and concerning the Company's purported risk factors should it fail to comply with applicable regulations were materially false and misleading for the same reasons set forth in paragraphs 340-358.

403. 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.

404. Moreover, Defendants' purported warnings were materially false and misleading because it was misleading for Defendants to issue a warning that CannTrust *may* or *could* face the risk of adverse consequences if Defendants fail to comply with applicable regulations when Defendants already knew, or were reckless in not knowing, that CannTrust was already failing to comply with applicable regulations and had already faced the risk of having its licenses suspended from Health Canada.

405. 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.

8. May 3, 2019 – Prospectus Supplement

406. On May 3, 2019, CannTrust filed a Prospectus Supplement (the "Prospectus Supplement"), announcing its offering of 36,363,636 shares of common stock, which includes

the Cannamed and Cajun offering of 5,454,545 shares of common stock, at an offering price of $5.50 per share.

407. The Prospectus Supplement touted that "[w]ith [The Company's] 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.***"

408. The Prospectus Supplement also stated that "***[f]ailure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on our operations.***"

409. The Prospectus Supplement further stated that "any expansion of the Niagara Facility is subject to Health Canada regulatory approvals. ***The delay or denial of such approvals may have a material adverse impact on our business and may result in us not meeting anticipated or future demand when it arises.***"

410. The Prospectus Supplement also touted that "[w]e operate only in countries where cannabis is legal and ***abide by applicable federal, state and provincial laws.***"

411. The Prospectus Supplement also purported to warn:

> ***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 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, the Company 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.***

412. Similarly, the Prospectus Supplement stated:

> ***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 Licences or our prospects of renewing the Cannabis Licences, and could also result in a suspension or revocation of the Cannabis Licences.*** 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 were able to commence production at another facility.

413. Defendants' statements that "[w]e are positioned to receive all necessary regulatory approvals to support this planned growth," that "[we] abide by applicable federal, state and provincial laws," and concerning their purported risk warnings were materially false and misleading for the same reasons set forth in paragraphs 340-358.

414. 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.

415. Moreover, Defendants' purported warnings were materially false and misleading because it was misleading for Defendants to issue a warning that CannTrust *may* or *could* face the risk of adverse consequences if Defendants fail to comply with applicable regulations when Defendants already knew, or were reckless in not knowing, that CannTrust was already failing to

comply with applicable regulations and had already faced the risk of having its licenses suspended from Health Canada.

416. 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.

B. Defendants Misled Investors Each Time They Touted Their Successful Increased Capacity and Expansion

417. During the Class Period, Defendants also repeatedly touted CannTrust's success and growth to investors, and attributed that success and growth to the increased capacity and expansion of the Niagara Facility. In doing so, Defendants led investors to believe that the Company was in position to meet the surge in demand and become a market leader in recreational and medicinal cannabis sales. However, Defendants failed to disclose the material fact that the real reason the Company was in position to meet increased demand was because of the increased production capacity from growing and storing of cannabis in unlicensed rooms and use of black-market seeds.

418. 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 obtaining seeds from the black market, and after October 2018, were growing cannabis in unlicensed rooms in their Niagara Facility, were storing cannabis in unlicensed rooms in their Vaughan Facility, and in light of these direct violations of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

1. June 26, 2018 – Press Release

419. On June 26, 2018, CannTrust issued a press release applauding the granting of Royal Assent to Bill C-45, *the Cannabis Act*. The press release further explained, "[w]ith Royal Assent received, the legislation legalizing cannabis for adult consumer use has now passed its final official step, and retail sales are to commence on October 17, 2018, as announced by Canada's federal government."

420. In light of the upcoming legalization of recreational cannabis in Canada, Defendant Rogers touted: "***CannTrust is excited and well-positioned to enter this new marketplace and has the production capacity and infrastructure together with standardized products with precise label claims indicating the exact dosage, to immediately begin fulfilling adult consumer use market orders on a national level.***"

421. Similarly, the June 26, 2018 press release quoted Defendant Rogers: "[w]hile the federal government has recently announced the commencement date for adult consumer use, CannTrust has been working towards this date for a very long time. ***We are well positioned for this rapid growth with our new product offerings, infrastructure, research and development and staffing.***"

422. Defendants' statements above were materially false and misleading because as far back as June 2018, Defendants had been skirting Health Canada regulations to attempt to keep up with actual and anticipated demand for cannabis. Defendants at every turn tried to increase growing capacity and supply of their cannabis to get ready for the upcoming legalization of recreational cannabis in October 2018.

423. For example, set forth in Section V.B.4, according to former CannTrust employees and internal CannTrust documents, CannTrust obtained and used illegal seeds from the black-market to create additional strains of cannabis and to increase production.

424. According to CW5, three of the strains that she was responsible for selling were "cultivated illegally" and came from seeds that were not approved by Health Canada. CW5 also stated that CannTrust did not go through the proper Health Canada channels to have those strains become a part of the Company's "assortment." Specifically, CW5 recalled that "Blueberry Kush" and "Gold Kush" were two of the strains that were cultivated illegally.

425. CW5 recalled that CannTrust had been growing Gold Kush as early as June 2018. CW5 further explained that at CannTrust, the Blueberry and Gold strains were "snuck in" to their operations and grown at mass. CW5 stated that CannTrust then sold them without the proper permitting.

426. Moreover, BNN Bloomberg published an article on September 6, 2019 stating that—according to internal CannTrust documents and four sources directly familiar with the matter—"[s]enior operating staff working at [CannTrust's] Pelham, Ont[ario] facility late last year brought cannabis seeds from the black market into production rooms, leading to some illicitly-grown pot flowing into the legal market." The documents obtained by BNN Bloomberg "suggest that, in an apparent effort to conceal the black market cannabis seeds from regulatory inspections and other staff members, some CannTrust employees changed the names of as many as 20 strains to those which the Company was licensed to sell in the legal medical and recreational markets."

427. The article's sources also explained that "[c]annabis 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." The documents indicated that "more than one thousand cannabis plants that originated from the illicit seeds were grown at CannTrust's cultivation facility." The sources further informed BNN Bloomberg that

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

428. Additionally, as set forth in Section V.B.1-3, in light of Defendants' increased production of cannabis grown from illegal seeds, Defendants then stored their illegally grown cannabis in unlicensed rooms within their Vaughan Facility since at least June 2018. Indeed, Defendants were later reprimanded by Health Canada for 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.

429. 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 obtaining seeds from the black market, and in light of this direct violation of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

2. July 13, 2018 – Press Release

430. On July 13, 2018, CannTrust issued a press release, which was filed with SEDAR on July 16, 2018. Within the July 13, 2018 press release, Defendant Rogers stated that "[t]his is just the beginning for CannTrust! ***We are now a trusted, primary supplier in British Columbia, Alberta and Manitoba, thanks to our unparalleled product quality, value, innovations and proven expertise***."

431. Defendant Rogers' above statement was materially false and misleading for the same reasons set forth in paragraphs 417-418 and 422-428.

432. Additionally, as of June 2018, CannTrust was growing cannabis from black-market seeds and then mislabeling the cannabis as an approved and regulated strain.

Accordingly, Defendant Rogers' statement boasting about being a ***"trusted, primary supplier"*** and having "***unparalleled product quality, value, innovations*** and proven expertise" was false and misleading because CannTrust was not a trusted supplier and did not provide unparalleled product quality and value when their product was, in reality, mislabeled and sold its customers a different product that the Company was advertising.

3. August 14, 2018 – Letter to Shareholders

433. On August 14, 2018, CannTrust filed with SEDAR a letter to the shareholders from Defendant Paul that touted the Company's financial success. For example, the letter stated that "***[w]e continue 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."

434. Defendant Paul's above statement was materially false and misleading for the same reasons set forth in paragraphs 417-418, 422-428, and 432.

435. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement misleading. Specifically, Defendants failed to disclose that they were obtaining seeds from the black market, and in light of this direct violation of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

4. August 14, 2018 – Press Release

436. On August 14, 2018, CannTrust issued a press release, which was filed with SEDAR that same day. Within the August 14, 2018 press release, Defendant Rogers touted that "***[o]perating a facility of this scale, CannTrust is well-positioned to meet the increased Canadian and global demand for cannabis***."

437. Defendant Rogers' above statement was materially false and misleading for the same reasons set forth in paragraphs 417-418, 422-428, and 432.

438. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement misleading. Specifically, Defendants failed to disclose that they were obtaining seeds from the black market, and in light of this direct violation of applicable regulations, risked Health Canada suspending CannTrust's growing and selling licenses.

5. August 21, 2018 – Press Release

439. On August 21, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, announcing that the Company "has signed an agreement with the Ontario Cannabis Retail Corporation (OCRC), operating as the Ontario Cannabis Store (OCS), to supply a broad range of adult-use products from all three of the Company's new recreational cannabis brands – liiv, Xscape and Synr.g." Within the August 21, 2018 press release, Defendant Rogers stated that "***[o]ur top-of-the-line greenhouse facility, processing operations and distribution network***, all based in Ontario, ***ideally position us to grow rapidly to meet the demand*** within the province and across the country."

440. Defendant Rogers' above statement was materially false and misleading for the same reasons set forth in paragraphs 417-418, 422-428, and 432.

6. August 22, 2018 – Press Release

441. On August 22, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, introducing three new recreational cannabis brands. The August 22, 2018 press release stated that "[t]hese three new brands were cultivated by Canada's first pharmacist-operated and licensed producer, CannTrust. With four years as a trusted provider of

cannabis, ***CannTrust brings its high quality, trusted and standardized products to the liiv, Synr.g and Xscape brands to provide products that are of the highest quality*** and best flavor."

442. The August 22, 2018 press release further explained, "***[w]hen developing a new strain, CannTrust's expert cultivation team plants hundreds of seeds, monitoring the plants from seedling through to full flower and selecting only the varieties with high terpene levels and the right amount of THC and CBD as the mother plant for all future products.***"

443. Defendants' statements above were materially false and misleading for the same reasons set forth in paragraphs 417-418, 422-428, and 432. Indeed, at that time liiv, Synr.g and Xscape represented CannTrust's only three brands of cannabis. Accordingly, the cannabis sold under those brand names included cannabis that was grown and stored in unlicensed rooms as well as cannabis that was grown and sold from black-market seeds and then sold under these brand names rendering Defendants statements boasting about providing products of the highest quality" and "developing a new strain" were false and misleading.

444. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

7. September 13, 2018 – Press Release

445. On September 13, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, announcing "***supply agreements with Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. . . and has a long-term strategy to be a market***

share leader in the Canadian recreational space. The September 13, 2018 press release further touted, "***[b]eginning October 17, Canadians from coast-to-coast will have access to CannTrust's quality, standardized cannabis products grown in the [C]ompany's Niagara, Ontario perpetual harvest facility, which is setting new industry standards for product excellence and cost effectiveness.***"

446. Defendants' above statements were materially false and misleading for the same reasons set forth in paragraphs 417-418, 422-428, and 432.

447. In addition, the supply agreements CannTrust was touting were based on the sale of illicitly grown and stored cannabis and/or from the use of black-market seeds. Accordingly, such supply agreements were based on false information and conveyed cannabis for which CannTrust lacked legal title and, as set forth in Section V.C.4 was not entitled to transfer.

8. October 1, 2018 – Press Release

448. On October 1, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, announcing the appointment of Defendant Aceto as CEO. Within the October 1, 2018 press release, Defendants touted, "***CannTrust is a front-runner in the industry and perfectly positioned to continue its exponential growth in Canada and abroad following the legislative changes set to become effective in Canada on October 17th***."

449. Defendants' above statement was materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

450. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

9. October 10, 2018 – Press Release

451. On October 10, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, introducing a fourth recreational brand, Peak Leaf. The October 10, 2018 press release explained, "***[w]hen developing a new strain, CannTrust's expert cultivation team plants hundreds of seeds, monitoring the plants from seedling through to full flower*** and selecting only the varieties with terpene levels and the right amount of THC and CBD as the mother plant for all future products."

452. Defendants' above statement was materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, and 443.

453. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

10. November 14, 2018 – MD&A and 3Q 2018 Earnings Call

454. On November 14, 2018, Defendants issued a MD&A based on information available to CannTrust management as of November 13, 2018, which was filed with SEDAR that same day. Filed with the November 14, 2018 MD&A were Form 52-109F2 Certifications of Interim Filings signed by Defendants Aceto and Abramowitz, which indicated that they "reviewed the interim financial report and interim MD&A (together, the 'interim filings')," and

that "having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings."

455. The November 14, 2018 MD&A stated that "[t]he Company received its Health Canada Sales License for the Perpetual Harvest Facility in February 2018" and the "***planned Phase 2 expansion at the Perpetual Harvest Facility is progressing as planned and is nearing completion***."

456. The November 14, 2018 MD&A further stated: "***With the completion of all phases of the Niagara expansion, the Company will have the ability to supply a substantial share of the increased demand arising from international markets.***"

457. Also on November 14, 2018, Defendants held a conference call discussing the earnings results for the third quarter of 2018 ("3Q 2018 Earnings Call"). During the 3Q 2018 Earnings Call, with respect to the increased demand for cannabis created by the legalization of recreational cannabis in Canada, Defendant Aceto explained to investors that "***we have taken steps to add some additional laboratory partners to try and manage that***" and are "certainly very optimistic about the way our products have been received and ***our ability to deliver***."

458. Defendants' statements that the Niagara Facility's Phase 2 expansion was "progressing as planned and [] nearing completion," that the "Company will have the ability to supply a substantial share of the increased demand" once Phase 2 was complete, and that Defendants were optimistic about their "ability to deliver" and implementing steps and plans to meet demand for their cannabis products, including by "add[ing] some additional laboratory

partners," were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

459. 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 statement 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.

460. 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.

11. December 19, 2018 – Press Release

461. On December 19, 2018, CannTrust issued a press release, which was filed with SEDAR that same day, updating investors on the Company's newly built 35,000 sq. ft. greenhouse facility adjacent to its current greenhouse in Pelham. The press release further explained that, "***[g]iven the very high demand for the Company's medical and recreational products, CannTrust had been considering many alternatives to increase capacity beyond the Phase III expansion***, prior to the enactment of this bylaw." To that end, in that press release, Defendant Aceto proceeded to reassure investors that the Company had no issues meeting demand by using its other greenhouses: "***The use of other greenhouses and outdoor crop production are both viable options that can help us meet our production targets***. If developments change our production targets, we plan to communicate that with investors."

462. Defendants' above statement was materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

463. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

12. January 9, 2019 – Interview

464. In an interview with Global Edmonton News Morning on January 9, 2019, Defendant Aceto touted to investors that despite Health Canada's extensive regulatory requirements, the Company was setting new production records every week. For example, Defendant Aceto explained that "demand was way beyond what any of us have imagined, so we're all certainly at CannTrust we're working very, very hard to optimize our processes; we've had a lot of rules and regulations that we have to comply with." Defendant Aceto continued to tout that "***every single week that goes by, we're getting new records in terms of what we're getting out and so it is getting better all the time, and I think you can expect that improvement to continue.***"

465. Defendant Aceto's statement that "every single week that goes by, we're getting new records in terms of what we're getting out and so it is getting better all the time, and I think you can expect that improvement to continue" was materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

466. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

467. 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.

13. January 22, 2019 – Press Release

468. On January 22, 2019, CannTrust issued a press release, which was filed with SEDAR that same day, that similarly touted that "***[t]he fully-permitted Phase II expansion remains on course to bring the Company's capacity to 50,000 kg per year. CannTrust expects first harvest from the Phase II expansion in Q1/19. Construction of the final range should be complete by the end of January 2019.***"

469. Defendants' statements that "[t]he fully-permitted Phase II expansion remains on course to bring the Company's capacity to 50,000 kg per year," that "CannTrust expects first harvest from the Phase II expansion in Q1/19," and that "[c]onstruction of the final range should be complete by the end of January 2019," were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

470. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their

statement 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.

471. 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.

14. March 28, 2019 – 2018 Form 40-F, Press Release, 2018 Q4 Earnings Call

472. On March 28, 2019, CannTrust filed with the SEC its 2018 Form 40-F, which was signed by Defendant Guyatt and accompanied by certifications signed by Defendants Aceto and Guyatt, in which Defendants stated: The 2018 Form 40-F further stated "***[w]ith the completion of all phases of the Niagara expansion, the Company believes it ha[s] the ability to supply a substantial share of the increased demand arising from international markets***."

473. The 2018 Form 40-F further stated: "***The redeveloped Perpetual Harvest Facility provides the Company with increased production capacity to meet growing market demand.***"

474. The 2018 Form 40-F further stated: "At December 31, 2018, it is expected 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***."

475. The 2018 Form 40-F further stated: "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)***."

476. The 2018 Form 40-F further stated: "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***."

477. The 2018 Form 40-F further stated: "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."

478. The 2018 Form 40-F further stated: "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."

479. The 2018 Form 40-F also falsely represented that CannTrust's revenue was increasing, and that the increase was due to organic customer growth and sales: "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.***"

480. The 2018 Form 40-F further stated: "***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.***"

481. The 2018 Form 40-F further stated: "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.***"

482. The 2018 Form 40-F further stated: "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.***"

483. The 2018 Form 40-F further stated: "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.***"

484. The 2018 Form 40-F further stated: "[2018 Full Year Highlights:] ***Record annual revenue 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."

485. Furthermore, on March 28, 2019, CannTrust issued a press release, attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announcing its financial results for the fourth quarter of 2018. Without ever mentioning that the Company was growing in five unlicensed rooms which attributed to CannTrust's growth, Defendant Aceto touted within the March 28, 2019 press release that the "***CannTrust team has delivered remarkable growth in the fourth quarter of 2018***."

486. Likewise the press release touted: "[n]et revenue for the fourth quarter of 2018 increased to $16.2 million from $7.0 million in the fourth quarter of 2017," and continued to explain that the "***increase in revenue was attributable to increased sales volumes primarily due to the continued growth in the Company's medical patient base and sales derived from the recreational market in Canada.***"

487. Defendants' statements within the 2018 Form 40-F and March 28, 2019 press release concerning the Company's ability to increase growing capacity, and the misattributions for the Company's successful revenue, assets and inventory growth were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

488. The 2018 Form 40-F similarly represented that CannTrust would increase its production and profitability once the Phase 2 expansion was complete, stating: "The Company owns and operates an approximately 450,000 square foot perpetual harvest facility in the Niagara region (the "Perpetual Harvest Facility"), which is ***expected to have an annual capacity of approximately 50,000 kilograms***. The planned Phase 3 expansion is expected to increase the annual capacity of the Perpetual Harvest Facility to 100,000 kilograms upon its completion."

489. The 2018 Form 40-F further stated: "***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, the Company is targeting a return to profitability."

490. The 2018 Form 40-F further stated: "***The Phase II expansion remains on course to bring the Company's capacity to 50,000 kg per year.***"

491. Defendant Aceto further told investors in the March 28, 2019 press release: "***We expect the trajectory of revenue growth to continue in 2019 as we bring additional capacity online through our Phase 2 expansion.***"

492. During the 4Q 2018 Earnings Call, Defendant Aceto explained, "***[w]e have completed the construction of our Phase 2 perpetual harvest greenhouse facility in Pelham, which should bring our capacity to 50,000 kilograms on an annualized basis.***"

493. Similarly, with respect to an analyst's question of "what proportion of full capacity did you achieve by the end of fourth quarter," Defendant Aceto stated during the 4Q 2018 Earnings Call:

> I don't know, that's a challenging question to ask. Just our -- ***when we get our final rooms licensed in Phase 2, we'll be at 50,000 kilograms annualized, but we brought room systematically online as we've continued to build Phase 2.*** So I think that number has changed. And ***actually Phase 2, for much of the case, the output that we sold in Q4 did not primarily come from plants grown in Phase 2.***

494. 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."

495. Defendants' above statements were materially false and misleading for the reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, and 443.

496. 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.

497. 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. Defendants Continued to Mislead Investors Regarding the Increased Capacity After Health Canada Licensed the Previously Unlicensed Growing Rooms in April 2019

498. In early April 2019, CannTrust announced that its Niagara Facility became fully licensed by Health Canada. Yet, although newly recognized by Health Canada as rooms that Defendants could properly grow cannabis in, nothing changed for CannTrust because prior to receiving the licenses in April 2019, Defendants had already been growing in those rooms since October 2018. Yet, each time that Defendants touted that they received the licenses and that as a result they had increased capacity to produce cannabis, Defendants failed to disclose the fact that CannTrust's increased capacity was attributable to the Company's illicit growing and storing scheme.

499. 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.

1. April 8, 2019 – Press Release

500. Specifically, on April 8, 2019, CannTrust issued a press release, which was attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announcing that CannTrust "is pleased to announce that its cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of its Phase 2 expansion. ***The entire 450,000 sq. ft. of its perpetual harvest greenhouse in Pelham, Ontario, is now fully licensed***."

501. Defendants' statements above were materially false and misleading for the reasons set forth in paragraphs 340-358, 417-418, 422-428, and 432.

502. Additionally, Defendants' statement that "[t]he entire 450,000 sq. ft. of its perpetual harvest greenhouse in Pelham, Ontario, is now fully licensed" was materially false and misleading because even though Health Canada eventually approved licenses for the final rooms in Defendants' Phase 2 redevelopment in April 2019, Defendants misled investors each time Defendants touted that they received licenses for those rooms and that capacity to grow cannabis would increase since Defendants failed to disclose that they had already been using unlicensed rooms to grow and store cannabis and were relying on cannabis from black-market seeds long before Health Canada approved licenses for them and that engaging in these practices put the Company's ability to continue operating at serious risk were Health Canada to discover the illicit growing and storing scheme.

503. In addition, even if Defendants' statement was literally true, it was false and misleading by omission because Defendants failed to disclose material facts, rendering their statement 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.

2. April 22, 2019 – Press Release and Preliminary Prospectus

504. On April 22, 2019, CannTrust issued a press release, attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announcing the preliminary operational and financial results for the quarter ended March 31, 2019. The April 22, 2019 press release discussed its recently acquired licenses for the Niagara Facility, with no mention that the Company had already been growing in those rooms:

> ***In April 2019, CannTrust's cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of its Phase 2 expansion, which is now fully licensed. With the Phase 2 expansion, the Company expects full production to be achieved by the end of the second quarter of 2019 at an annualized rate of 50,000kg per year***.

505. The April 22, 2019 press release that announced the preliminary operational and financial results for the quarter ended March 31, 2019, quoted Defendant Aceto:

> ***These preliminary results represent the excellent efforts the CannTrust team has made in increasing output at our Niagara perpetual harvest greenhouse***. We are quickly approaching our stated capacity of 50,000kg per year from our Phase 2 expansion. ***Our 96% sequential increase in production over the prior quarter*** will enable us to service both our rapidly growing base of medical patients and the high demand in the recreational market for our award-winning products and brands.

506. Also on April 22, 2019, the Company filed with the SEC its Preliminary Prospectus, which similarly stated:

> 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. ***In April 2019, our cultivation and processing permit under Health Canada Cannabis Regulations was amended to include the final 20% of our Phase 2 expansion, which is now fully licensed. 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***.

507. The Preliminary Prospectus likewise touted that "***[t]he completed Phase 2 expansion of the Niagara Facility is expected to increase production capacity to 50,000 kg on an annualized basis.***"

508. The Preliminary Prospectus further touted, "***[w]ith 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***."

509. Furthermore, the Preliminary Prospectus explained that "[t]he Company's 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 its planned expansion, the Company is targeting annual capacity of 100,000 kilograms by 2020."

510. Likewise, the Preliminary Prospectus stated "[t]he 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***."

511. The Preliminary Prospectus also touted "[w]***e are also making strategic investments into our capacity to prepare for expected increases in demand for our products.***"

512. The Preliminary Prospectus also stated that "[t]he Company believes that the efficiency of its operating model, ***including its production capacity*** and research and development, ***makes the Company one of the few licensed producers with a clear, identifiable path to growth and profitability***."

513. The Preliminary Prospectus also touted CannTrust's increased production and growth, stating "we ***harvested approximately 9,424 kg of cannabis from our Niagara [F]acility, representing an increase of 96% from the fourth quarter of 2018***."

514. The Preliminary Prospectus also stated: "***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."

515. The Preliminary Prospectus further stated: "***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***.""***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."

516. The Preliminary Prospectus further stated: "***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, 201[9]. 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."

517. The Preliminary Prospectus also stated: "***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."

518. The Preliminary Prospectus further stated: "***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***."

519. The Preliminary Prospectus stated: "***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."

520. Defendants' statements concerning "making strategic investments into our capacity," "production capacity," and purported reasons why CannTrust was successfully able to meet increased demand of cannabis and grow its revenues and financial figures were materially

false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, 498, and 502.

521. The same or substantially similar statements as in paragraphs 506-519 were also set forth in the Company's May 3, 2019 prospectus supplement.

522. 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.

523. 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.

3. May 14, 2019 – MD&A, Press Release, and 1Q 2019 Earnings Call

524. On May 14, 2019, CannTrust issued a MD&A based on information available to CannTrust management as of May 13, 2019 ("May 14, 2019 MD&A"), which was filed with the SEC as an attachment to a Form 6-K signed by Defendant Guyatt that same day. Filed with the May 14, 2019 MD&A were Form 52-109F2 Certifications of Interim Filings signed by Defendants Aceto and Guyatt, which indicated that they "reviewed the interim financial report and interim MD&A (together, the 'interim filings')," and that "having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading

in light of the circumstances under which it was made, with respect to the period covered by the interim filings."

525. Within the May 14, 2019 MD&A, CannTrust touted that "[t]he Phase 2 expansion at the Perpetual Harvest Facility was substantially completed during the first quarter of 2019, and is ***as of the date of this MD&A, fully licensed by Health Canada*** " and similarly that "[t]he 200,000 square foot Phase 2 expansion at the Perpetual Harvest Facility was substantially completed in the first quarter of 2019 and ***was fully licensed as of April 2019***."

526. The May 14, 2019 MD&A also explained that "***[w]ith the completion of all phases of the Niagara expansion, the Company believes it has the ability to supply a substantial share of the increased demand arising from international markets***" and that "***[t]he redeveloped Perpetual Harvest Facility provides the Company with increased production capacity to meet growing market demand***."

527. The May 14, 2019 MD&A reported a "gain of $26 million" in the fair value of biological assets, which it attributed in part to "***the ramp up of production at the Perpetual Harvest Facility following approval from Health Canada of the final rooms from Phase 2, and an increase in the average stage of the plants in the grow cycle combined with higher expected revenue per gram as a result of the selling price increases in the medical and recreational markets.***"

528. On May 14, 2019, CannTrust issued a press release, attached to a Form 6-K signed by Defendant Guyatt and dated that same day, announcing its financial results for the first quarter of 2019, which ended March 31, 2019—the quarter prior to receiving the license approvals from Health Canada on its growing rooms in its Pelham Facility. Filed with the May 14, 2019 Form 6-K were Form 52-109F2 Certifications of Interim Filings signed by Defendants

Aceto and Guyatt, which indicated that they "reviewed the interim financial report and interim MD&A (together, the 'interim filings')," and that "having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings."

529. Defendant Aceto stated within the May 14, 2019 press release that "***[t]he CannTrust team delivered exceptional operational growth in the first quarter, with harvested production of over 9,400kg. This is a 96% increase in production over the prior quarter and reflects the impact of the investments made into our facilities, as well as process improvements to increase throughput.***"

530. The May 14, 2019 press release further touted the increased harvested production, yet omitted that growing in illegal grow rooms attributed to such production: "***Harvested production increased by more than 400% to over 9,400kg, versus the first quarter of 2018, and 96% over the fourth quarter of 2018***."

531. The May 14, 2019 press release also reiterated that the "entire 450,000 sq. ft. of the Perpetual Harvest Facility in Pelham, Ontario, ***is now fully licensed and planted***," and similarly explained that "***[t]he Company has received all necessary regulatory approvals for the Phase 2 expansion, which is now fully operational and planted***."

532. On May 14, 2019, Defendants also held a conference call discussing the earnings results for the first quarter of 2019 ("1Q 2019 Earnings Call"). During the 1Q 2019 Earnings Call, Defendant Aceto explained to investors that "***[i]n April, we received Health Canada approval for the remaining 20% of our Phase II greenhouse***" and "***[w]e expect that production***

will continue to increase to the full promised annualized capacity of 50,000 kilograms in the third quarter of this year."

533. During the 1Q 2019 Earnings Call, Defendant Aceto further told investors that "***I think with phase II being completed, being fully licensed, where we're very close to being at full production capacity at the 50,000 kilograms, we [will] certainly be in a better position to meet all of the stakeholder needs.***"

534. During the 1Q 2019 Earnings Call, Defendant Aceto touted that "***[t]his increased production is the result of our investment into people, training and facilities, and our company wide dedication to producing the highest quality cannabis in the market, today***."

535. Defendants' statements within the May 14, 2019 MD&A and May 14, 2019 press release and during the 1Q 2019 Earnings Call concerning the Niagara Facility being "fully licensed as of April 2019," the completion of Phase 2 bringing the Company an "increased production capacity to meet growing market demand," and other similar statements were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, 498, and 502.

536. 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.

537. 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.

4. July 11, 2019 –Press Release

538. On July 11, 2019, CannTrust issued a press release, which was filed that same day with the SEC as an attachment to a Form 6-K signed by Defedant Guyatt, announcing that it created a Special Committee "comprised of independent members of the Board of Directors" "to investigate [a compliance report from Health Canada] in its entirety." CannTrust also informed investors that "it has implemented a voluntary hold on sale and shipment of all cannabis products as a precaution ***while Health Canada visits and reviews its Vaughan, Ontario manufacturing facility***."

539. Defendants' statement above was false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, 498, and 502. In addition, taken together with the fact that the Company had just recently been the subject of a surprise inspection that uncovered violations of unlicensed *growing* at the Niagara Facility, Defendants omitted the material risk that "Health Canada['s] visit[] and review[] of its Vaughan, Ontario manufacturing facility" was likely to uncover similar violations of unlicensed *storing* of cannabis, much of which was the same cannabis that was grown in the unlicensed rooms in the Niagara Facility. Accordingly, Defendants knew, but failed to disclose that there was a considerable risk that Health Canada would uncover the Company's illicit storage practice during its review of the Vaughan Facility and increased risk that the Health Canada would suspend or revoke CannTrust's licenses to grow and sell cannabis.

540. 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.

D. Defendants Misled Investors When They Misleadingly Reported Overstated Financial Figures That Included Illicitly Grown Cannabis as Biological Assets and Inventory and Revenue Generated Therefrom

541. During the Class Period, Defendants consistently reported that CannTrust was maintaining a strong financial position. In particular, Defendants touted, *inter alia*, the values of the Company's revenue, income, inventory, and biological assets which misleadingly included: (1) cannabis grown from illegally obtained seeds from June 2018 onwards; (2) the value of cannabis that was stored in unlicensed rooms from June 2018 onwards; and (3) the value of cannabis that was grown in unlicensed rooms from October 2018 onwards. Defendants engaged in each of these practices in direct violation of Health Canada rules and regulations and accordingly violated IFRS, IAS, and PCAOB Standards because they recognized revenue and accounted for assets and inventory from cannabis for which they lacked title because it was obtained through illegitimate means, among other accounting violations.

1. August 14, 2018 – Condensed Interim Consolidated Financial Statements (Unaudited)

542. On August 14, 2018, CannTrust filed with SEDAR its condensed interim consolidated financial statements for the three months and six months ended June 30, 2018 and

June 30, 2017 ("August 14, 2018 Consolidated Financial Statements"), which was signed by Defendants Paul and Litwin.

543. The August 14, 2018 Consolidated Financial Statements, as well as the Company's MD&A filed that same day, contained a materially false and misleading balance sheet and income statement:

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Current		
Cash	$ 11,728,174	$ 17,961,043
Short term investments (Note 6)	87,976,562	201,538
Harmonized sales tax recoverable	4,103,059	2,636,710
Inventory (Note 7)	25,651,950	10,959,022
Biological assets (Note 7)	22,182,880	9,843,690
Accounts receivable	503,939	160,383
Prepaids	2,048,778	2,465,506
Total current assets	154,195,342	44,227,892
Investments (Note 17)	174,673	156,073
Restricted cash (Note 6)	150,765	100,765
Property and equipment (Note 8)	48,860,635	33,963,685
Intangible assets (Note 9)	326,275	-
Financial assets (Note 10)	1,896,840	-
Total Assets	205,604,530	78,448,415
Liabilities		
Current		
Accounts payable and accrued liabilities	6,553,206	6,579,997
Current portion of promissory note (Note 5)	200,000	200,000
Current portion of mortgage (Note 11)	38,895	-
Total current liabilities	6,792,101	6,779,997
Promissory note (Note 5)	600,000	800,000
Mortgage (Note 11)	9,478,549	-
Deferred tax (Note 18)	4,289,290	-
Total Liabilities	21,159,940	7,579,997
Shareholders' Equity		
Share capital (Note 12)	193,935,293	104,824,215
Share-based payment reserve (Note 13)	6,609,311	2,272,302
Warrants reserve (Note 14)	11,653,284	3,361,789
Retained Earnings (Deficit)	(27,753,298)	(39,589,888)
Total Shareholders' Equity	184,444,590	70,868,418
Total Liabilities and Shareholders' Equity	$ 205,604,530	$ 78,448,415

Commitments (Note 15)
Subsequent Events (Note 22)

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

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

CannTrust Holdings Inc.
Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the Three Months and Six Months Ended June 30, 2018 and June 30, 2017
(in Canadian dollars) (unaudited)

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue (Note 21)	$ 9,050,239	$ 4,541,378	$ 16,890,086	$ 7,574,623
Cost of goods sold	4,085,159	1,040,963	8,051,578	1,791,452
Amortization expensed to cost of sales (Note 8)	377,064	224,131	623,092	444,148
Gross profit, before the unrealized gain on changes in fair value of biological assets	4,588,016	3,276,284	8,215,416	5,339,023
Fair value changes in biological assets included in inventory sold	8,754,109	3,024,249	14,285,936	5,315,296
Unrealized gain on changes in fair value of biological assets (Note 7)	(15,350,984)	(3,747,495)	(38,515,005)	(7,765,701)
Gross profit	11,184,891	3,999,530	32,444,485	7,789,428
Expenses				
Amortization (Note 8)	688,338	332,765	1,571,743	513,678
General and administrative	1,003,121	351,091	1,772,870	586,058
Loss on Equity Accounted Investment (Note 17)	43,080	48,773	86,174	74,726
Management fees (Note 16)	80,000	35,000	160,000	235,000
Marketing and promotion	631,741	125,083	898,189	223,247
Professional fees	321,583	204,679	751,132	420,287
Rent and facilities	491,600	117,653	1,078,641	141,542
Salaries and benefits	1,865,473	909,645	3,448,662	1,649,663
Selling and shipping costs	2,111,169	659,755	3,581,886	1,238,540
Share based compensation (Note 13)	1,343,298	355,864	4,973,874	552,369
Expenses before Financing Activities and Transaction Costs	8,579,403	3,140,308	18,323,171	5,635,110
Income from Operations before Financing Activities and Transaction Costs	2,605,488	859,222	14,121,314	2,154,318
Interest expense	(119,632)	(62,947)	(191,454)	(158,242)
Accretion expense (Note 11)	(52,250)	(90,246)	(83,619)	(179,694)
Transaction costs (Note 5)	-	-	-	(204,282)
Other income (Note 10)	1,960,589	-	1,990,064	-
Gain (Loss) on revaluation of derivative liability	-	48,835	-	(1,635,140)
Income (loss) before income taxes	4,394,195	754,864	15,836,305	(23,040)
Deferred income tax expense (Note 18)	(4,289,290)	-	(4,289,290)	-
Net Income (Loss) and Comprehensive Income (Loss)	$ 104,905	$ 754,864	$ 11,547,015	$ (23,040)
Weighted average number of common shares - basic	95,708,683	71,362,575	93,825,315	70,129,251
Weighted average number of common shares - diluted	98,911,671	72,457,234	97,028,302	70,129,251
Earnings (loss) per share - basic (Note 12)	$ 0.00	$ 0.01	$ 0.12	$ (0.00)
Earnings (loss) per share - diluted (Note 12)	$ 0.00	$ 0.01	$ 0.12	$ (0.00)

544. In addition to the reasons set forth in paragraphs 417-418, 422-428, 432, 498, and 541 CannTrust's figures were false and misleading and Defendants' statements concerning the then-current financial condition of the Company were materially false and misleading because as far back as June 2018, CannTrust stored cannabis in unlicensed rooms in its Vaughan Facility and had been obtaining and using seeds from the black market to grow, harvest, and sell cannabis. The financial figures above, such as revenue, biological assets, and inventory are thus false and misleading because Defendants failed to disclose that they included the revenue, biological assets, and inventory from cannabis that was stored in unlicensed rooms and grown

from illegal seeds. Indeed, as set forth in Section V.C, CannTrust violated numerous IFRS and IAS accounting standards when it accounted for biological assets and inventory for which it lacked legal title as a result of the illicit cannabis being grown and stored in direct violation of Health Canada regulations. Likewise, CannTrust improperly recognized revenue for which it lacked legal title to transfer and was subject to a deposit liability and should have properly been accounted for as deferred revenue.

545. Additionally, because seeds are counted as part of the Company's biological assets, the above figures concerning biological assets were artificially inflated because they also consisted of illegal seeds.

2. November 14, 2018 – Condensed Interim Consolidated Financial Statements (Unaudited)

546. On November 14, 2018, CannTrust filed with SEDAR its condensed interim consolidated financial statements for the three months and nine months ended September 30, 2018 and September 30, 2017 ("November 14, 2018 Consolidated Financial Statements"), which was signed by Defendants Paul and Litwin.

547. The November 14, 2018 Consolidated Financial Statements, as well as the Company's MD&A filed that same day, contained a materially false and misleading balance sheet and income statement:

CannTrust Holdings Inc.

Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2018 and December 31, 2017
(in Canadian dollars)

	Notes		September 30, 2018 (Unaudited)		December 31, 2017 (Audited)
Assets					
Current					
Cash		$	5,421,155	$	17,961,043
Short term investments	7		80,896,438		201,538
Harmonized sales tax recoverable			5,318,765		2,636,710
Inventory	8		42,244,976		10,959,022
Biological assets	8		16,222,928		9,843,690
Accounts receivable			2,047,935		160,383
Prepaids			1,755,482		2,465,506
Total current assets			153,907,679		44,227,892
Investments	18		1,101,199		156,073
Restricted cash	7		150,765		100,765
Property and equipment	9		53,310,257		33,963,685
Intangible assets	10		657,434		-
Financial assets	11		1,896,840		-
Total Assets			211,024,174		78,448,415
Liabilities					
Current					
Accounts payable and accrued liabilities			8,472,030		6,579,997
Current portion of promissory note	6		200,000		200,000
Current portion of mortgage	12		39,743		-
Total current liabilities			8,711,773		6,779,997
Promissory note	6		600,000		800,000
Mortgage	12		9,468,324		-
Deferred tax	19		4,758,104		-
Total Liabilities			23,538,201		7,579,997
Shareholders' Equity					
Share capital	13		195,779,143		104,824,215
Share-based payment reserve			7,346,685		2,272,302
Warrants reserve	15		11,479,381		3,361,789
Deficit			(27,119,236)		(39,589,888)
Total Shareholders' Equity			187,485,973		70,868,418
Total Liabilities and Shareholders' Equity		$	211,024,174	$	78,448,415

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

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

CannTrust Holdings Inc.

Condensed Interim Consolidated Statements of Net Income and Comprehensive Income
For the Three Months and Nine Months ended September 30, 2018 and September 30, 2017
(in Canadian dollars) (unaudited)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
			(Restated) (Note 5)		(Restated) (Note 5)
Revenue	22	$ **12,588,727**	$ 6,140,224	$ **29,478,813**	$ 13,714,847
Cost of goods sold	5	**3,869,655**	1,171,352	**9,201,201**	3,103,235
Gross profit, before the unrealized gain on changes in fair value of biological assets	5	**8,719,072**	4,968,872	**20,277,612**	10,611,612
Fair value changes in biological assets included in inventory sold	5	**5,222,601**	4,597,289	**17,218,074**	7,935,943
Unrealized gain on changes in fair value of biological assets	5,8	**(9,044,160)**	(4,985,223)	**(41,716,084)**	(10,268,825)
Gross profit		**12,540,631**	5,356,806	**44,775,622**	12,944,494
Expenses					
Amortization	9	**1,171,798**	464,045	**2,534,047**	977,723
General and administrative		**1,242,415**	469,225	**3,015,285**	1,055,283
Loss on Equity Accounted Investment	18	**109,179**	26,926	**195,353**	101,652
Management fees	17	**80,000**	63,548	**240,000**	298,548
Marketing and promotion		**1,614,789**	130,391	**2,512,978**	353,638
Professional fees		**300,094**	410,453	**1,051,226**	830,740
Rent and facilities		**172,200**	85,356	**1,250,841**	226,898
Salaries and benefits		**2,587,081**	929,073	**6,035,743**	2,376,996
Selling and shipping costs		**2,703,428**	1,186,089	**6,285,314**	2,424,629
Share based compensation	14	**1,514,268**	908,223	**6,488,142**	1,460,592
Expenses before Financing Activities and Transaction Costs		**11,495,252**	4,673,329	**29,608,929**	10,106,699
Income from Operations before Financing Activities, Transaction Costs and Other Income		**1,045,379**	683,477	**15,166,693**	2,837,795
Interest expense		**(143,429)**	(62,332)	**(334,883)**	(220,574)
Accretion expense	12	**(62,643)**	(54,022)	**(146,262)**	(233,716)
Transaction costs	6	-	-	-	(204,282)
Other income	11	**50,747**	78,382	**2,040,811**	78,382
Gain (Loss) on revaluation of derivative liability		-	9,804	-	(1,625,336)
Income before income taxes		**890,054**	655,309	**16,726,359**	632,269
Deferred income tax expense	19	**(468,814)**	-	**(4,758,104)**	-
Net Income and Comprehensive Income		$ **421,240**	$ 655,309	$ **11,968,255**	$ 632,269
Weighted average number of common shares - basic		**104,054,171**	78,701,498	**97,630,021**	72,997,008
Weighted average number of common shares - diluted		**108,160,500**	81,155,187	**101,736,351**	75,450,697
Earnings per share - basic	13	$ **0.00**	$ 0.01	$ **0.12**	$ 0.01
Earnings per share - diluted	13	$ **0.00**	$ 0.01	$ **0.12**	$ 0.01

548. Defendants' statements concerning the then-current financial condition of CannTrust were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, 498, 502, 541, and 544-545.

549. In addition, Defendants' statements concerning the values of the Company's revenue, biological assets, and inventories were materially false and misleading because Defendants did not disclose to investors that those values included, inventory and biological assets and revenues that were derived from the sale of cannabis that was grown and stored in unlicensed rooms and from black-market seeds.

550. Indeed, the Company ultimately disclosed on August 1, 2019 that the value of impacted inventory and biological assets from the five unlicensed rooms totaled approximately $51 million. The Company also explained on August 16, 2019 that the impacted inventory represented approximately 53% of the Company's total inventory and the impacted biological assets represented approximately 30% of the Company's total biological assets. Later, on October 14, 2019, CannTrust explained that to effectuate the Company's remediation efforts, "CannTrust's Board of Directors has determined that it is necessary to destroy approximately $12 million of biological assets and approximately $65 million worth of inventory that was not authorized by CannTrust's licence."

3. March 28, 2019 – Consolidated Financial Statements

551. On March 28, 2019, CannTrust filed with the SEC on Form 40-F and with SEDAR its consolidated financial statements for the year ended December 31, 2018 and December 31, 2017 ("March 28, 2019 Consolidated Financial Statements"), which was signed by Defendants Paul and Litwin.

552. The March 28, 2019 Consolidated Financial Statements also included a Report of Independent Registered Public Accounting Firm signed by KPMG (the "Audit Report"). 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."

553. The March 28, 2019 Consolidated Financial Statements, as well as the Company's MD&A filed that same day, contained a materially false and misleading balance sheet and income statement:

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

554. Defendants' statements concerning the then-current financial condition of CannTrust were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, 498, 502, 541, 544-545, and 550.

4. May 14, 2019 – Consolidated Financial Statements

555. On May 14, 2019, CannTrust filed with SEDAR its consolidated financial statements for the three months ended March 31, 2019 and March 31, 2018 ("May 14, 2019 Consolidated Financial Statements"), which was signed by Defendants Paul and Litwin.

556. The May 14, 2019 Consolidated Financial Statements, as well as the Company's MD&A filed that same day, contained a materially false and misleading balance sheet and income statement:

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

	Notes	March 31, 2019	December 31, 2018
Assets		(Unaudited)	(Audited)
Current			
Cash		$ 3,203,741	$ 9,022,821
Short term investments	6	39,543,366	63,023,908
Harmonized sales tax recoverable		718,026	1,492,110
Inventory	7	55,813,185	35,389,490
Biological assets	7	21,802,426	10,502,579
Accounts receivable		3,430,523	6,151,604
Prepaid expenses		14,999,144	2,859,039
Total current assets		139,510,411	128,441,551
Investments	16	11,912,719	10,661,932
Restricted cash	6	100,000	100,000
Property and equipment	8	70,504,503	62,208,905
Right-of-Use assets	3,8	1,603,571	-
Financial assets	9	901,350	901,350
Total Assets		224,532,554	202,313,738
Liabilities			
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
Shareholders' Equity			
Share capital	11	207,185,559	207,061,423
Share-based payment reserve		12,083,189	8,714,188
Warrants reserve	13	11,381,930	11,393,687
Deficit		(40,471,836)	(53,143,504)
Total Shareholders' Equity		190,178,842	174,025,794
Total Liabilities and Shareholders' Equity		$ 224,532,554	$ 202,313,738

Commitments (Note 14)

Subsequent events (Note 20)

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

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

CannTrust Holdings Inc.
Condensed Interim Consolidated Statements of Net Income and Comprehensive Income
For the Three Months Ended March 31, 2019 and March 31, 2018
(in Canadian dollars) (unaudited)

	Notes	March 31, 2019	March 31, 2018 (Restated) (Note 5)
Gross revenue		$ 18,813,801	$ 7,839,847
Excise duty		(1,960,725)	-
Net revenue	19	16,853,076	7,839,847
Cost of goods sold		9,142,532	2,877,048
Gross profit, before changes in fair value of biological assets		7,710,544	4,962,799
Fair value changes in biological assets included in inventory sold		6,654,488	4,444,258
Unrealized gain on changes in fair value of biological assets	7	(32,640,849)	(20,494,625)
Gross profit		33,696,905	21,013,166
Expenses			
Amortization	8	532,054	636,977
General and administrative	15	4,754,259	1,866,339
Marketing and promotion		1,932,654	266,448
Salaries and benefits		3,404,923	1,583,189
Selling and shipping costs		2,194,915	1,470,717
Share based compensation	12	3,406,090	3,630,576
Operating expenses		16,224,895	9,454,246
Income from operations		17,472,010	11,558,920
Interest expense		(219,396)	(71,822)
Interest income		262,442	-
Accretion expense	10	(62,516)	(31,369)
Other income		1,518,276	29,475
Loss on equity accounted investment	16	(122,839)	(43,094)
Income before income taxes		18,847,977	11,442,110
Deferred income tax expense	17	6,044,517	-
Net income and comprehensive income		$ 12,803,460	$ 11,442,110
Weighted average number of common shares - basic		105,627,315	91,921,020
Weighted average number of common shares - diluted		108,230,636	95,674,356
Earnings per share - basic	11	0.12	0.12
Earnings per share - diluted	11	0.12	0.12

557. Defendants' statements concerning the then-current financial condition of CannTrust were materially false and misleading for the same reasons set forth in paragraphs 340-358, 417-418, 422-428, 432, 498, 502, 541, 544-545, and 550.

E. KPMG's Clean Audit Report Contained False and Misleading Statements

558. In addition to the false and misleading revenue, biological assets, and inventory figures KPMG certified and consented to as set forth in CannTrust's audited consolidated

financial statements filed on March 28, 2019, KPMG also made numerous false and misleading statements in its Audit Report.

559. 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***."

560. 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.***"

561. 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***."

562. 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.***"

563. 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."

564. Each of these statements were false and misleading because, as discussed in Sections V.C.4-5, KPMG's audit of CannTrust violated numerous PCAOB auditing standards and CannTrust's financial statements violated applicable accounting standards. KPMG's clean audit opinion reinforced the credibility of CannTrust's financial statements and allowed CannTrust to perpetrate its fraud. Indeed, contrary to these statements and the representations: KPMG did not conduct its audits in accordance with PCAOB standards; as described herein, the financial statements referred to in these statements contained material errors and omissions in violation of IFRS; and KPMG lacked a reasonable basis for its opinion that the financial statements referred to in these statements were fairly presented in accordance with IFRS.

VII. LOSS CAUSATION

565. During the Class Period, as detailed herein, Defendants engaged in a course of conduct that artificially inflated or artificially maintained the price of CannTrust's common stock and operated as a fraud or deceit on Class Period purchasers of CannTrust common stock by failing to disclose and misrepresenting Defendants' non-compliance with applicable regulations and illicit business practices implemented to increase growing capacity in order to take advantage of surging demand, *i.e.*, the growing and storing of cannabis in unlicensed rooms, and other regulatory violations from June 2018 through March 2019.

566. Class members unknowingly and in reliance upon Defendants' materially false or misleading statements and/or omissions purchased CannTrust common stock at artificially inflated prices. But for Defendants' misrepresentations, omissions, and fraudulent scheme, Plaintiffs and other Class members would not have purchased CannTrust stock at the artificially inflated prices at which it traded during the Class Period.

567. The truth regarding Defendants' fraud was revealed in a series of partial corrective disclosures and/or materializations of concealed risk that occurred between July 8, 2019 and September 17, 2019. During this corrective disclosure period, CannTrust's stock fell precipitously as the artificial inflation caused by Defendants' unlawful conduct exited CannTrust's stock price. It was not until the final partial corrective disclosure and/or materialization of concealed risk on September 17, 2019 that the full truth and extent of Defendants' misrepresentations was known to the market and/or fully materialized such that there was no longer any artificial inflation in CannTrust's stock price attributable to the fraud.

568. The declines in CannTrust's stock price during the corrective disclosure period, including the declines summarized below, are directly attributable to the market absorbing information that corrected and/or reflected the materialization of undisclosed risks concealed by the Defendants' material misrepresentations or omissions.

569. As a result of their purchases of CannTrust common stock during the Class Period, Plaintiffs and the other Class members suffered economic loss (*i.e.*, damages) under the federal securities laws. Defendants' materially false and misleading statements had the intended effect and caused CannTrust common stock to trade at artificially inflated levels throughout the Class Period, reaching as high as $13.48 per share on March 19, 2019.

570. By concealing from investors the adverse facts detailed herein, Defendants presented a misleading picture of CannTrust's business practices, compliance with applicable regulations, and its ability to meet the high demand for cannabis. As the truth about the Company and the extent of the fraud was revealed to the market, the price of CannTrust common stock fell significantly. These declines removed the inflation from the price of CannTrust

common stock, causing real economic loss to investors who had purchased CannTrust common stock during the Class Period.

A. July 8, 2019 – First Partial Corrective Disclosure/Materialization of the Risk

571. On July 8, 2019, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during the Class Period were partially revealed and/or partially materialized in connection with CannTrust's announcement that it received a compliance report from Health Canada. On that date, Defendants disclosed that CannTrust had "received a compliance report from Health Canada notifying the Company that its greenhouse facility in Pelham, Ontario is noncompliant with certain regulations" and that the Company "accepted Health Canada's non-compliance finding and has taken actions to ensure current and future compliance."

572. CannTrust disclosed that it had been growing cannabis in five unlicensed rooms in its Niagara Facility from October 2018 through March 2019 and misled Health Canada inspectors during their audit in June 2019 of the Niagara Facility. Specifically, the press release stated:

> 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.

573. Additionally, within that same press release, CannTrust disclosed that "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," and that "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 further announced that "[d]ue to

the product on hold, some CannTrust customers and patients will experience temporary product shortages."

574. Moreover, in light of the truth that began to reveal itself to the public, Defendant Aceto conceded within that same press release that with respect to Defendants' communications with Health Canada about growing in five unlicensed rooms, "[w]e made errors in judgement." Additionally, in an interview later that day by the Globe and Mail of Defendant Aceto on July 8, 2019, Defendant Aceto similarly admitted: "We constructed these rooms in accordance with all the rules and regulations; the mistake that was made by CannTrust was putting plants in these rooms before we'd actually received the approval to do so."

575. The July 8, 2019 disclosures that Defendants received a compliance report from Health Canada and that much of their inventory was thus placed on hold, were foreseeable consequences of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants' growing of cannabis in unlicensed rooms in their Niagara Facility from October 2018 through March 2019.

576. Moreover, the July 8, 2019 disclosures revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. These disclosures partially (but incompletely) revealed some of the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations.

577. As a direct and proximate result of these partial corrective disclosures and/or materializations of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price

fell over ***22%*** from \$4.94 per share on July 5, 2019, to \$3.83 per share at close on July 8, 2019, on unusually heavy trading volume.

578. Surprised by this news, analysts and the media linked the stock drop directly to the disclosures. For example, ROTH Capital issued a report on July 8, 2019 linking the drastic drop in share price to Defendants' announcement: "CTST shares are down ~20% to \$3.87 while investors weigh the ramifications of cannabis production in unlicensed rooms and the pending inventory concerns in the near term." The analyst report further expressed concern over Defendants' misrepresentations that they made to Health Canada, stating, "we are concerned with the non-compliance rating and that Health Canada felt [CannTrust] employees misled regulators during the June audit." Canaccord similarly reported that same day that "a breach of Hea[l]th Canada regulations is an unfortunate setback for CannTrust and will likely materially impact Q3/19 results."

579. Likewise, news outlet Globe and Mail published an article on July 8, 2019, explaining that "CannTrust Holdings Inc. shares plunged more than 20 per cent on Monday, after the NYSE-listed cannabis grower disclosed that Health Canada discovered unlicensed growing activity at the [C]ompany's main greenhouse in Ontario and put a sales freeze on 5,200 kilograms of CannTrust's inventory, pending further investigation." The next day, on July 9, 2019, ROTH Capital issued another report and downgraded the Company's stock to Neutral, further explaining that "CannTrust has taken a huge credibility hit from the issued Hea[l]th Canada non-compliance rating audit report," and opining that CannTrust demonstrated "a flagrant lack of compliance surrounding cultivating cannabis in five unlicensed rooms over a five month timeframe."

580. However, despite these partial disclosures of adverse news which removed some of the artificial inflation in CannTrust's stock price, its stock price remained artificially inflated after this announcement as Defendants knew and failed to disclose or deliberately disregarded that Defendants actively attempted to cover up their unlicensed growing by putting up fake walls, the directive to grow in unlicensed rooms was known and given by CannTrust executives—including Individual Defendants—and that Defendants were storing the excess inventory in unlicensed rooms in their Vaughan Facility and that, as such, faced a high likelihood of getting the Company's license suspended. Indeed, acknowledging that it was not yet known that Defendants had a direct role in the unlicensed growing and cover up, Jefferies explained in a July 8, 2019 analyst report that "[t]he fact the [C]ompany never spotted this, or indeed still doesn't know how it happened, is a concern."

B. July 10, 2019 – Second Partial Corrective Disclosure/Materialization of the Risk

581. On July 10, 2019, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during the Class Period were partially revealed and/or partially materialized in connection with an explosive article that Globe and Mail published detailing whistleblower Nick Lalonde's email to Health Canada, further revealing the gory details about Defendants' fraudulent conduct to investors. On that date, the public learned for the first time the explicit details of Mr. Lalonde's email, such as Defendants requiring CannTrust employees to hang fake walls in front of the unlicensed rooms to hide their unregulated growing from Health Canada inspections.

582. The July 10, 2019 disclosure that Defendants took affirmative steps to hide their unlicensed growing from Health Canada, was a foreseeable consequence of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants'

growing of cannabis in unlicensed rooms in their Niagara Facility from October 2018 through March 2019, as well as Defendants' attempts to hide their violations from Health Canada.

583. Moreover, the July 10, 2019 disclosure revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. This disclosure partially (but incompletely) revealed some of the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations.

584. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price fell over ***12%*** from $3.60 per share on July 9, 2019 to $3.16 per share on July 10, 2019, on unusually heavy trading volume.

585. However, despite this partial disclosure of adverse news which removed some of the artificial inflation in CannTrust's stock price, its stock price remained artificially inflated after this announcement as Defendants knew and failed to disclose or deliberately disregarded that the directive to grow in unlicensed rooms was known and given by CannTrust executives—including the Individual Defendants—and that Defendants were storing the excess inventory in unlicensed rooms in their Vaughan Facility and that, as such, faced a high likelihood of getting the Company's license suspended.

C. July 11, 2019 – Third Partial Corrective Disclosure/Materialization of the Risk

586. On July 11, 2019, after the close of trading, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during

the Class Period were partially revealed and/or partially materialized in connection with CannTrust's announcement that "it has implemented a voluntary hold on sale and shipment of all cannabis products as a precaution ***while Health Canada visits and reviews its Vaughan, Ontario manufacturing facility***." CannTrust further informed investors on that date that it created a special committee "comprised of independent members of the Board of Directors" to "investigate this matter in its entirety"—referring to the unlicensed growing.

587. The July 11, 2019 disclosures that Defendants implemented a voluntary hold on sale and shipment of all cannabis products and that the Company created a Special Committee to investigate Defendants' wrongdoing were foreseeable consequences of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants' growing of cannabis in unlicensed rooms in their Niagara Facility from October 2018 through March 2019, as well as Defendants' decision to ship the cannabis grown in those unlicensed rooms to their Vaughan Facility for storage.

588. Moreover, the July 11, 2019 disclosures revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. These disclosures partially (but incompletely) revealed some of the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations. Defendants' statement that the Company "has implemented a voluntary hold on sale and shipment of all cannabis products as a precaution while Health Canada visits and reviews its Vaughan, Ontario manufacturing facility" was additionally false and misleading because Defendants failed to disclose that they engaged in the illicit practice of storing cannabis

in unlicensed rooms at the Vaughan Facility and that there was a considerable risk Health Canada would uncover the practice (especially given the recent findings of unlicensed growing at the Niagara Facility), increasing the risk of CannTrust losing its license to grow or sell cannabis.

589. As a direct and proximate result of these partial corrective disclosures and/or materializations of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price fell over ***17%*** from $3.11 per share on July 11, 2019 to $2.58 per share on July 12, 2019, on unusually high trading volume.

590. The media linked the July 12, 2019 stock price drop directly to Defendants' disclosures. For example, on July 12, 2019, Barrons.com reported that "CannTrust Holdings said Friday morning it has halted all cannabis sales and shipments while Health Canada reviews its processing plant in Vaughan, Ontario. Now its shares are tanking." Similarly, that same day, Bloomberg News reported that "CannTrust said Thursday night that it[] put a voluntary hold on the sale and shipment of all its medical and recreational products" and that CannTrust stock "tumbled . . . Friday after the Canadian pot company halted all sales and shipments of its products."

591. However, despite these partial disclosures of adverse news which removed some of the artificial inflation in CannTrust's stock price, its stock price remained artificially inflated after this announcement as Defendants knew and failed to disclose or deliberately disregarded that the directive to grow in unlicensed rooms was known and given by CannTrust executives—including Individual Defendants—and that Defendants were storing the excess inventory in unlicensed rooms in their Vaughan Facility and that, as such, faced a high likelihood of getting the Company's license suspended.

D. July 15, 2019 – Fourth Partial Corrective Disclosure/Materialization of the Risk

592. On July 15, 2019, after the close of trading, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during the Class Period were partially revealed and/or partially materialized in connection with an article published by the Financial Post discussing a recently filed action against CannTrust, which alleged CannTrust breached section 130 of the Ontario Securities Act which outlines liability for misrepresentation in offerings. On that date, the article revealed for the first time the possibility that Defendants' actions concerning the growing in the five unlicensed rooms could rise to the level of a "criminal offence."

593. The July 15, 2019 disclosure that Defendants' actions concerning the growing in the five unlicensed rooms could rise to the level of a criminal offence was a foreseeable consequence of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants' growing of cannabis in unlicensed rooms in their Niagara Facility from October 2018 through March 2019.

594. Moreover, the July 15, 2019 disclosure revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. This disclosure partially (but incompletely) revealed some of the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations.

595. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price fell

over ***10%*** from $3.06 per share on July 15, 2019 to $2.75 per share on July 16, 2019, on unusually high trading volume.

596. However, despite these partial disclosures of adverse news which removed some of the artificial inflation in CannTrust's stock price, its stock price remained artificially inflated after this announcement as Defendants knew and failed to disclose or deliberately disregarded that the directive to grow in unlicensed rooms was known and given by CannTrust executives—the including Individual Defendants—and that Defendants were storing the excess inventory in unlicensed rooms in their Vaughan Facility and that, as such, faced a high likelihood of getting the Company's license suspended.

597. Indeed, analysts were still uncertain about the full impact that Defendants' fraudulent conduct would have on the Company going forward. For example, on July 15, 2019, ROTH Capital issued a report that placed CannTrust shares "Under Review" and reported: "The biggest unknown is the response by Health Canada, as the federal regulator has the power to potentially suspend or revoke CTST's license. Additional legal actions may come about pending further investigations of violating The Cannabis Act. At this time, the impact of these matters on CTST's financial results [is] unknown." Likewise, Jefferies reported on July 15, 2019 that "[f]or a company that we had found to be well set up to succeed, we have been disappointed by execution and a lack of catalysts." The report further stated: "As more details emerge, it becomes less likely that Health Canada will provide a swift resolution to the situation, with a number of cases likely to be put to CannTrust for violation of the Cannabis Act, or potentially worse. There are also question marks over whether management had been aware of such schemes during its $200m equity offering."

E. July 23–24, 2019 – Fifth Partial Corrective Disclosure/Materialization of the Risk

598. On July 23, 2019, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during the Class Period were partially revealed and/or partially materialized in connection with an article published by the Globe and Mail revealing new information about Defendants' role in the unlicensed growing. On that date, the article revealed that—based on internal CannTrust emails obtained by the news organization—"[b]oth the chairman and the chief executive officer of CannTrust Holdings Inc. were informed that the [C]ompany was growing cannabis in unlicensed rooms about seven months before Health Canada uncovered the regulatory breach." The article further disclosed that the internal emails "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."

599. Additionally, on July 24, 2019, further new facts were revealed by the media about Defendants' role in the unlicensed growing. On that day, BNN Bloomberg published an article that—according to internal Company documents obtained by BNN Bloomberg—disclosed that Defendant "Aceto told senior company officials to 'continue as planned' and plant cannabis in an unlicensed room in mid-November." In reviewing internal weekly production meetings minutes, BNN Bloomberg created a timeline of when senior CannTrust executives—including Defendant Aceto—knew of the illegal growing.

600. The July 23–24, 2019 disclosures that certain Individual Defendants knew about and directed the growing of cannabis in unlicensed rooms were foreseeable consequences of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants' growing of cannabis in unlicensed rooms in their Niagara Facility from October

2018 through March 2019, as well as certain Individual Defendants' direct and personal involvement with the unlicensed growing by directing it and allowing it to continue.

601. Moreover, the July 23–24, 2019 disclosures revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. These disclosures partially (but incompletely) revealed some of the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations.

602. As a direct and proximate result of these partial corrective disclosures and/or materializations of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price fell over ***22%*** from $2.62 per share on July 23, 2019 to $2.04 per share on July 24, 2019, on unusually high trading volume.

603. The media attributed the stock drop directly to the new information about Defendants' explicit knowledge of the illicit activity in unlicensed growing rooms. For example, Global News reported on July 24, 2019 that "CannTrust Holdings Corp. shares have plummeted further after a media report alleging that the cannabis company's chief executive and chairman of the board were aware of pot cultivation in rooms without government approval months before Health Canada discovered the illicit activity." Similarly, the Canadian Press (CNP) reported that same day that "CannTrust Holdings Corp. shares took a nearly 22 per cent dive on Wednesday after a media report alleged that the cannabis company's chief executive and chairman of the board were aware of pot cultivation in rooms without government approval months before Health Canada discovered the illicit activity." That same day, Bloomberg News also reported

that "[t]he [C]ompany's shares plunged 22% to C$2.68 in Toronto on the Globe and Mail report which cited internal emails showing Chairman Eric Paul and Chief Executive Officer Peter Aceto were informed the [C]ompany was growing pot in unlicensed rooms about seven months before Health Canada raised the issue."

604. However, despite these partial disclosures of adverse news which removed some of the artificial inflation in CannTrust's stock price, its stock price remained artificially inflated after this announcement as Defendants knew and failed to disclose or deliberately disregarded that Defendants were storing the excess inventory in unlicensed rooms in their Vaughan Facility and that, as such, faced a high likelihood of getting the Company's license suspended.

F. August 12, 2019 – Sixth Partial Corrective Disclosure/Materialization of the Risk

605. On August 12, 2019, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during the Class Period were partially revealed and/or partially materialized in connection with CannTrust's announcement that Health Canada found significant regulatory violations at a second cannabis facility. On that date, the Company disclosed that "[a]fter trading hours on Friday, August 9, 2019, CannTrust received a report from Health Canada notifying the Company that its [Vaughan Facility] has been rated non-compliant with certain regulations." The Company further disclosed that Health Canada found the following violations:

(a) 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;

(b) The construction of two new areas without prior approval of Health Canada, one of which was used to store cannabis since November 2018;

(c) Insufficient security controls at the manufacturing facility;

(d) Inadequate quality assurance investigations and controls;

(e) Standard operating procedures that did not [] meet the requirements under regulations; and

(f) Documents or information that were not retained in a manner to enable Health Canada to complete its audit in a timely manner.

606. Defendants explained that these findings were "based on observations made during an inspection completed during the period July 10-16, 2019." Notably, Defendants admitted that the regulator's findings were accurate, noting: "CannTrust has accepted Health Canada's findings and remedial actions are underway."

607. The August 12, 2019 disclosure that Health Canada found significant regulatory violations at the Company's Vaughan Facility was a foreseeable consequence of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants' growing of cannabis in unlicensed rooms in their Niagara Facility from October 2018 through March 2019, as well as Defendants' decision to ship cannabis grown in those unlicensed rooms to their Vaughan Facility.

608. Moreover, the August 12, 2019 disclosure revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. This disclosure partially (but incompletely) revealed some of the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations.

609. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price fell

approximately ***30%*** from a closing price of $3.17 per share on Friday, August 9, 2019 to a closing price of $2.32 on Monday, August 12, 2019, on unusually high trading volume.

610. Analysts directly attributed the additional regulatory violations related to the use of unlicensed rooms at CannTrust's Vaughan Facility as the cause of the stock drop. For example, on August 19, 2019, Jefferies reported that despite CannTrust's shares experiencing a gain as a possible result of a certain ETF rebalancing, "[t]hese gains were all but lost though after CannTrust announced on Monday morning that it has received a report from Health Canada informing it that its manufacturing facility in Vaughan, Ontario was non-compliant with certain regulations, which is in addition to the non-compliance finding for its Pelham facility previously."

G. September 17, 2019 – Final Corrective Disclosure/Materialization of the Risk

611. On September 17, 2019, the relevant truth and foreseeable risks concealed by Defendants' misconduct and their false representations and omissions during the Class Period were fully revealed and/or materialized when the Company informed investors that Health Canada had suspended its license, preventing CannTrust from continuing to sell cannabis altogether. On that date, CannTrust disclosed that "it received late this morning a Notice of Licence Suspension . . . under section 64(1) of the Cannabis Act (Canada)," which "states that Health Canada has suspended CannTrust's authority to produce cannabis, other than cultivating and harvesting, and to sell cannabis."

612. The press release continued: "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." Also, "[d]uring the suspension, CannTrust may not propagate new lots or batches of cannabis or engage in the sale or distribution of cannabis." The Notice cited "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."

613. The September 17, 2019 disclosure that Health Canada had suspended the Company's license, preventing CannTrust from continuing to sell cannabis altogether was a foreseeable consequence of, and within the zone of risk concealed by, Defendants' misrepresentations and omissions concerning Defendants' growing of cannabis in unlicensed rooms in their Niagara Facility from October 2018 through March 2019, their attempts to hide their violations from Health Canada, their decision to ship the cannabis grown in those unlicensed rooms to their Vaughan Facility, and certain of the Individual Defendants' direct and personal involvement with the unlicensed growing by directing it and allowing it to continue.

614. Moreover, the September 17, 2019 disclosure revealed new information that Defendants' misstatements, omissions, and fraudulent course of conduct previously concealed and/or obscured from the market. This disclosure revealed the relevant truth concealed and/or obscured by Defendants' prior misstatements and omissions surrounding the Company's illicit business practices, including the Company's ability to meet the high demand for cannabis by legitimate means and the Company's compliance with applicable regulations.

615. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, CannTrust's stock price fell ***14%*** from a closing price of $1.50 per share on September 16, 2019 to a closing price of $1.29 on September 17, 2019, on unusually high trading volume.

616. Analysts acknowledged that the suspension was a result of Defendants' illicit growing in the five unlicensed rooms at the Niagara Facility. For example, on September 18,

2019, ROTH Capital reported that "[t]he recent announcement stems from the previous non-compliance of CTST growing cannabis in five unlicensed rooms."

617. Each decline in the price of CannTrust common stock, as detailed above, was a direct or proximate result of the nature and extent of Defendants' fraudulent misrepresentations being revealed to investors and the market. The timing and magnitude of the price declines in CannTrust common stock negate any inference that the loss suffered by Plaintiffs and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to Defendants' fraudulent conduct.

618. The economic loss, *i.e.*, damages, suffered by Plaintiffs and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the price of CannTrust common stock and the subsequent significant decline in the value of CannTrust common stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

619. The market for CannTrust common stock was open, well-developed, and efficient at all relevant times, with average daily trading volume of approximately 2,400,959 trades during the Class Period. As a result of Defendants' misstatements and material omissions, as alleged herein, CannTrust's common stock traded at artificially inflated prices. Plaintiffs and other Class members purchased CannTrust common stock relying upon the integrity of the market relating to CannTrust common stock and suffered economic losses as a result thereof.

620. The economic loss, *i.e.*, damages, suffered by Plaintiffs and other Class members was a direct result of Defendants' misrepresentations artificially inflating CannTrust's stock price and the subsequent significant decline in the value of CannTrust common stock when the

truth was revealed on July 8, 2019, July 10, 2019, July 11, 2019, July 15, 2019, July 23–24, 2019, August 12, 2019, and September 17, 2019.

621. The declines in CannTrust's common stock price on July 8, 2019, July 10, 2019, July 12, 2019, July 16, 2019, July 24, 2019, August 12, 2019, and September 17, 2019 were the direct result of the nature and extent of Defendants' prior misstatements and omissions being revealed to investors and the market. The timing and magnitude of CannTrust's stock price decline evidence the impact Defendants' statements had on the Company's stock price during the Class Period and negate any inference that the loss suffered by Plaintiffs and other Class members was caused by changed market conditions or macroeconomic, industry, or Company-specific factors unrelated to Defendants' fraudulent conduct.

622. Indeed, on the same day that CannTrust's common stock share price closed down 14%, the Standard & Poor's 500 Index and Dow Jones Industrial Index increased 0.26% and 0.13%, respectively. Moreover, there was no news about CannTrust, other than the disclosures in the July 8, 2019 press release, July 10, 2019 Globe and Mail article, July 11, 2019 press release, July 15, 2019 Financial Post article, July 23–24, 2019 Globe and Mail and BNN Bloomberg articles, August 12, 2019 press release, and September 17, 2019 press release that could fully explain the Company's stock price declines on July 8, 2019, July 10, 2019, July 12, 2019, July 16, 2019, July 24, 2019, August 12, 2019, and September 17, 2019.

VIII. ADDITIONAL INDICIA OF SCIENTER

623. Defendants were active and culpable participants in the fraud, as evidenced by their knowing and reckless issuance and/or ultimate authority over CannTrust's and the Individual Defendants' materially false or misleading statements and omissions. The Individual Defendants acted with scienter in that they knew or recklessly disregarded that the public statements more specifically set forth in Section VI were materially false or misleading when

made, and knowingly or recklessly participated or acquiesced in the issuance or dissemination of such statements as primary violators of the federal securities laws. In addition to the numerous allegations above setting forth Defendants' knowledge of the illicit growing and storing scheme alleged above, Defendants' scienter is further evidenced by the following facts.

A. Defendants Were Aware of the Unlicensed Growing and Staged Photographs Sent to Health Canada

624. Defendants took affirmative steps to hide from Health Canada the fact that they were growing in unlicensed rooms, and internal CannTrust communications unequivocally revealed the Individual Defendants' knowledge of the unlicensed growing. For instance, according to whistleblower Nick Lalonde, he and other co-workers were instructed by CannTrust managers, such as the greenhouse operations manager, to hang fake white poly walls in front of the unlicensed rooms and move tables with hundreds of plants on them out of camera view so that when a photograph was taken, the cannabis in the unlicensed rooms would not be seen.

625. As explained above, Health Canada required CannTrust, when applying for licenses, to submit an evidence package via the CTLS consisting of video footage and photographs of virtually every inch its Niagara Facility, including every single growing room within that facility.

626. Yet, in order to grow additional cannabis in violation of the regulations, Defendants staged and sent photographs—with fake walls blocking the cannabis in the unlicensed rooms—to Health Canada as part of its evidence package. As Mr. Lalonde informed Health Canada when he blew the whistle on Defendants' scheme, "[i]f you look through the camera footage prior to the dates the pictures were taken and requested you will clearly see us hanging up white poly walls to cover up thousands of plants."

627. Other former CannTrust employees further explained that Defendant Aceto had even participated in a promotional video in front of one of the unlicensed rooms while plants could clearly be seen in the room in the background.

628. Additionally, internal CannTrust emails sent to the Individual Defendants expressed a sigh of relief after an inspection of the Niagara Facility in which Health Canada did not uncover the unlicensed growing. Specifically, those internal CannTrust emails as well as meeting minutes further demonstrate that the Individual Defendants were aware that CannTrust was growing in five unlicensed rooms from October 2018 through March 2019.

629. For example, as explained above, Defendants Aceto, Abramowitz, and Paul received an email on November 16, 2018 from CannTrust's Director of Quality and Compliance, Graham Lee, explicitly stating that "RG8 is not licenced but has plants in it," "RG9 is not licenced but we are intending to put plants in it on Monday," and "PA2A-E are not licenced but we have moved the encapsulation equipment into them and will begin running it next week."

630. Critically, in light of Health Canada having just completed an inspection and not finding that Defendants were growing in unlicensed rooms, the email further stated, "[w]e dodged some bullets," and "[Health Canada] did not ask about RG8E/W, which are unlicensed rooms currently full of plants." Defendant Paul was then forwarded this email and responded to it later that same day on November 16, 2018.

631. Further exposing Defendants' knowledge of the illicit growing scheme of CannTrust were internal minutes from weekly production meetings held during the weeks of November 21, 2018 and November 28, 2018, which were attended by CannTrust vice presidents, Graham Lee, as well as others. According to the minutes from these meetings, CannTrust executives discussed growing in the unlicensed rooms. Notably, the minutes also stated that

Graham Lee spoke to Defendant Aceto about the unlicensed room and was instructed to "continue as planned."

632. In addition to weekly production meetings, the unlicensed rooms were also discussed in Quality Control Meetings. For example, CW1 recalled that at the Quality Control meetings, which were held weekly in Niagara, and attended by Epp, Scott Rolph, Emily Tarrant, Emily Mclinchey, and others, issues at the Niagara Facility were discussed. Specifically, CW1 explained that at these meetings, they discussed the Niagara Facility "not being up to par," documents not being filled out properly, cleanliness issues along with other quality issues. CW1 further explained that they openly discussed the unlicensed grow rooms, RG8-12, and referred to them by their numbers.

633. Indeed, CW1 recalled that they openly discussed making sure those rooms were clean before the plants were put in but CW1 explained that she refused to partake in documenting the related cleaning logs because the rooms were unlicensed. According to CW1, because she "pushed back" by saying that it was "above her pay grade," those logs were handled by someone else. CW1 recalled that Rolph and Mclinchey also pushed back on the unlicensed rooms.

634. Notably, CW1 explained that Tarrant took the notes for the minutes at those Quality Control Meetings and that all documents and minutes "went to corporate" in Vaughan. CW1 stated that the minutes sent to corporate reflected discussions of RG8-RG12, and CW1 confirmed that those discussions that were reflected in the minutes included references to the unlicensed rooms.

635. Former CannTrust employees corroborated that Defendant Aceto directed employees to grow in unlicensed rooms and conceal the growing from Health Canada. For

example, CW1 explained that Defendant Aceto knew everything that was occurring at the Niagara Facility because of the way the hierarchy of CannTrust worked, Defendant Aceto and the executives in Vaughan "dictated" what they did at the facility level and corporate "mandated all aspects of the business" including growth, and how they set-up the greenhouses.

636. Likewise, former CannTrust employees recounted that other CannTrust executives also had knowledge of the Company's unlicensed growing. For instance, CW2 recalled that both Andrea Kirk, VP of Quality Operations, and Lee knew about the unlicensed growing and that Lee had told the executives and the board that if Health Canada found out about the rooms, "there was going to be a lot of issues." Yet, while CW2 stated that Kirk and Lee knew about the unlicensed rooms in the Niagara Facility, the decision to go ahead with growing in those rooms was made by Defendants Aceto and Paul. CW2 was privy to this information because she sat in the same office as Lee, and Kirk would frequently come to their shared office to have closed door meetings.

637. Additionally, with respect to storing the excess illicitly grown cannabis in the unlicensed storage rooms in the Vaughan Facility, CW2 recalled that the decision to store in the warehouse was made by Kirk with Defendant Aceto's and the Board's blessing at an Upper Management meeting. CW2 further explained that Kirk instructed her to audit the warehouse. Yet, after CW2 audited the warehouse and wrote up her findings and detailed the problems, she was told that the warehouse was going to be used anyway.

638. Defendants nonetheless touted in their 2018 Form 40-F that the Company "believes that it is complying in all material respects with the terms of such licences and permits," and warned of what could happen if the Company did not comply with all regulations, while at the time those statements were made, CannTrust was already not in compliance.

Similarly, throughout the Class Period, Defendants discussed the Phase 2 expansion and either waiting for Health Canada to approve the final rooms or parading the fact that they eventually received approval for the final rooms.

639. But importantly, Defendants failed to disclose to investors that the Company had been growing in those rooms long before ever receiving the proper licenses to do so. These Class Period statements, and numerous others like them, indicated that Defendants either knew about the growing of cannabis in the five unlicensed rooms from October 2018 through March 2019 and failed to disclose this conduct, or were reckless in failing to ascertain this information before making these statements to investors.

B. The Growing and Storing of Cannabis Was a Core Operation of CannTrust's Business

640. The Individual Defendants' knowledge that CannTrust was growing and storing in unlicensed rooms from October 2018 through March 2019 and storing excess cannabis in unlicensed rooms at their Vaughan Facility since June 2018 can be inferred because these facts were critical to CannTrust's core operations.

641. Indeed, the Niagara and Vaughan Facilities were the only two facilities CannTrust operated in Canada during the Class Period. Notably, during the Class Period, CannTrust grew 100% of its cannabis at the Niagara Facility, which consisted of a total of twelve growing rooms, and then processed that cannabis in the Vaughan Facility.

642. Thus, the continued operation of the Niagara and Vaughan facilities was crucial to CannTrust's ongoing operation. Indeed, if either of the facilities (or rooms within the facilities) had their licenses revoked, the Company would no longer be able to continue producing and selling its only product and the Company's cannabis operations would grind to a halt. Accordingly, complying with all Health Canada regulations was important to CannTrust's

ongoing ability to sell medicinal and recreational cannabis. Defendants conceded as much within their 2018 Form 40-F when they stated that "[f]ailure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations" and "[t]he delay or denial of such approvals may have a material adverse impact on the business of the Company and may result in the Company not meeting anticipated or future demand when it arises."

643. In fact, CannTrust's Director of Quality and Compliance, Graham Lee, called attention to the risks the Company's illicit growing strategy created "several points of exposure" to CannTrust's business. Specifically, on November 16, 2018, Lee emailed Defendants Aceto, Abramowitz and Paul, and another high-level employee, explicitly informing them that "[t]here are several points of exposure in our business we need to consider," and continuing to outline such risks, referring to the growing of cannabis in unlicensed rooms in the Niagara 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."

644. The Individual Defendants also had a direct role in communicating with Health Canada about the Company's facilities, and therefore either had knowledge about the facilities' operations or were reckless in not knowing. For instance, as CW1 recalled, Defendant Aceto "was strongly involved" with communicating with Health Canada, along with Cam Fletcher, and Graham Lee, and CW1's boss, Jared Epp. Furthermore, according to CW4, CannTrust executives visited the Niagara Facility "pretty often" from the Company's headquarters in Vaughan.

645. Moreover, the Niagara and Vaughan Facilities and their expansion plans were discussed by Defendants during virtually every earnings call and mentioned in frequent press releases. Defendants consistently talked about the pending license approvals on the remaining grow rooms in the Phase 2 redevelopment (*i.e.*, the five unlicensed rooms at issue), and once approved by Health Canada in April 2019, Defendants consistently touted that they were fully licensed.

646. Therefore, the knowledge that CannTrust was growing in five unlicensed rooms from October 2018 through March 2019 can be imputed to the Individual Defendants.

C. Defendants Were Motivated to Grow In Unlicensed Rooms to Profit from Surging Demand and Establish Itself as a Cannabis Market Leader

647. The Individual Defendants were highly motivated to grow and store in unlicensed rooms during the Class Period and conceal that fact from Health Canada and investors in order to take advantage of unprecedented and skyrocketing demand. In the wake of Canada legalizing the use of adult recreational cannabis on October 17, 2018, Canada experienced a nationwide supply shortage of cannabis, which extended to CannTrust. This presented a once in a lifetime opportunity for CannTrust—who already had a head start as a result of their established medicinal cannabis business—to establish itself as one of the market-leading cannabis producers, provided however, that the Company could provide the volume of cannabis needed to fill the void in demand for cannabis that existed. In order to accomplish this goal, CannTrust started growing thousands of cannabis plants in unlicensed rooms and concealed this fact from Health Canada and investors.

648. Specifically, the Niagara Facility consisted of twelve growing rooms, five of which were not licensed for growing cannabis until April 2019. But Defendants needed to increase capacity earlier than April 2019 when the rooms became licensed. As such, in October

2018, Defendants seized the illegal opportunity and began growing cannabis in the five remaining rooms in the Niagara Facility despite not yet having the proper licenses.

649. Then, once Defendants began growing cannabis in the five unlicensed rooms, Defendants were further motivated to conceal that fact from the public. As mentioned above, if Health Canada learned that Defendants were growing in unlicensed rooms in violation of applicable regulations, CannTrust faced severe risks of being restricted from selling cannabis grown in those rooms, or worse, a suspension of the Company's licenses altogether. Thus, Defendants were motivated to hide this fact from Health Canada by staging photographs sent to Health Canada as part of Defendants' applications, as well as omit this crucial fact from their publicly disseminated statements to investors and analysts.

D. Defendants Paul, Litwin, and Sanders Made Millions in Profits Offloading CannTrust Stock Through Insider Sales Transactions With Knowledge of the Illicit Growing Scheme and the Huge Regulatory Risks it Posed

650. During the Class Period, Defendants Paul, Litwin, and Sanders made huge profits off the inflated share price of CannTrust securities. For example, according to Defendant Paul's Class Period trading records, he sold off more than three million shares of CannTrust stock during the Class Period, while being aware of the illicit growing and storing scheme, resulting in a personal profit to him of over $16.5 million.

651. Critically during the Class Period, as discussed in Section V.B, *supra*, Defendant Paul knew that CannTrust was violating Heath Canada regulations and that were the regulator to uncover the Company's unlicensed growing scheme and suspend or withdraw CannTrust's licenses, it would materially impact the Company's ability to do business and cause its share price to plummet. Thus, in anticipation of the public eventually learning the truth about Defendants' scheme, Defendant Paul took advantage of the artificially inflated stock price and sold before the illicit growing and storing scheme was disclosed to the public.

652. Similarly, Defendant Litwin, along with Defendant Paul, sought to and did profit from the artificially inflated stock price during the Class Period. In particular, Defendants Litwin and Paul controlled a holding company, Cannamed Financial Corp., which reaped massive proceeds from trading CannTrust stock at highly suspicious times during the Class Period. Defendant Paul owned 50% of Cannamed through The Paul Family Trust, in which included Defendant Paul as the sole trustee and with his two children as beneficiaries. The remaining shares were owned by a mix of entities owned by Defendant Litwin, Defendant Litwin's father, Fred Litwin, and Defendant Litwin's sister, Risa Litwin.[27]

653. Trading records indicate that on the same day that Defendant Paul received an email outlining various risks associated with growing and storing cannabis in unlicensed rooms, Cannamed, which was controlled by Defendants Paul and Litwin, sold CannTrust stock. Specifically, on November 16, 2018, Defendant Paul received, and responded to, an email that also included Graham Lee and Defendant Aceto that explicitly stated that CannTrust was growing in unlicensed rooms and further laid out other concealed risks, such as storing cannabis in unlicensed rooms. That same day, Cannamed sold 110,000 shares and raked in approximately $1 million. Moreover, subsequent to its November 16, 2018 trades, Cannamed sold additional CannTrust shares from November 20, 2018 through December 12, 2018, realizing more than C$5 million in additional proceeds.

[27] Specifically, other than Defendant Paul's 50% share of Cannamed, the remaining shareholders of Cannamed included: York Capital Funding Inc. – 21%; Forum Financial Corporation – 15%; Mar-Risa Holdings Inc. – 10.25%; and, Sutton Management Limited – 3.75%. York Capital Funding Inc. is beneficially owned 78.3% by Mar-Risa Holdings Inc., 9.8% by Mark Litwin and 9.8% by Risa Litwin. Mar- Risa Holdings Inc. is beneficially owned by the Litwin (1996) Trust, whose beneficiaries are Mark Litwin and Risa Litwin. Sutton Management Limited is owned 50% each by Mark Litwin and Risa Litwin.

654. Defendant Litwin also traded CannTrust stock through means other than Cannamed. For instance, through York Capital Funding Inc. and Mar-Risa Holdings Inc., Defendant Litwin sold an additional 1,964,410 shares of CannTrust during the Class Period for a total of at least $14.5 million.

655. Moreover, Defendants Paul and Litwin, through Cannamed, sold approximately $33 million worth of CannTrust shares in connection with the Offering—again reaping massive proceeds prior to the public learning the truth about Defendants' unlicensed growing and storing of cannabis throughout the Class Period.

656. Likewise, Defendant Sanders, through Cajun Capital Corporation, sold 250,000 shares of CannTrust stock during the Class Period for total proceeds of more than $1.3 million.

657. The suspicious timing and magnitude of Defendants Paul's, Litwin's, and Sanders' Class Period trades therefore support a strong inference of scienter.

E. The Timing and Circumstances of Defendants Aceto's and Paul's Departures Support a Strong Inference of Scienter

658. The timing and circumstances of the forced departures of Defendants Aceto and Paul, key executives during the Class Period, also support a strong inference of scienter. Moreover, that these forced departures came from the recommendation of the special committee investigating the Company's wrongdoing and are temporally connected to disclosures of the Company's fraud further support that strong inference.

659. After Health Canada issued its compliance report to CannTrust for growing in five unlicensed rooms and for misleading Health Canada inspectors, CannTrust created a special committee "comprised of independent members of the Board of Directors" to "investigate th[e] matter in its entirety."

660. Specifically, "the Special Committee was appointed by the Board of Directors to investigate a compliance report from Health Canada notifying the Company that its greenhouse facility in Pelham, Ontario is non-compliant with certain regulations." Moreover, the Special Committee had a "broad mandate to, among other things, investigate the Company's non-compliance with Health Canada regulations and ancillary matters, to make recommendations to the Board of Directors regarding any actions to be taken by CannTrust as a result of the investigation, and to assess any impact on the Company's bio assets, inventory, sales and revenue."

661. The results of the Special Committee's investigation were devastating for Defendants Aceto and Paul, who as CEO and Chairman, respectively, were Company leaders and played a significant role in the actions the Company had taken throughout the Class Period. On July 25, 2019, the Company announced that as a result of the Special Committee's investigation, the Company fired Defendant Aceto and demanded Defendant Paul's resignation.

662. The Company press release issued that day specifically explained that "[t]he investigation into the Company's non-compliance with Health Canada regulations and ancillary matters uncovered new information that has resulted in a determination by the Board to ***terminate with cause*** CannTrust CEO Peter Aceto." The press release further announced that "the Board of Directors demanded the resignation of the Company's Chair Eric Paul and he complied."

663. Additionally, the announcements of Defendant Aceto's firing and Defendant Paul's forced resignation came immediately after CannTrust's stock fell over 22% as a result of the public learning for the first time about internal CannTrust documents that revealed that

Defendants Aceto and Paul and other CannTrust executives not only knew about the unlicensed growing, but directed the Company to continue the unlicensed growing.

664. For example, on July 23, 2019, the Globe and Mail reported that, according to internal CannTrust emails, "[b]oth the chairman and the chief executive officer of CannTrust Holdings Inc. were informed that the [C]ompany was growing cannabis in unlicensed rooms about seven months before Health Canada uncovered the regulatory breach." The article further stated that the internal emails "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."

665. Similarly, the next day, on July 24, 2019, BNN Bloomberg published an article that, according to internal Company documents, revealed that Defendant "Aceto told senior company officials to 'continue as planned' and plant cannabis in an unlicensed room in mid-November." These revelations and disclosures caused CannTrust's stock to drop over 22% on July 24, 2019.

666. Then, the very next day, on July 25, 2019, the Company announced that based on the investigation conducted by the Special Committee, Defendant Aceto had been fired and Defendant Paul had been forced to resign.

667. Therefore, the fact that the Special Committee's investigation resulted in Defendant Aceto being fired and Defendant Paul being forced to resign, and the fact that this occurred immediately after the public learned for the first time that both Defendant Aceto and Defendant Paul had knowledge and a direct role in the unlicensed growing and concealment of the same support a strong inference of scienter.

F. Defendants Aceto's, Guyatt's, and Abramowitz's SOX and Form 52-109F2 Certifications Support a Strong Inference of Scienter

668. Finally, accompanying Defendants' 2018 Form 40-F, which contained materially false and misleading statements, Defendants Aceto and Guyatt executed certifications pursuant to the Sarbanes-Oxley Act ("SOX") Section 302 attesting to the Company's disclosure controls, internal controls, and the accuracy and veracity of the statements within the 2018 Form 40-F. The certifications stated that Defendants Aceto and Guyatt were "responsible for establishing and maintaining disclosure controls and procedures" and "[e]valuated the effectiveness of the issuer's disclosure controls and procedures." The SOX Section 302 certifications further stated that Defendants Aceto and Guyatt "evaluat[ed] [] internal control over financial reporting," and that "th[e] report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by th[e] report." Defendants Aceto and Guyatt also executed certifications pursuant to SOX Section 906, which accompanied the 2018 Form 40-F, attesting to the accuracy of the Company's financial reporting.

669. In addition, accompanying the MD&A filed with SEDAR on November 14, 2018, which contained materially false and misleading statements, Defendants Aceto and Abramowitz executed Form 52-109F2 Certifications of Interim Filings, which indicated that they "reviewed the interim financial report and interim MD&A (together, the 'interim filings')," and that "having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings."

670. The Form 52-109F2 certifications also stated that Defendants Aceto and Abramowitz were "responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR)." Similarly, Defendants Aceto and Guyatt executed Form 52-109F2 Certifications of Interim Filings accompanying the MD&A, Form 6-K, and press release filed with the SEC on May 14, 2019, which contained similar language to the certifications filed with the November 14, 2018 MD&A.

671. By signing these certifications, Defendants Aceto, Guyatt, and Abramowitz certified that the Company's internal controls over financial reporting and disclosure controls and procedures were effective, evidencing their access (and purported review of) CannTrust's financial data as well as the materially false and misleading statements set forth above.

672. Contrary to Defendants Aceto's, Guyatt's, and Abramowitz's representations, throughout the Class Period, CannTrust suffered from severe internal control deficiencies and deficient disclosure controls and procedures, as evidenced by the fact that, as alleged herein, Defendants' growing of cannabis in five unlicensed rooms and scheme to prevent Health Canada from learning of that were accomplished with the approval and at the direction of CannTrust management, and Defendants' scheme rendered Defendants' public statements materially false and misleading.

673. Had Defendants Aceto, Guyatt, and Abramowitz actually conducted the assessments and evaluations required, they would have discovered CannTrust's unlicensed growing and the misrepresentations and omissions contained within their public statements. Accordingly, Defendants Aceto, Guyatt, and Abramowitz, knew, or at the very least, were severely reckless in not knowing of the facts which rendered their public statements materially false and misleading.

IX. CONTROL PERSON ALLEGATIONS

674. Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul, by virtue of their high-level positions at CannTrust, directly participated in the management of the Company, were directly involved in the day-to-day operations of the Company at the highest levels, and were privy to confidential proprietary information about the Company, its business, operations, internal controls, growth, financial statements, and financial condition as alleged herein. As set forth below, the materially misstated information conveyed to the public was the result of the collective actions of these individuals.

675. Defendants Aceto, Guyatt, Abramowitz, and Rogers, as senior executive officers of CannTrust, and Defendant Paul as Chairman of the Board of Directors of CannTrust—a publicly held company whose common stock was traded on the NYSE, the TSX, and prior to February 25, 2019, the OTC Market, and governed by the federal securities laws—each had a duty to disseminate prompt, accurate, and truthful information with respect to the Company's business, operations, internal controls, growth, financial statements, and financial condition, and to correct any previously issued statements that had become materially misleading or untrue, so that the market prices of CannTrust's publicly-traded common stock would be based on accurate information. Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul each violated these requirements and obligations during the Class Period.

676. Defendants Aceto, Guyatt, Abramowitz, and Rogers, because of their positions of control and authority as senior executive officers of CannTrust, and Defendant Paul, as Chairman of the Board of Directors of CannTrust, were able to and did control the content of CannTrust's SEC and SEDAR filings, press releases, and other public statements issued by or on behalf of CannTrust during the Class Period. Each would have been provided with copies of the statements made in the SEC and SEDAR filings at issue in this action before they were issued to

the public and would have had the ability to prevent their issuance or cause them to be corrected. Accordingly, Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul are responsible for the accuracy of the public statements alleged herein.

677. Defendants Aceto, Guyatt, Abramowitz, Rogers, and Paul are liable as participants in a fraudulent scheme and course of conduct that operated as a fraud or deceit on purchasers of CannTrust common stock by disseminating materially false and misleading information, and concealing and omitting material adverse facts. The scheme deceived the investing public regarding CannTrust's business, operations, and management and execution of customer contracts, and the intrinsic value of CannTrust's common stock and options, and caused Plaintiffs and members of the Class to purchase CannTrust common stock and options at artificially inflated prices.

X. CLASS ACTION ALLEGATIONS

678. 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, during the period from June 26, 2018 through September 17, 2019, inclusive (the "Class Period"), purchased the publicly traded common stock of CannTrust Holdings Inc. ("CannTrust" or the "Company") on the New York Stock Exchange or on any U.S.-based trading platform during the Class Period and were damaged thereby. 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.

679. 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," 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 Plaintiffs at this time, and such number can only be ascertained through appropriate discovery, 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.

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

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

682. 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:

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

(h) Whether the statements Defendants made to the investing public during the Class Period contained material misrepresentations or omitted to state material information;

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

(j) Whether Defendants acted with the requisite level of scienter;

(k) Whether the Individual Defendants were controlling persons of CannTrust; and

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

683. 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.

XI. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

684. To the extent that Plaintiffs allege that Defendants made affirmative misstatements, Plaintiffs will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) the omissions and misrepresentations were material;

(c) the Company's securities traded in an efficient market;

(d) the misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities;

(e) Plaintiffs and other members of the Class purchased CannTrust's securities between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts;

(f) CannTrust stock met the requirements for listing and were listed and actively traded on the NYSE, TSX, and prior to February 25, 2019, the OTC Market, which are highly efficient and automated markets;

(g) as a regulated issuer, CannTrust filed periodic public reports with SEDAR, the SEC, the NYSE, and the TSX;

(h) CannTrust regularly communicated with public investors via established market communication mechanisms, including regular dissemination of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(i) CannTrust was followed by numerous securities analysts employed by major brokerage firms including, but not limited to, Bank of America Global Research, Jefferies, ROTH Capital, and Canaccord, all of which wrote reports that were distributed to the sales force and certain customers of their respective brokerage firm(s) and that were publicly available and entered the public marketplace.

685. As a result of the foregoing, the market for CannTrust's securities promptly digested current information regarding CannTrust from publicly available sources and reflected such information in CannTrust's securities price(s). Under these circumstances, all persons and

entities who purchased or otherwise acquired CannTrust's securities during the Class Period suffered similar injuries through their purchase of CannTrust at artificially inflated prices and thus, the presumption of reliance applies.

686. The material misrepresentations and omissions alleged herein would tend to induce a reasonable investor to misjudge the value of CannTrust's common stock.

687. Without knowledge of the misrepresented or omitted material facts alleged herein, Plaintiffs and other members of the Class purchased shares of CannTrust's common stock and exchange-traded options on such common stock between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed.

688. To the extent that the Defendants concealed or improperly failed to disclose material facts with respect to CannTrust's business, Plaintiffs are entitled to a presumption of reliance in accordance with *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 153 (1972).

XII. NO SAFE HARBOR

689. The statutory safe harbor provided by the PSLRA for forward-looking statements under certain circumstances does not apply to any of the materially false and misleading statements alleged in this pleading. First, many of the statements alleged to be false and misleading relate to historical facts or existing conditions. Second, to the extent any of the allegedly false and misleading statements may be characterized as forward-looking, they were not adequately identified as "forward-looking" statements when made. Third, any purported forward-looking statements were not accompanied by meaningful cautionary language because the risks that Defendants warned of had already come to pass.

690. To the extent any statements alleged to be false and misleading may be construed to discuss future intent, they are mixed statements of present or historical facts and future intent

and are not entitled to PSLRA safe-harbor protection—at least with respect to the part of the statement that refers to the present.

691. In addition, the PSLRA imposes an additional burden on oral forward-looking statements, requiring Defendants to include a cautionary statement that the particular oral statement is a forward-looking statement, and that "actual results might differ materially from those projected in the forward-looking statement." 15 U.S.C. § 78u-5(c)(2)(A)(i)-(ii). Defendants failed to both identify certain oral statements as forward-looking and include the cautionary language required by the PSLRA.

692. Furthermore, Defendants did not accompany their statements with meaningful cautionary language identifying important factors that could cause actual results to differ materially from any results projected. To the extent Defendants included any cautionary language, that language was not meaningful because any potential risks identified by Defendants had already passed or manifested. As detailed herein, Defendants failed to disclose to the market that CannTrust was growing cannabis in five unlicensed rooms from October 2018 through March 2019.

693. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, or the forward-looking statement was authorized or approved by an executive officer of CannTrust who knew that the statement was false when made.

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 permits***.

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

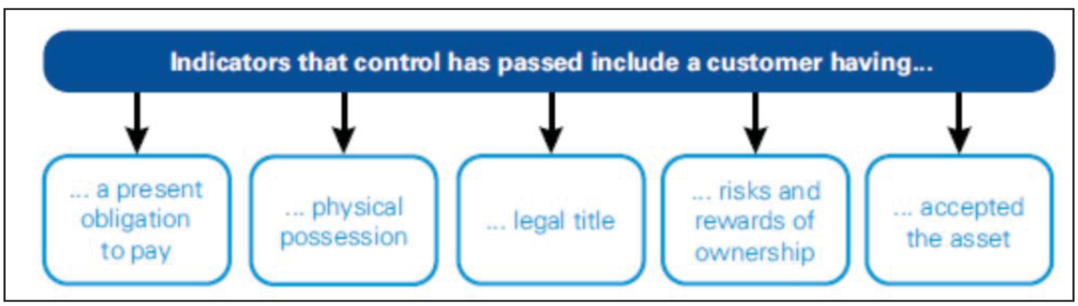
812. In addition to overstating inventory and biological assets, Defendants also overstated its revenue. Indeed, as discussed below, under relevant IFRS standards, CannTrust was permitted to recognize revenue only for products for which the Company ***held valid legal title***. And because CannTrust 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,

<u>/s/ James W. Johnson</u>
James W. Johnson
Michael H. Rogers
David J. Schwartz
James T. Christie
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Counsel for Lead Plaintiffs Granite Point Capital Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund, and Lead Counsel for the Class

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Counsel for Additional Plaintiff Dr. Silva

TAB C

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In Re: CANNTRUST HOLDINGS INC. SECURITIES LITIGATION	No. 1:19-cv-06396-JPO

NOTICE OF PENDENCY OF U.S. CLASS ACTION AND PROPOSED SETTLEMENTS

www.CannTrustSecuritiesSettlement.ca

If you purchased the publicly traded common stock of CannTrust Holdings Inc. ("**CannTrust**") on the New York Stock Exchange or on any U.S. based trading platform or pursuant or traceable to CannTrust's May 6, 2019 secondary offering, you may be entitled to a payment from several class action settlements.

A U.S. Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- After extensive negotiations under the auspices of a court-appointed mediator, defendant CannTrust and the majority of the defendants in this U.S. class action have reached a global resolution of the claims asserted against them in this case (the "**U.S. Class Action**"), as well as actions pending in Canada and California (the "**Actions**").[1] The proposed Settlements will be implemented pursuant to an amended and restated plan of compromise, arrangement and reorganization of CannTrust, CannTrust Inc. and Elmcliffe Investments Inc. (as may be further amended from time to time in accordance with its terms), pursuant to Canada's Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended, (the "**CCAA Plan**"), which was approved by the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**") by a "sanction order" entered on July 16, 2021 (the "**CCAA Sanction Order**").

- Implementation of the CCAA Plan requires, among other things, approval of the Settlements as they relate to the U.S. Class Action by the Court overseeing this U.S. Class Action (the "**U.S. Court**"). The CCAA Plan provides for, *inter alia*, the restructuring of CannTrust so that it can emerge from insolvency, the administration of the Settlements for the benefit of CannTrust's investors, and the handling of unsettled claims related to the alleged wrongdoing at issue in the Actions.[2]

- This Notice describes important rights you may have if you are a member of the U.S. Settlement Class (defined below) and what steps you must take if you wish to receive a payment as a result of the Settlements, wish to object, or wish to seek to be excluded from the U.S. Settlement Class.

- The CCAA Plan, and the proposed Settlements reached to date to be implemented through the CCAA Plan, will create, among other things, a Class Compensation Fund (defined below) for eligible investors in the amount of approximately C$83,000,000,[3] before the deduction of approved fees, expenses, taxes, and set-offs required by the Settlements. The Class Compensation Fund will be administered by a Securities Claimant Trust for the benefit of Securities Claimants both within and outside the United States. Any additional settlements and recoveries obtained through claims against non-Settlement Parties will also be administered by the Securities Claimant Trust, and may increase the amounts available to eligible Securities Claimants.

[1] The Settlements involve all defendants in this U.S. Class Action, except for KPMG LLP. Defendants CannTrust; Cannamed Financial Corp.; Cajun Capital Corporation; Mark Dawber; Greg Guyatt; John Kaden; Robert Marcovitch; Shawna Page; Mitchell Sanders; Eric Paul; Mark Ian Litwin; Ian Abramowitz; Peter Aceto; Canaccord Genuity LLC; Citigroup Global Markets Inc.; Credit Suisse Securities (USA) LLC; Jefferies LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and RBC Dominion Securities Inc. are collectively the "**Settling Defendants**," for purposes of this Notice and the U.S. Class Action. U.S. Class Action Lead Plaintiffs and the Settling Defendants are collectively the "**Settling Parties**," for purposes of this Notice and the U.S. Class Action.

[2] The primary terms of the Settlements are set forth in the CCAA Plan, the Restructuring Support Agreement, effective as of January 19, 2021 (the "**RSA**"), and the minutes of settlement with the other settling parties, which can be viewed at www.CannTrustSecuritiesSettlement.ca. All capitalized terms not defined in this Notice have the same meanings as defined in the CCAA Plan, the RSA, the U.S. Court's Preliminary Approval Order, or the Allocation and Distribution Scheme governing the calculation of Securities Claimants' claims ("**A&DS**"), which is reported at the end of this Notice.

[3] For informational purposes, at the time the Settlements were reached (January 19, 2021 to May 24, 2021), the C$/US$ exchange rate ranged from C$1.20 to C$1.28 per US$1.00 with an average of C$1.25 per US$1.00. Accordingly, at the time of the Settlements, C$83,000,000 was equivalent to approximately US$66,400,000.

The proposed Settlements to date provide for an average recovery of approximately C$0.27 per allegedly damaged share before deductions for awarded attorneys' fees and litigation expenses (discussed below), taxes, notice and administration fees and expenses, ongoing litigation costs, and other fees, expenses, and liabilities allowed by the CCAA Plan and the A&DS, and C$0.20 per allegedly damaged share after deductions for awarded attorneys' fees. Plaintiffs' consulting damages expert has estimated that approximately 302,600,000 CannTrust shares were allegedly damaged, of which 152,400,000 shares were purchased in Canada on the Toronto Stock Exchange ("**TSX**") and 150,200,000 shares were purchased on the New York Stock Exchange ("**NYSE**") or other U.S. based trading platforms.

- The Settlements, among other things, will allow for the restructuring of CannTrust, the certain payment of recoveries to eligible Securities Claimants, and the assignment of potentially valuable claims held by CannTrust to a Securities Claimants Trust to allow for potential additional recoveries, while avoiding the costs and risks of continuing the U.S. Class Action against CannTrust and several other defendants. In exchange, the Settlements release the Released Parties from all liability.

IF YOU ARE A U.S. SETTLEMENT CLASS MEMBER, YOUR LEGAL RIGHTS WILL BE AFFECTED BY THE SETTLEMENTS WHETHER YOU ACT OR DO NOT ACT. PLEASE READ THIS NOTICE CAREFULLY.

YOUR LEGAL RIGHTS AND OPTIONS	
SUBMIT A CLAIM FORM BY MARCH 16, 2022	The only way to get a payment as part of the settlement of the U.S. Class Action. *See* Question 8 for details.
EXCLUDE YOURSELF FROM THE U.S. SETTLEMENT CLASS BY NOVEMBER 11, 2021	Get no payment as part of the settlement of the U.S. Class Action. This is the only option that potentially may allow you to ever bring or be part of any other lawsuit against the Released Parties (defined below) concerning the Released Securities-Related Claims (defined below). ***However, the Settlement Parties believe that the CCAA Sanction Order will operate to bar any claims by the U.S. Settlement Class Members against the Released Parties regardless of whether they request exclusion from the U.S. Settlement Class***. *See* Question 11 for details.
OBJECT BY NOVEMBER 11, 2021	Write to the U.S. Court about why you do not like the Settlements or the Allocation and Distribution Scheme for distributing the proceeds of the Settlements, as they relate to this U.S. Class Action. If you object, you will still be in the U.S. Settlement Class and you can still file a Claim Form. *See* Question 15 for details.
PARTICIPATE IN A HEARING ON DECEMBER 2, 2021 AND FILE A NOTICE OF INTENTION TO APPEAR BY NOVEMBER 11, 2021	Ask to speak to the Court at the Settlement Hearing about the Settlements. *See* Question 19 for details.
DO NOTHING	• Get no payment as part of the settlement of the U.S. Class Action. • Give up rights in relation to the U.S. Class Action. • Still be bound by the terms of the Settlements as they relate to the U.S. Class Action.

- These rights and options—**and the deadlines to exercise them**—are explained below.
- The U.S. Court in charge of this case still has to decide whether to approve the proposed Settlements, as they relate to this case. Payments will be made to Securities Claimants who timely submit valid Claim Forms, if the U.S. Court approves the Settlements, any appeals are resolved favorably, and the CCAA Plan reaches its Effective Time.

WHAT THIS NOTICE CONTAINS

PSLRA SUMMARY OF THE NOTICE

Statement of the U.S. Settlement Class's Recovery

1. U.S. Class Action Lead Plaintiffs, together with the plaintiffs in a similar class action pending in Ontario (the "Ontario Class Action Lead Plaintiffs" and, collectively with the U.S. Class Action Lead Plaintiffs, the "**Class Action Lead Plaintiffs**" or "**CCAA Representatives**"), have entered into the proposed Settlements which, if approved by the U.S. Court and if other conditions to the implementation of the CCAA Plan are satisfied, will resolve the majority of the claims in the U.S. Class Action. U.S. Class Action Lead Plaintiffs, on behalf of the U.S. Settlement Class (defined below), have agreed to the Settlements in exchange for (i) payments totaling approximately C$83,000,000 in cash, which, together with any additional settlements (collectively, the "**Class Settlement Amount**") or recoveries received, will be transferred to the Securities Claimant Trust for the benefit of Securities Claimants both within and outside the United States, and (ii) the assignment of ongoing claims that may potentially result in additional recoveries for Securities Claimants. Based on Class Action Lead Plaintiffs' consulting damages expert's estimate of the number of shares of CannTrust publicly traded common stock eligible to participate in the Settlements, and assuming that all investors eligible to participate do so, the proposed Settlements to date provide for an average recovery of approximately C$0.27 per allegedly damaged share before deductions for awarded attorneys' fees and litigation expenses (discussed below), taxes, notice and administration fees and expenses, ongoing litigation costs, and other fees, expenses, and liabilities allowed by the CCAA Plan and the A&DS. **This average recovery amount is only an estimate and individual Securities Claimants may recover more or less than this estimate.** A Securities Claimant's actual recovery will depend on, for example: (i) the number of claims submitted; (ii) the amount of the Class Compensation Fund; (iii) when and how many shares of CannTrust publicly traded common stock the Securities Claimant purchased or acquired during the Class Period; (iv) the extent to which the Securities Claimant purchased Offering Shares or Secondary Shares; and (v) whether and when the Securities Claimant sold CannTrust publicly traded common stock. *See* the Allocation and Distribution Scheme at the end of this Notice for information on the calculation of your Recognized Claim.

Statement of Potential Outcome if the Released Securities-Related Claims Continued to Be Litigated

2. The Settling Parties disagree about both liability and damages and do not agree about the amount of damages that would be recoverable if U.S. Class Action Lead Plaintiffs were to prevail on each claim. The issues that the Settling Parties disagree about include, for example: (i) whether the Settling Defendants made any statements or omitted any facts that were materially false or misleading, or otherwise actionable under the federal securities

laws; (ii) whether any such statements or omissions were made with the requisite level of intent or recklessness; (iii) the amounts by which the prices of CannTrust publicly traded common stock were allegedly artificially inflated, if at all; and (iv) the extent to which factors unrelated to the alleged fraud, such as general market, economic, and industry conditions, influenced the trading prices of CannTrust publicly traded common stock.

3. Defendants have denied and continue to deny any and all allegations of wrongdoing or fault asserted in the U.S. Class Action, deny that they have committed any act or omission giving rise to any liability or violation of law, and deny that U.S. Class Lead Plaintiffs and the U.S. Settlement Class have suffered any loss attributable to defendants' actions or omissions.

Statement of Attorneys' Fees and Expenses to Be Sought

4. As discussed more below, at a future date, counsel for the U.S. Class Action Lead Plaintiffs ("**U.S. Class Action Counsel**") and counsel for the Ontario Class Action Lead Plaintiffs ("**Ontario Class Action Counsel**" and collectively with the U.S. Class Action Counsel, "**Class Action Counsel**") will apply to the Canadian Court for attorneys' fees from the Securities Claimant Trust in an amount not to exceed 25% of the aggregate Class Settlement Amount, plus accrued interest and taxes. Class Action Counsel will make additional fee applications if additional recoveries as a result of ongoing litigation are obtained. Class Action Counsel will also apply for payment of their litigation expenses incurred in prosecuting the Actions, in an amount to be determined, which may also include reimbursement to the Class Action Lead Plaintiffs for their reasonable costs and expenses (including lost wages) related to their representation of the Securities Claimants. If the Canadian Court approves Class Action Counsel's fee application, assuming that the Class Settlement Amount totals approximately C$83,000,000, the average amount of fees is estimated to be approximately C$0.07 per allegedly damaged share of CannTrust publicly traded common stock.

Reasons for the Settlements

5. For U.S. Class Action Lead Plaintiffs, the principal reason for entering into the Settlements is the guaranteed cash benefit to the U.S. Settlement Class. This benefit must be compared to the uncertainty of: (i) being able to recover from the CannTrust-related defendants given CannTrust's financial state, liquidation value, the CCAA proceedings, and insurers' denials of coverage; (ii) being able to prove the allegations in the Complaint; (iii) the risk that the Court may grant some or all of the anticipated motions to dismiss or summary judgment motions to be filed by Defendants; (iv) the uncertainty of a greater recovery after a trial and appeals; and (v) the difficulties and delays inherent in such litigation.

6. For the Settling Defendants, who deny all allegations of wrongdoing or liability whatsoever and deny that U.S. Settlement Class Members were damaged, the principal reasons for entering into the Settlements are to end the burden, expense, uncertainty, and risk of further litigation.

Identification of Representatives

7. U.S. Class Action Lead Plaintiffs and the U.S. Settlement Class are represented by Lead Counsel, James W. Johnson, Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, 888-219-6877, www.labaton.com, settlementquestions@labaton.com.

8. Further information regarding the U.S. Class Action, the Settlements, and this Notice may be obtained by contacting the Claims Administrator at:

CannTrust Securities Settlements
c/o Epiq Class Action Services Canada Inc.
P.O. Box 507 STN B
Ottawa ON K1P 5P6
www.CannTrustSecuritiesSettlement.ca
info@CannTrustSecuritiesSettlement.ca
1-833-871-5359

Please Do Not Call the Court or CannTrust with Questions about the Settlements.

BASIC INFORMATION

1. Why did I get this Notice?

9. The U.S. Court authorized that this Notice be sent to you because you or someone in your family may have purchased or otherwise acquired CannTrust publicly traded common stock on the New York Stock Exchange or on any U.S. based trading platform during the period from June 1, 2018 through March 31, 2020, inclusive (the "**Claim Period**")[4] or pursuant or traceable to CannTrust's offering materials issued in connection with the Company's secondary offering, completed on or about May 6, 2019. **Receipt of this Notice does not mean that you are a member of the U.S. Settlement Class or that you will be entitled to receive a payment. The Settling Parties do not have access to your individual investment information. If you wish to be eligible for a payment, you are required to submit the Claim Form that is being distributed with this Notice. *See* Question 8 below.**

10. The U.S. Court directed that this Notice be sent to U.S. Settlement Class Members because they have a right to know about the proposed Settlements, and about all of their options, before the U.S. Court decides whether to approve the Settlements, as they relate to this case.

11. The Court in charge of the U.S. Class Action is the United States District Court for the Southern District of New York, and the case is known as *In Re: CannTrust Holdings Inc. Securities Litigation,* Civil Action No. 1:19-cv-06396-JPO. The U.S. Class Action is assigned to the Honorable J. Paul Oetken, United States District Judge.

12. The Canadian Court in charge of the Ontario Class Action and the CCAA Proceedings is the Ontario Superior Court of Justice (Commercial List).

2. How do I know if I am part of the U.S. Settlement Class?

13. The U.S. Court directed, for the purposes of the proposed Settlements only, that everyone who fits the following description is a member of the U.S. Settlement Class[5] and subject to the Settlements, unless they are an Excluded Person (*see* Question 3 below) or take steps to exclude themselves from the U.S. Settlement Class (*see* Question 11 below):

(i) all persons and entities who or which purchased the publicly traded common stock of CannTrust Holdings Inc. on the New York Stock Exchange (NYSE) or on any U.S. based trading platform during the period from June 1, 2018 through March 31, 2020, inclusive (the Claim Period); and/or

(ii) all persons and entitles who or which purchased or otherwise acquired CannTrust Holdings Inc. common stock pursuant or traceable to the Offering Materials (as defined in the Complaint) issued in connection with the secondary public offering, completed on or about May 6, 2019.

14. If one of your mutual funds purchased CannTrust publicly traded common stock during the Claim Period, that does not make you a U.S. Settlement Class Member (U.S. Securities Claimant), although your mutual fund may be. You are a U.S. Settlement Class Member (U.S. Securities Claimant) only if you individually purchased or acquired CannTrust publicly traded common stock on the NYSE or any U.S. based trading platform, or pursuant or traceable to the Offering Materials, during the Claim Period. Check your investment records or contact your broker to see if you have any eligible purchases or acquisitions. The Settling Parties do not independently have access to your trading information.

15. If you are **not** a member of the U.S. Settlement Class (U.S. Securities Claimant), you may be a "**Canadian and Non-U.S. Securities Claimant**," which means all Securities Claimants other than U.S. Securities Claimants. Canadian and Non-U.S. Securities Claimants may also submit the enclosed Claim Form.

3. Are there exceptions to being included?

16. Yes. There are some individuals and entities who are excluded from the U.S. Settlement Class by definition. Excluded from the U.S. Settlement Class are: (i) CannTrust, Cannamed Financial Corp, Cajun Capital Corporation, KPMG LLP, Merrill Lynch, Pierce, Fenner & Smith Inc., Merrill Lynch Canada Inc., Citigroup Global Markets Inc., Citigroup Global Markets Canada Inc., Credit Suisse Securities (USA) LLC, Credit Suisse Securities

[4] It is alleged that Defendants made false and misleading statements and omissions during the period from June 1, 2018 through September 17, 2019. The Claim Period then extends from September 18, 2019 through March 31, 2020, the date when the CannTrust Group commenced insolvency proceedings under the CCAA.

[5] Members of the U.S. Settlement Class are also called U.S. Securities Claimants in the Definitive Documents.

(Canada) Inc., RBC Dominion Securities Inc., Jefferies LLC, Jefferies Securities Inc., Canaccord Genuity LLC, Canaccord Genuity Corp., Paul Family Trust, Mar-Risa Holdings Inc., York Capital Funding Inc., Sutton Management Limited (the "**Corporate Defendants**"); (ii) Eric Paul, Peter Aceto, Greg Guyatt, Ian Abramowitz, Mark Dawber, John Kaden, Mark Ian Litwin, Fred Litwin, Robert Marcovitch, Mitchell J. Sanders, Stan Abramowitz, Brad Rogers, Michael Ravensdale, Shawna Page, Ilana Platt, Graham Lee, Kenneth Brady Green, Andrea Kirk, Norman Paul ("**Individual Defendants**"), any member of an Individual Defendant's immediate family, and any company under the control of an Individual Defendant; and (iii) the past and present subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns of any such excluded person, *provided, however*, for the avoidance of doubt, that any "Investment Vehicle" shall not be excluded from the U.S. Settlement Class. Investment Vehicle means any investment company or pooled investment fund, including but not limited to, mutual fund families, exchange traded funds, fund of funds, and hedge funds, in which Defendants, or any of them, have, has, or may have a direct or indirect interest, or as to which its affiliates may act as an investment advisor, but in which any defendant alone or together with its, his or her respective affiliates is not a majority owner or does not hold a majority beneficial interest.

17. Also excluded from the U.S. Settlement Class is anyone who timely and validly seeks exclusion from the U.S. Settlement Class in accordance with the procedures described in Question 11 below. ***However, please be advised that the Settlement Parties believe that the CCAA Sanction Order will operate to bar any claims by the U.S. Settlement Class Members against the Released Parties regardless of whether they request exclusion from the U.S. Settlement Class.***

4. Why is this a class action?

18. In a class action, one or more persons or entities (in this case, U.S. Class Action Lead Plaintiffs), sue on behalf of people and entities who have similar claims. Together, these people and entities are a "class," and each is a "class member." A class action allows one court to resolve, in a single case, many similar claims that, if brought separately by individual people, might be too small economically to litigate. One court resolves the issues for all class members at the same time, except for those who exclude themselves, or "opt-out," from the class. In this case, the U.S. Court has appointed Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund to serve as lead plaintiffs and has appointed Labaton Sucharow LLP to serve as lead counsel.

5. What is this case about and what has happened so far?

19. CannTrust is a publicly traded company and its shares were primarily traded on the Toronto Stock Exchange ("**TSX**") and on the New York Stock Exchange ("**NYSE**"). Its share price declined following the announcement by CannTrust on July 8, 2019 that it had received a compliance report from Health Canada notifying it that its greenhouse facility in Pelham, Ontario was non-compliant with certain regulations as a result of observations by the regulator regarding the growing of cannabis in five unlicensed rooms and inaccurate information provided to the regulator by CannTrust employees. Class actions in Canada and the United States were commenced against, among others, CannTrust, certain of its directors and officers, the underwriters of its May 2019 initial share offering ("**Offering Shares**"), and its auditors, KPMG LLP.

<u>The Canadian Actions</u>

20. 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 Ontario Class Action Counsel and all other proposed class actions in Ontario relating to the same subject matter were stayed. Proposed class actions were also commenced in British Columbia, Alberta and Québec. Several individual actions were also filed in Canada.

<u>The U.S. Class Action</u>

21. On July 10, 2019, a class action complaint was filed in the U.S. Court under the caption *Huang v. CannTrust Holdings Inc., et al.*, No. 19-cv-06396-JPO. Three other class action complaints were subsequently filed setting forth substantially the same allegations against CannTrust and its officers and directors: *Alvarado v. CannTrust Holdings, Inc., et al.*, No. 19-cv-6438; *Jones v. CannTrust Holdings, Inc., et al.*, No. 19-cv-6883; and *Justiss v. CannTrust Holdings, Inc., et al.*, No. 19-cv-7164 (JPO).

22. By Order dated April 16, 2020, the U.S. Court ordered that the cases be consolidated and recaptioned as *In re CannTrust Holdings Inc. Securities Litigation*, Civil Action No. 1:19-cv-06396-JPO; appointed Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund as lead plaintiffs; and appointed Labaton Sucharow LLP as lead counsel for a proposed U.S. class.

23. On June 26, 2020, U.S. Class Action Lead Plaintiffs filed and served their Consolidated Class Action Complaint (the "**Complaint**"). The Complaint asserts claims under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "**Exchange Act allegations**") against CannTrust; CannTrust's auditor, KPMG LLP; and several of CannTrust's senior executives and directors: former Chief Executive Officer Peter Aceto, former Chief Financial Officer and current CEO Greg Guyatt, former CFO Ian Abramowitz, former President and Chief Operating Officer Brad Rogers, former Chairman of the Board and CEO Eric Paul, and members of CannTrust's Board of Directors: Mark E. Dawber, Mitchell J. Sanders, John T. Kaden, Mark I. Litwin, Shawna Page, and Robert F. Marcovitch. The Complaint separately asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "**Securities Act allegations**") against Defendants: CannTrust, KPMG, Paul, Aceto, Guyatt, Litwin, Sanders, Marcovitch, Dawber, Page, Kaden, as well as against Merrill Lynch, Pierce, Fenner & Smith Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Jefferies LLC, RBC Dominion Securities Inc., Canaccord Genuity LLC, Cannamed Financial Corp. and Cajun Capital Corp.

24. Among other things, the Complaint alleges that Defendants made materially false and misleading statements and omissions concerning CannTrust's compliance with relevant cannabis regulations and an alleged scheme to increase the Company's cannabis production. The Complaint's Exchange Act allegations allege that the price of CannTrust publicly traded common stock was artificially inflated as a result of Defendants' allegedly false and misleading statements, and declined when the truth was allegedly revealed from July 8, 2019 through September 17, 2019. The Complaint's Securities Act allegations allege that the Company's registration statement and related documents incorporated therein (the "**Offering Documents**") issued in connection with the Company's Offering Shares contained materially false and misleading statements, allegedly injuring investors when the truth was revealed.

25. On July 6, 2020, the parties to the U.S. Class Action filed a letter and stipulation with the U.S. Court requesting that the Court stay the U.S. Class Action pending ongoing mediation in the CCAA Proceeding. On July 7, 2020, the U.S. Court entered a Stipulation and Order staying the U.S. Class Action until such time as (a) the court-appointed Mediator declared that the mediation process had concluded; or (b) the Canadian Court lifted the stay of proceedings in Canada.

<u>CCAA Proceedings</u>

26. On March 31, 2020, defendant CannTrust and certain other related parties commenced insolvency proceedings under the Companies' Creditors Arrangement Act in the Canadian Court, and obtained an order for a stay of proceedings against them, including stays of the Actions.

27. On May 8, 2020, the Canadian Court appointed 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 and others (the "**Mediation Process**").

28. Ontario and U.S. Class Action Counsel 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. On January 29, 2021, the Canadian Court issued an order (the "**CCAA Representation Order**") appointing the Ontario Class Action and U.S. Class Action Lead Plaintiffs as CCAA Representatives and their counsel as CCAA Representative Counsel.

29. In tandem with the Mediation Process, CCAA Representative Counsel conducted an extensive legal and factual investigation, which included: (i) reviewing CannTrust's public disclosure documents and other publicly available information regarding CannTrust; (ii) holding discussions with an alleged CannTrust whistleblower and obtaining relevant emails; (iii) retaining and communicating with private "fact" investigators; (iv) identifying and interviewing potential "fact" witnesses; (v) communicating, to date, with over 1,300 individual Securities Claimants; (vi) retaining a cannabis consultant to advise counsel; (vii) considering expert opinion regarding applicable accounting standards by Cyrus Khory, managing director at Froese Forensic Partners Ltd.; (viii) considering expert opinion regarding applicable auditing standards by Professor Efrim Boritz, Ph.D., FCPA, FCA, CISA; (ix) retaining James Miller to provide an expert opinion regarding applicable underwriting standards; (x) retaining Sunita Surana, Ph.D., of Forensic Economics to provide an expert economic opinion on market efficiency, materiality, and damages; (xi) reviewing CannTrust's responsive insurance policies and other non-public information provided to CCAA Representative Counsel in the course of the Mediation Process; and (xii) considering the written mediation briefs and positions taken by the parties during the Mediation Process and the CCAA Proceedings.

30. In January 2021, following protracted negotiations over six months, the CCAA Representatives and CannTrust reached a framework for the resolution of all Securities Claims against CannTrust and related claims against co-defendants, which is reflected in the RSA. In the eight months since then, seven additional settlements have been reached.

31. On April 16, 2021, CannTrust and certain other related entities filed a plan of compromise, arrangement and reorganization pursuant to the CCAA (the CCAA Plan) in order to, among other things, implement a global resolution of the Actions and address other claims against the CannTrust entities.

32. By Order dated July 16, 2021, the Canadian Court entered the CCAA Sanction Order, which, among other things, authorized the implementation of the proposed Settlements, approved the A&DS, and authorized the creation of the Securities Claimant Trust.

<u>The California State Court Action</u>

33. On August 5, 2019, a proposed shareholder class action entitled *Owens v. CannTrust Holdings Inc., et al*., Court File No. 19CV352374, was filed in California Superior Court, Santa Clara County (the "**California Action**"). The California Action alleges claims under the Securities Act against CannTrust, Merrill Lynch, Pierce, Fenner & Smith Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, RBC Dominion Securities Inc., Jefferies LLC, Canaccord Genuity LLC, Peter Aceto, Greg Guyatt, and Eric Paul, arising out of CannTrust's May 6, 2019 secondary offering as a result of the alleged wrongdoing that is the subject of the Class Actions. On November 14, 2019, the California Action was stayed, pending further resolution of proceedings in the U.S. Class Action.

6. What are the reasons for the Settlements?

34. The U.S. Court did not finally decide in favor of U.S. Class Action Lead Plaintiffs or the Settling Defendants. Instead, all Settling Parties agreed to settle.

35. U.S. Class Action Lead Plaintiffs and U.S. Class Action Counsel believe that the claims asserted in the U.S. Class Action are strong, however in agreeing to the Settlements, they considered a variety of factors and were informed by a detailed factual investigation of public and non-public information, the advice of accounting, auditing, underwriting, and financial economics expert, and information and documents provided through the Mediation Process. Key considerations included: (i) estimates of damages under Ontario and U.S. securities laws; (ii) the potential value of CannTrust Holdings' claim against KPMG; (iii) the value of claims against Insurers; and (iv) the risks and challenges of continuing litigation, including, principally, CannTrust's ability to satisfy a judgment and substantive and procedural legal issues. A key consideration was that since CannTrust was engaged in CCAA proceedings and certain of its insurers had denied coverage, any judgment after trial could result in a contested liquidation over CannTrust's assets. The extent to which investors could collect on a judgment was therefore questionable and the time it would take to obtain a recovery was unknown. In light of the Settlements and the guaranteed cash recovery to the U.S. Settlement Class, U.S. Class Action Lead Plaintiffs and U.S. Class Action Counsel believe that the proposed Settlements are fair, reasonable, and adequate, and in the best interests of the U.S. Settlement Class.

36. Settling Defendants have denied and continue to deny each and every one of the claims alleged in the U.S. Class Action, including all claims in the Complaint, and specifically deny any wrongdoing and that they have committed any act or omission giving rise to any liability or violation of law. Settling Defendants deny that any member of the U.S. Settlement Class has suffered damages; that the prices of CannTrust publicly traded common stock were artificially inflated by reason of the alleged misrepresentations, omissions, or otherwise; or that members of the U.S. Settlement Class were harmed by the conduct alleged. Nonetheless, Settling Defendants have concluded that continuation of the claims in the U.S. Class Action would be protracted and expensive, and have taken into account the uncertainty and risks inherent in any litigation, especially a complex case like this U.S. Class Action.

THE SETTLEMENT BENEFITS

7. What do the Settlements provide?

37. In exchange for the releases and dismissals contemplated by the CCAA Plan and the Settlements (*see* Question 10 below), the Settling Defendants have agreed to, among other things, cause payments totaling approximately C$83,000,000 (to date), which, along with any interest earned, will be distributed after the deduction of court-awarded attorneys' fees and litigation expenses, taxes, notice and administration expenses and fees, ongoing litigation costs, and other fees, expenses, and liabilities allowed by the CCAA Plan and the A&DS (the "**Class Compensation Fund**"), to U.S. Securities Claimants and Canadian and Non-U.S. Securities Claimants (collectively, "**Securities Claimants**") who submit valid and timely Claim Forms and are found to be eligible to receive a distribution from the Class Compensation Fund. The Class Compensation Fund will be administered as part of the Securities Claimant Trust.

38. Certain Settling Defendants have agreed to assign claims that they have to the Securities Claimant Trust and to cooperate with Class Action Counsel so that the Class Action Lead Plaintiffs can pursue litigation against, or obtain settlements with, non-settling insurers and KPMG in Canada. Additionally, in light of the Settlements, the parties to the California Action will take action to cause the voluntary dismissal of the California Action.

39. Since the beginning of the Mediation Process, counsel for the plaintiffs in the Canadian Action and the U.S. Class Action, on behalf of all Securities Claimants, attended numerous formal mediation sessions with counsel to CannTrust, co-defendants, and insurers and participated in countless informal discussions with the Mediator, the CCAA Monitor, and other mediation participants.

40. In January 2021, following protracted negotiations over six months, Class Action Counsel and CannTrust reached the framework reflected in the RSA. In the months since then, seven additional settlements have been reached. (If any further settlements are reached or the Settlements are amended, updates will be posted on the website www.CannTrustSecuritiesSettlement.ca.):

- defendant Eric Paul and the Paul Family Trust (the "**Paul Settling Parties Settlement**");
- defendant Canaccord Genuity LLC, Canaccord Genuity Corp., defendant Citigroup Global Markets Inc., Citigroup Global Markets Canada Inc., Credit Suisse Securities (Canada) Inc., defendant Credit Suisse Securities (USA) LLC, Jefferies Securities, Inc, defendant Jefferies LLC, Merrill Lynch Canada Inc., defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated, and defendant RBC Dominion Securities Inc. (the "**Underwriters Settlement**");
- defendant Mark Ian Litwin, Fred Litwin, Stan Abramowitz, defendant Cannamed Financial Corp., Forum Financial Corporation, Mar-Risa Holdings Inc., York Capital Funding Inc., and Sutton Management Limited (the "**Litwin Group Settlement**");
- defendant Ian Abramowitz ("**Abramowitz Settlement**");
- defendant Peter Aceto ("**Aceto Settlement**");
- Kenneth Brady Green ("**Green Settlement**"); and
- Class Action Lead Plaintiffs also entered into a settlement with opt-out plaintiff Zola Finance Holdings Ltd. and Igor Gimelshtein (the "**Zola Plaintiffs Settlement**"), who had commenced a separate action against CannTrust in Canada and elected not to be represented by the class representatives.

41. **The RSA** - On January 19, 2021, defendants CannTrust and others entered into the RSA with the Class Action Plaintiffs in the Canadian Action and the U.S. Class Action, through their counsel, which created a framework for the settlement of all securities claims against CannTrust and certain of its officers and directors. The settlement reflected in the RSA is with CannTrust and the other CCAA applicants, Mark Dawber, Greg Guyatt, John Kaden, Robert Marcovitch, Shawna Page, Ilana Platt, Mitchell Sanders and Cajun Capital Corporation ("**Original Settlement Parties**"). The RSA provided an orderly mechanism for the Class Action Lead Plaintiffs and Class Action Counsel, with the Original Settlement Parties' help, to obtain additional settlements and provide releases to additional parties. In exchange for releases of liability (*see* Question 10 below):

(a) CannTrust will pay a Cash Contribution of C$50,000,000 to the Securities Claimant Trust;

(b) the Original Settlement Parties will assign their Assigned Claims, notably claims against Insurers and KPMG, to the Securities Claimant Trust;

(c) CannTrust will provide information and cooperation to the Class Action Plaintiffs in the prosecution of the continuing litigation; and

(d) if 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 continued litigation, exceeds C$250 million net of litigation fees and expenses, then CannTrust Holdings will be entitled to be repaid up to C$50 million in staged amounts from the Securities Claimant Trust (such staged amounts to be agreed upon at a future date).

42. **Assignment of CannTrust's Claim Against KPMG** - KPMG was CannTrust's auditor during the period when defendants allegedly issued false and misleading financial statements. KPMG is a defendant in the Class Actions and faces statutory claims by shareholders. During the Mediation Process, Class Action Counsel determined, in their judgment, that CannTrust also may have a potentially valuable auditor's negligence claim against KPMG.

43. Class Action Counsel believe that CannTrust has claims against KPMG in connection with its audit of CannTrust's 2018 annual financial statements and Q1 2019 review engagement. Pursuant to the CCAA Plan and CCAA Sanction Order, claims of this nature against KPMG that are not indemnity claims, contribution claims or other claims over will be assigned to the Securities Claimant Trust and will be litigated in Canada.

44. **Paul Settling Parties Settlement -** The settlement provides for payment of a Cash Contribution of C$12,000,000 and assignment of Paul's claims against his Insurer to the Securities Claimant Trust. As a result of the settlement and the transfer of his Assigned Claims, Paul gave up his rights to insurance coverage that would respond to regulatory or criminal proceedings. Accordingly, the settlement provides that the Securities Claimant Trust will reserve C$1 million in respect of legal costs to defend against any such proceedings. Any funds remaining after the final disposition of such proceedings will revert back to the Securities Claimant Trust.

45. **The Underwriters Settlement -** The settlement provides for a Cash Contribution of US$8,000,000.

46. **Litwin Group Settlement -** The settlement provides for a Cash Contribution of C$11,000,000. Fred Litwin was a significant shareholder of CannTrust, and allegedly controlled Forum Financial Corporation, which was an insider of CannTrust. Fred Litwin is not a defendant to any of the Class Actions, however, he faces a claim by the Zola Plaintiffs for negligent misrepresentation in connection with a direct sale of 1,000,000 shares to them in September 2018. As part of the Zola Plaintiffs Settlement, the Securities Claimant Trust will acquire the rights to those claims.

47. **Abramowitz Settlement -** The settlement provides that Abramowitz will provide cooperation to the Class Action Lead Plaintiffs and assignment of his claims against his Insurer to the Securities Claimant Trust, excluding any claims, rights or entitlement that he may have to insurance coverage for criminal, regulatory or administrative proceedings. The settlement provides that the Securities Claimant Trust will pay the costs of Abramowitz's legal representation to aid his cooperation obligations up to a maximum of C$100,000. Subsequently, Class Action Lead Plaintiffs and Abramowitz reached an agreement whereby Abramowitz will release all claims to insurance coverage and the Securities Claimant Trust will provide indemnification of up to C$1 million for the costs of responding to regulatory or criminal investigations and proceedings, or certain other litigation expenses.

48. **Aceto Settlement -** The Class Action Lead Plaintiffs agreed to settle with Aceto in exchange for his cooperation. A Cash Contribution will be made on his behalf by certain Insurers, assuming the settlement with them is finalized, and he will not be treated as a Released Party unless and until the Cash Contribution has been made. As a result of the settlement, Aceto will give up his rights to insurance coverage that would respond to regulatory or criminal proceedings. Accordingly, the settlement provides that the Securities Claimant Trust will reserve up to C$1 million in respect of legal costs to defend against any such proceedings.

49. **Green Settlement** – Green is a defendant in the Ontario Class Action. The Class Action Lead Plaintiffs agreed to settle with Brady Green in exchange for his cooperation.

50. **Zola Plaintiffs Settlement -** The Zola Plaintiffs are Securities Claimants and fall under the definition of class members in the Ontario Class Action. However, they were excluded from the CCAA Representation Order and have their own counsel in the CCAA Proceedings. The Zola Plaintiffs filed a proof of claim in the CCAA Proceedings of C$45 million. From before the commencement of the CCAA Proceedings, the Zola Plaintiffs announced an intention to opt out of the Ontario Class Action and pursue their own claims. The Zola Plaintiffs commenced an individual action against CannTrust and others in November of 2019. The Zola Action makes unique allegations and claims based on the Zola Plaintiffs' direct conversations with certain defendants, as well as its direct purchase of shares from Fred Litwin. The Zola Plaintiffs agreed to support the CCAA Plan and assign their claims to the Securities Claimant Trust, in exchange for a defined allocation from the Class Settlement Amount of C$3.25 million and a *pro rata* payment from the Class Compensation Fund, which were authorized by the CCAA Court.

51. **Dismissal of the California Action -** In light of the Settlements, the plaintiff in the California Action will take action to cause the action to be voluntarily dismissed.

8. How can I receive a payment?

52. To qualify for a payment from the Cash Compensation Fund in relation to the U.S. Class Action, you must submit a timely and valid Claim Form. A Claim Form is included with this Notice. You may also obtain one from the website dedicated to the Settlements: www.CannTrustSecuritiesSettlement.ca, or from Labaton Sucharow's website: www.labaton.com, or submit a claim online at www.CannTrustSecuritiesSettlement.ca. You can also request that a Claim Form be mailed or e-mailed to you by calling the Claims Administrator toll-free at 1-833-871-5359 or e-mailing them at info@CannTrustSecuritiesSettlement.ca.

53. Please read the instructions contained in the Claim Form carefully, fill out the Claim Form, include all the documents the form requests, sign it, and mail or submit it electronically to the Claims Administrator so that it is **postmarked or received no later than March 16, 2022.** (Any extensions of this deadline will be posted on the website for the Settlements: www.CannTrustSecuritiesSettlement.ca.)

9. How will my claim be calculated?

54. The Allocation and Distribution Scheme set forth at the end of this Notice is the plan for calculating claims and distributing the proceeds of the Settlements that is being proposed by U.S. Class Action Lead Plaintiffs and U.S. Class Action Counsel to the U.S. Court for approval. On July 16, 2021, it was approved by the CCAA Court. The U.S. Court may approve this A&DS or modify it, as it relates to members of the U.S. Settlement Class, without additional individual notice to the U.S. Settlement Class. Any order modifying the A&DS will be posted on the Settlement website at: www.CannTrustSecuritiesSettlement.ca and at www.labaton.com.

55. As noted above, the Class Settlement Amount, after deductions for awarded attorneys' fees and litigation expenses, taxes, notice and administration fees and expenses, ongoing litigation costs, and other fees, expenses, and liabilities allowed by the CCAA Plan and the A&DS, will be distributed to Securities Claimants who timely submit valid Claim Forms that show a "Recognized Claim" according to the A&DS (or any other plan of distribution approved by the courts). Under the federal securities laws, damages are determined through applying a variety of metrics, including considering when the alleged wrongdoing was disclosed (which in this case allegedly was from July 8, 2019 through September 17, 2019) or the trading price of the security at issue when a lawsuit seeking redress is filed (which in this case was July 10, 2019). Under the A&DS, purchases at or after 3:13 p.m. ET on September 17, 2019 are not eligible for a recovery because the full truth about the wrongdoing alleged in this case was allegedly revealed by this point in time.

56. Securities Claimants who do not timely submit valid Claim Forms will not share in the Class Compensation Fund, but will still be bound by the Settlements.

10. What am I giving up to receive a payment and by staying in the U.S. Settlement Class?

57. If you are a U.S. Settlement Class Member, upon the "Effective Time" of the CCAA Plan, you will release all "Released Securities-Related Claims" against the "Released Parties." All of the U.S. Court's orders about the Settlement, whether favorable or unfavorable, will apply to you and legally bind you, as will the CCAA Sanction Order and CCAA Plan. The main defined terms are stated below. The definitions of all terms can be found in the CCAA Plan and/or the RSA, which are available at www.CannTrustSecuritiesSettlement.ca.

(a) "**Additional Settlement Parties**" means each of: (i) Brady Green; (ii) Ian Abramowitz; (iii) the Underwriters; (iv) Eric Paul and the Paul Family Trust; (v) 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; (vi) the Insurers listed in Schedule E of the RSA (in their capacity as an Insurer in relation to the Insurance Policies) who have executed and delivered to CannTrust Holdings and the CCAA Representatives the Additional RSA for the applicable group of Insurers prior to the Plan Implementation Date; (vii) Peter Aceto, provided that he has executed and delivered his Additional RSA to CannTrust Holdings and the CCAA Representatives prior to the Plan Implementation Date; and (viii) any Co-Defendant or Insurer that has been designated as an Additional Settlement Party in accordance with Section 7.1 of the CCAA Plan.

(b) "**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 who is not a Settlement Party and has or could have a Securities-Related Indemnity Claim against a Released Party.

(c) "**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.

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

(e) "**Released CannTrust Parties**" means 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.

(f) "**Released Parties**" means the Released CannTrust Parties and the Released Additional Settlement Parties.

(g) "**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, Co-Defendant or other Person 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 contract or 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 and Channelled Claims.

(h) "**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.

(i) "**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.

(j) "**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.

(k) "**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 or that could be asserted against such Person or arising from or in connection with any other claim asserted or that could be asserted against such Person by any other Person that is not a Settlement Party in relation to a Securities-Related Matter, including, for greater certainty, a Defence Costs Indemnity Claim.

(l) "**Underwriters**" means Canaccord Genuity LLC, Canaccord Genuity Corp., Citigroup Global Markets Inc., Citigroup Global Markets Canada Inc., Credit Suisse Securities (Canada) Inc., Credit Suisse Securities (USA) LLC, Jefferies Securities, Inc, Jefferies LLC, Merrill Lynch Canada Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and RBC Dominion Securities Inc.

58. Unless any conditions are waived, the "**Effective Time**" of the CCAA Plan will occur when, among other things, the Conditions to implementation of the CCAA Plan have been completed, including that an Order entered by the U.S. Court approving the Settlements has become final and is not subject to appeal and the California Action has been dismissed.

EXCLUDING YOURSELF FROM THE U.S. SETTLEMENT CLASS

59. If you are a member of the U.S. Settlement Class and want the potential to keep any right you may have to sue or continue to sue the Settling Defendants and the other Released Parties on your own concerning the Released Securities-Related Claims (if any), then you must take steps to remove yourself from the U.S. Settlement Class. This is called excluding yourself or "opting out." **PLEASE BE ADVISED:** If you decide to exclude yourself from the U.S. Settlement Class, there is a risk that any lawsuit you may file to pursue claims alleged in the U.S. Class Action or in connection with a Released Securities-Related Claim will be dismissed, including because the suit is barred by the CCAA Sanction Order. ***The Settlement Parties believe that the CCAA Sanction Order will operate to bar any claims by the U.S. Settlement Class Members against the Released Parties regardless of whether they request exclusion from the U.S. Settlement Class***.

60. CannTrust, CannTrust Inc., CTI Holdings (Osoyoos) Inc., Elmcliffe Investments Inc. and the Class Action Lead Plaintiffs have also entered into confidential agreements concerning requests for exclusion and ongoing litigation against the Original Settlement Parties, which provide, *inter alia*, the option to terminate the RSA if a certain amount of U.S. Settlement Class Members request exclusion. If the RSA is terminated, the CCAA Plan will not be implemented and the Settlements will be terminated.

11. How do I exclude myself from the U.S. Settlement Class?

61. To exclude yourself from the U.S. Settlement Class, you must mail a signed letter stating that you request to be "excluded from the U.S. Settlement Class in *In re CannTrust Holdings Inc. Sec. Litig.*, No. 1:19-cv-06396-JPO (S.D.N.Y.)." You cannot exclude yourself by telephone or e-mail. Each request for exclusion must also: (i) state the name, address, e-mail, and telephone number of the person or entity requesting exclusion; (ii) state the number of shares of CannTrust publicly traded common stock the person or entity purchased, acquired, and sold during the Claim Period; the dates and prices of all purchases, acquisitions, and sales; and documentation of each trade; and (iii) be signed by the person or entity requesting exclusion. A request for exclusion must be mailed so that it is **received no later than November 11, 2021** to:

CannTrust Securities Settlements
c/o Epiq Class Action Services Canada Inc.
P.O. Box 507 STN B
Ottawa ON K1P 5P6

62. This information is needed to determine whether you are a member of the U.S. Settlement Class. Your exclusion request must comply with these requirements in order to be valid.

63. If you ask to be excluded, do not submit a Claim Form because you cannot receive any payment from the Class Compensation Fund in relation to the U.S. Class Action. Also, you cannot object to the Settlements because you will not be a U.S. Settlement Class Member any longer.

12. If I do not exclude myself, can I sue the Settling Defendants and the other Released Parties for the same reasons later?

64. No. If you are a member of the U.S. Settlement Class, unless you properly exclude yourself, you will give up any rights to sue the Settling Defendants and the other Released Parties for any and all Released Securities-Related Claims. If you have a pending lawsuit against any of the Released Parties, **speak to your lawyer in that case immediately**. Remember, the exclusion deadline is **November 11, 2021.**

THE LAWYERS REPRESENTING YOU

13. Do I have a lawyer in this case?

65. Labaton Sucharow LLP is U.S. Class Counsel in the U.S. Class Action and represents all U.S. Settlement Class Members. Labaton Sucharow was assisted in the U.S. Class Action by Levi & Korsinksy LLP. In addition, the U.S. Class Action Lead Plaintiffs and U.S. Securities Claimants have been represented in the CCAA Proceedings by Labaton Sucharow and Weisz Fell Kour LLP. Ontario Class Action Lead Plaintiffs and Canadian and Non-U.S. Securities Representatives have been represented by Dimitri Lascaris Law Professional Corporation, Henein Hutchinson LLP, Kalloghlian Myers LLP and Strosberg Sasso Sutts LLP. You will not be separately charged for these lawyers. The Canadian Court will determine the amount of attorneys' fees, litigation expenses, costs, and taxes payable to counsel, which will be paid from the Class Settlement Amount. If you want to be represented by your own lawyer, you may hire one at your own expense.

14. How will the lawyers be paid?

66. U.S. Class Action Counsel, Levi & Korsinsky, and Ontario Class Action Counsel have been pursuing the claims and rights of Securities Claimants on a contingent basis and have not been paid for any of their work. At a future date, U.S. Class Action Counsel and Ontario Class Action Counsel will apply to the Canadian Court for attorneys' fees in an amount not to exceed 25% of the aggregate Class Settlement Amount, plus applicable taxes and accrued interest, if any. U.S. Class Action Counsel, in its sole discretion, may allocate a portion of its fee award to Levi & Korsinksy, additional counsel in the U.S. Class Action, and Girard Sharp LLP and Gibbs Law Group LLP, counsel in the California Action. Class Action Counsel will make additional fee applications if additional recoveries are obtained as a result of litigation.

67. Class Action Counsel will also apply for payment of their litigation expenses and costs incurred in prosecuting and settling the Actions, including the hourly legal fees charged by Weisz Fell Kour LLP and incurred by Labaton Sucharow and reimbursement to the Class Action Lead Plaintiffs for their reasonable costs and expenses (including lost wages) related to their representation of the Securities Claimants. Any attorneys' fees and expenses awarded by the Canadian Court will be paid from the Class Settlement Amount. Securities Claimants are not personally liable for any such fees or expenses.

OBJECTING TO THE SETTLEMENTS OR THE ALLOCATION AND DISTRIBUTION SCHEME AS THEY RELATE TO THIS CASE

15. How do I tell the Court that I do not like something about the proposed Settlements?

68. If you are a U.S. Settlement Class Member, you can object to the Settlements, any of their terms, or the Allocation and Distribution Scheme (as they relate to the U.S. Class Action). You may write to the U.S. Court about why you think the Court should not approve any or all of the Settlement terms or related relief. If you would like the Court to consider your views, you must file a proper objection within the deadline, and according to the following procedures.

69. To object, you must send a signed letter stating that you object to the proposed Settlements and/or the Allocation and Distribution Scheme in "*In re CannTrust Holdings Inc. Sec. Litig.*, No. 1:19-cv-06396-JPO (S.D.N.Y.)." The objection must also: (i) state the name, address, telephone number, and e-mail address of the objector and must be signed by the objector; (ii) state the objection(s) and the specific reasons for each objection, as they relate to this case, including whether the objection applies only to the objector, to a specific subset of the U.S. Settlement Class, or to the entire U.S. Settlement Class, and any legal and evidentiary support, and witnesses the U.S. Settlement Class Member wishes to bring to the Court's attention; and (iii) include documents sufficient to prove the objector's membership in the U.S. Settlement Class, such as the number of shares of publicly traded common stock of CannTrust purchased, acquired, and sold during the Claim Period, as well as the dates and prices of each such purchase, acquisition, and sale. Unless otherwise ordered by the U.S. Court, any U.S. Settlement Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will be foreclosed from making any objection to the proposed Settlements or the Allocation and Distribution Scheme, as they relate to this case.

70. Your objection must be filed with the U.S. Court **no later than November 11, 2021 and** be mailed or delivered to the following counsel so that it is received no later than **November 11, 2021:**

Court	U.S. Class Action Counsel	Defendants' Counsel Representative
Clerk of the Court United States District Court Southern District of New York U.S. Courthouse 40 Foley Square New York, NY 10007	**Labaton Sucharow LLP** James W. Johnson, Esq. 140 Broadway New York, NY 10005	**Skadden, Arps, Slate, Meagher & Flom LLP** Susan L. Saltzstein, Esq. One Manhattan West New York, NY 10001

71. You do not need to attend the Settlement Hearing to have your written objection considered by the U.S. Court. However, any U.S. Settlement Class Member who has complied with the procedures described in this Question 15 and below in Question 19 may participate at the Settlement Hearing and be heard, to the extent allowed by the Court. An objector may participate individually or arrange, at his, her, or its own expense, for a lawyer to represent him, her, or it at the Settlement Hearing.

16. What is the difference between objecting and seeking exclusion?

72. Objecting is telling the U.S. Court that you do not like something about the proposed Settlements or the Allocation and Distribution Scheme (as they relate to the U.S. Class Action). You can still recover money from the Settlement. You can object only if you stay in the U.S. Settlement Class. Excluding yourself is telling the U.S. Court that you do not want to be part of the U.S. Settlement Class. If you exclude yourself from the U.S. Settlement Class, you have no basis to object.

THE SETTLEMENT HEARING

17. When and where will the U.S. Court decide whether to approve the Settlements, as they relate to this U.S. Class Action?

73. The U.S. Court will hold the Settlement Hearing by telephone on **Thursday, December 2, 2021, at 12:30 p.m. New York time**. Interested parties should check the Settlement website at www.CannTrustSecuritiesSettlement.ca for dial-in information.

74. At this hearing, the Honorable J. Paul Oetken will consider whether, in relation to the U.S. Class Action: (i) the Settlements are fair, reasonable, adequate, and should be approved; and (ii) the Allocation and Distribution Scheme is fair and reasonable as to members of the U.S. Settlement Class, and should be approved. The U.S. Court will take into consideration any written objections filed by members of the U.S. Settlement Class in accordance with the instructions in Question 15 above. We do not know how long it will take the U.S. Court to make these decisions.

75. The U.S. Court may change the date and time of the Settlement Hearing without another individual notice being sent to U.S. Settlement Class Members. If you want to participate in the hearing, you should check with Labaton Sucharow beforehand to be sure that the date and/or time has not changed, or periodically check the Settlement website at www.CannTrustSecuritiesSettlement.ca to see if the Settlement Hearing stays as scheduled or is changed.

18. Do I have to come to the Settlement Hearing?

76. No. U.S. Class Action Counsel will answer any questions the U.S. Court may have. But, you are welcome to participate at your own expense. If you submit a valid and timely objection, the Court will consider it and you do not have to come to Court to discuss it. You may have your own lawyer participate (at your own expense), but it is not required. If you do hire your own lawyer, he or she must file and serve a Notice of Appearance in the manner described in the answer to Question 19 below **no later than November 11, 2021.**

19. May I speak at the Settlement Hearing?

77. You may ask the U.S. Court for permission to speak at the Settlement Hearing. To do so, you must, **no later than November 11, 2021,** submit a statement that you, or your attorney, intend to appear in "*In re CannTrust Holdings Inc. Sec. Litig..,* No. 1:19-cv-06396-JPO (S.D.N.Y.)." If you intend to present evidence at the Settlement Hearing, you must also include in your objections (prepared and submitted according to the answer to Question 15 above) the identities of any witnesses you may wish to call to testify and any exhibits you intend to introduce into evidence at the Settlement Hearing. You may not speak at the Settlement Hearing if you exclude yourself from the U.S. Settlement Class or if you have not provided written notice of your intention to speak at the Settlement Hearing in accordance with the procedures described in this Question 19 and Question 15 above.

IF YOU DO NOTHING

20. What happens if I do nothing at all?

78. If you do nothing and you are a member of the U.S. Settlement Class, you will receive no money from the Settlements in relation to the U.S. Class Action and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against Defendants and the other Released Parties concerning the Released Securities-Related Claims. To share in the Class Compensation Fund in relation to the U.S. Class Action, you must submit a Claim Form (*see* Question 8 above). To start, continue, or be a part of any other lawsuit against the Settling Defendants and the other Released Parties concerning the Released Securities-Related Claims, you must exclude yourself from the U.S. Settlement Class (*see* Question 11 above).

GETTING MORE INFORMATION

21. Are there more details about the Settlements?

79. This Notice summarizes the proposed Settlements. More details are contained in the CCAA Plan, the RSA, and the other Definitive Documents. You may review the Definitive Documents filed with the U.S. Court or other documents in the case during business hours at the Office of the Clerk of the United States District Court, Southern District of New York, Thurgood Marshall United States Courthouse, 40 Foley Square, New York, NY 10007. (Please check the Court's website, www.nysd.uscourts.gov, for information about Court closures before visiting.) Subscribers to PACER, a fee-based service, can also view the papers filed publicly in the U.S. Class Action through the U.S. Court's on-line Case Management/Electronic Case Files System at https://www.pacer.gov.

80. You can also get a copy of the CCAA Plan, the RSA, and other documents related to the Settlements, as well as additional information about the Settlements by visiting the website dedicated to the Settlements, www.CannTrustSecuritiesSettlement.ca, or the website of U.S. Class Action Counsel, www.labaton.com. You may also call the Claims Administrator toll free number at 1-833-871-5359 or write to the Claims Administrator at info@CannTrustSecuritiesSettlement.ca. **Please do not call the Court with questions about the Settlement.**

SPECIAL NOTICE TO SECURITIES BROKERS AND NOMINEES

81. If you purchased or otherwise acquired CannTrust publicly traded common stock (CNTTF, CTST, CNTTQ, CUSIP: 137800207) **on the New York Stock Exchange or on any U.S. based trading platform**, or pursuant or traceable to CannTrust's secondary public offering, completed on or about May 6, 2019, during the period from June 1, 2018 through March 31, 2020, inclusive, for the beneficial interest of a person or entity other than yourself, the U.S. Court has directed that **WITHIN TEN (10) CALENDAR DAYS OF YOUR RECEIPT OF THIS NOTICE, YOU MUST EITHER**: (a) provide a list of the names and addresses of all such beneficial owners to the Claims Administrator and the Claims Administrator is ordered to send the Notice promptly to such identified beneficial owners; or (b) request additional copies of this Notice and the Claim Form from the Claims Administrator, which will be provided to you free of charge, and **WITHIN TEN (10) CALENDAR DAYS** of receipt, mail the Notice and Claim Form directly to all the beneficial owners of those securities. If you choose to follow procedure (b), the U.S. Court has also directed that, upon making that mailing, **YOU MUST SEND A STATEMENT** to the Claims Administrator confirming that the mailing was made as directed and keep a record of the names and mailing addresses used. Nominees shall also provide email addresses for all such beneficial owners to the Claims Administrator, to the extent they are available. You are entitled to reimbursement from the Class Compensation Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation and timely compliance with the above directives. All communications concerning the foregoing should be addressed to the Claims Administrator:

CannTrust Securities Settlements
c/o Epiq Class Action Services Canada Inc.
P.O. Box 507 STN B
Ottawa ON K1P 5P6

Dated: September 17, 2021

BY ORDER OF THE UNITED STATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

APPENDIX A

ALLOCATION AND DISTRIBUTION SCHEME
DISTRIBUTION OF CLASS COMPENSATION FUND TO MEMBERS

I. DEFINITIONS

1. The following definitions apply in this Allocation and Distribution Scheme:

(a) **"CannTrust"** means CannTrust Holdings, Inc;

(b) **"CannTrust Group"** means CannTrust, CannTrust Inc., CTI Holdings (Osoyoos) Inc. and Elmcliffe Investments Inc;

(c) **"Claim Form"** means a written claim in the provided form for seeking compensation from the Class Compensation Fund;

(d) **"Claimant"** means any Person making a claim as purporting to be a Class Member or on behalf of a Class Member;

(e) **"Claims Administrator"** means the claims administrator appointed for the purposes of the Allocation and Distribution Scheme, whose appointment will be confirmed by the Court;

(f) **"Class Compensation Fund"** means the Class Settlement Amount less the Zola Payment, Class Counsel Fees, and all fees, disbursements, expenses, costs, taxes, any other amounts incurred or payable relating to approval, implementation and administration of the settlement including, without limitation, the costs, fees, and expenses of notice to class members, and the fees, expenses, disbursements and taxes paid to the Claims Administrator for administration of the Class Settlement Amount, the Holdback and any other expenses ordered by the courts;

(g) **"Class Counsel"** means Ontario Class Action Counsel and U.S. Class Action Counsel;

(h) **"Class Counsel Fees"** means the aggregate fees and expense disbursements (including taxes) of Class Counsel;

(i) **"Class Member(s)"** means any Person that acquired Shares during the Class Period;

(j) **"Class Period"** means the time period from June 1, 2018 through September 17, 2019, inclusive;

(k) **"Class Settlement Amount"** means CAD $50,000,000 to be contributed to the Securities Claimant Trust by CannTrust pursuant to the Plan, together with the cash contributions of any other Additional Settlement Parties (as defined in the Plan) pursuant to the applicable Additional RSA (as defined in the Plan), plus any accrued interest;

(l) **"Eligible Securities"** means Shares acquired by a Class Member during the Class Period. The date of purchase or acquisition shall be the "contract" or "trade" date as opposed to the "settlement" or "payment" date;

(m) **"Excluded Claim"** means any of the following:

  (i) a claim in respect of a purchase or acquisition of securities that are not Eligible Securities; or

  (ii) a claim by or on behalf of any Excluded Person;

(n) **"Excluded Person(s)"** means

  (i) CannTrust, Cannamed Financial Corp, Cajun Capital Corporation, KPMG LLP, Merrill Lynch Canada Inc., Citigroup Global Markets Canada Inc., Credit Suisse Securities (Canada) Inc., RBC Dominion Securities Inc., Jefferies Securities Inc., Canaccord Genuity Corp., Merrill Lynch, Pierce, Fenner & Smith Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Jefferies LLC, Canaccord Genuity LLC, Paul Family Trust, Mar-Risa Holdings Inc., York Capital Funding Inc., Sutton Management Limited, and their past and present subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns (the "**Corporate Defendants**"); and

  (ii) Eric Paul, Peter Aceto, Greg Guyatt, Ian Abramowitz, Mark Dawber, John Kaden, Mark Ian Litwin, Fred Litwin Robert Marcovitch, Mitchell J. Sanders, Stan Abramowitz, Brad Rogers, Michael Ravensdale, Shawna Page, Ilana Platt, Graham Lee, Kenneth Brady Green, Andrea Kirk, Norman Paul and any member of their families ("**Individual Defendants**") and any company under the control of an Individual Defendant;

(o) **"FIFO"** means the method applied to the holdings of Class Members who made multiple purchases/acquisitions or sales. If a Class Member has more than one purchase/acquisition or sale of CannTrust common stock, purchases/acquisitions and sales will be matched on a First In, First Out ("**FIFO**") basis. Class Period sales will be matched first against any holdings at the beginning of the Class Period, and then against purchases/acquisitions in chronological order, beginning with the earliest purchase/acquisition made during the Class Period. A purchase/acquisition or sale of Shares shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. Option contracts are not securities eligible to participate in the Settlement. With respect to shares of CannTrust common stock purchased or sold through the exercise of an option, the purchase/sale date of the CannTrust common stock is the exercise date of the option and the purchase/sale price of the CannTrust common stock is the exercise price of the option;

(p) **"Holdback"** is the amount held back, at the discretion of the Trustees, to fund litigation expenses, disbursements, taxes, adverse costs awards, and/or other liabilities;

(q) **"Ontario Class Action Counsel"** means Dimitri Lascaris Law Professional Corporation, Henein Hutchinson LLP, Kalloghlian Myers LLP and Strosberg Sasso Sutts LLP;

(r) **"Person"** means any individual, corporation (including all divisions and subsidiaries), general or limited partnership, association, joint stock company, joint venture, limited liability company, professional corporation, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity;

(s) **"Plan"** means the plan of compromise, arrangement and reorganization of the CannTrust Group pursuant to the Companies' Creditors Arrangement Act;

(t) **"Purchase Price"** means the price at which the Claimant purchased or acquired Shares, excluding commissions, taxes, or fees paid in respect of the purchase/acquisition;

(u) **"Recognized Claim"** means a Claimant's nominal losses as calculated pursuant to the formulas set forth herein and which forms the basis for each Claimant's *pro rata* share of the Class Compensation Fund;

(v) **"Recognized Loss Amount"** is the amount calculated pursuant to paragraph 10(c);

(w) **"Risk Adjusted Loss"** is the amount calculated pursuant to paragraph 10(d);

(x) **"Sale Price"** means the price at which the Claimant disposed of Shares, excluding commissions, taxes, or fees paid in respect of the disposition;

(y) **"Securities Claimant Trust"** has the meaning ascribed to it in the Plan;

(z) **"Share(s)"** means common stock shares of CannTrust;

(aa) **"Share Inflation"** means the artificial inflation per share found in Table C;

(bb) **"Trustees"** has the meaning ascribed to it in the Plan;

(cc) **"U.S. Class Action Counsel"** means Labaton Sucharow LLP and Weisz Fell Kour LLP; and

(dd) **"Zola Payment"** means, subject to the authorization by the court supervising the CCAA Proceedings of the CannTrust Group, the payment to be made by the Trustees to Zola Finance Holdings Ltd. and Igor Gimelshtein (together, **"Zola"**) pursuant to the agreement to be entered into between the Trustees and Zola on or before the date that the Plan is implemented, and as contemplated by the Restructuring Support Agreement between Zola, the CannTrust Group, and the CCAA Representatives (as defined in the Plan) dated May 5, 2021.

2. The Claims Administrator shall distribute the Class Compensation Fund as set out below.

II. OBJECTIVE

3. The objective of this Allocation and Distribution Scheme is to equitably distribute the Class Compensation Fund among Class Members that submit valid and timely claims for Eligible Securities.

III. DEADLINE FOR CLAIMS

4. Any Person that wishes to claim compensation from the Class Compensation Fund shall deliver to, or otherwise provide, the Claims Administrator a Claim Form by the date set by the Court. If the Claims Administrator does not receive a Claim Form from a Claimant by the deadline, then the Claimant shall not be eligible for any compensation whatsoever from the Class Compensation Fund. Notwithstanding the foregoing, the Claims Administrator shall have the discretion to permit otherwise-valid late claims without further order of the Court, but only if doing so will not materially delay the distribution of the Class Compensation Fund.

IV. PROCESSING CLAIM FORMS

5. The Claims Administrator shall review each Claim Form and verify that the Claimant is eligible for compensation from the Class Compensation Fund, as follows:

(a) for a Claimant claiming as a Class Member, the Claims Administrator shall be satisfied that:

(i) the Claimant is a Class Member; and

(ii) the claim is not an Excluded Claim;

(b) for a Claimant claiming on behalf of a Class Member or a Class Member's estate, the Claims Administrator shall be satisfied that:

(i) the Claimant has authority to act on behalf of the Class Member or the Class Member's estate in respect of financial affairs;

(ii) the Person or estate on whose behalf the claim was submitted was a Class Member; and

(iii) the claim is not an Excluded Claim.

(c) the Claimant has provided all supporting documentation required by the Claim Form or alternative documentation that is acceptable to the Claims Administrator.

6. The Claims Administrator shall take reasonable measures to verify that the Claimants are eligible for compensation and that the information in the Claims Forms is accurate. The Claims Administrator may make inquiries of the Claimants in the event of any concerns, ambiguities or inconsistencies in the Claim Forms and disallow claims that are not eligible.

V. ALLOCATION OF CLASS COMPENSATION FUND

7. Only Claimants that the Claims Administrator has determined to be eligible for compensation as set forth herein are entitled to recover compensation from the Class Compensation Fund.

8. Only claims in respect of Eligible Securities are entitled to receive compensation from the Class Compensation Fund.

9. As soon as possible after (i) all timely Claim Forms have been processed (and those otherwise-valid late Claim Forms that the Claims Administrator has exercised its discretion to permit); (ii) the time to request a reconsideration for disallowed claims under paragraphs 26-27 has expired; and (iii) all administrative reviews under paragraphs 28-29 have concluded, the Claims Administrator shall distribute the Class Compensation Fund to eligible Claimants.

10. The Claims Administrator shall determine each Claimant's Recognized Claim as follows, subject to the Additional Rules set out at paragraphs 14-19.

(a) Purchase/acquisition and sale amounts in currencies other than Canadian dollars will be converted to equivalent Canadian dollar amounts as needed using publicly available currency exchange rates and in consultation with Class Counsel.[6]

(b) Eligible Securities are those purchased in CannTrust's May 2019 share offering ("**Offering Shares**") and those purchased on the secondary market ("**Secondary Shares**").

(c) The "**Recognized Loss Amount**" per Offering Share and Secondary Share purchased/acquired during the Class Period is calculated as follows, with reference to the Share Inflation as set out in Table C at paragraph 11. The Recognized Loss Amount for any particular disposition of Eligible Securities shall be no less than zero.

[6] For informational purposes, during the Class Period, the USD/CAD exchange rate ranged from CAD$1.28 to CAD$1.36 per US$1.00 with an average of CAD$1.32 per US$1.00. After the Class Period and through March 4, 2021, the USD/CAD exchange rate ranged from CAD$1.25 to CAD$1.45 per US$1.00 with an average of CAD$1.33 per US$1.00.

TABLE A

Date of Sale of Shares acquired during the Class Period	Recognized Loss Amount per Share
June 1, 2018 – July 7, 2019	$0
July 8, 2019 – September 16, 2019	The lesser of: (i) the Share Inflation on the date of purchase minus the Share Inflation on the date of sale; or (ii) the Purchase Price minus the Sale Price.
September 17, 2019 – September 30, 2019	The lesser of: (i) the Share Inflation on the date of purchase; or (ii) the Purchase Price minus the Sale Price.
October 1, 2019 – March 5, 2021	The lesser of: (i) the Share Inflation on the date of purchase; (ii) the Purchase Price minus CAD$1.70; or (iii) the Purchase Price minus the Sale Price.
Held as of the closing on March 5, 2021	The lesser of: (i) the Share Inflation on date of purchase; or (ii) the Purchase Price minus CAD$1.70.

(d) The Recognized Loss Amounts for Offering Shares and Secondary Shares are multiplied by the risk adjustment in the following chart to obtain the **"Risk Adjusted Loss"**:

TABLE B

Type of Share	Risk Adjustment
Offering Share	1
Secondary Share	0.8

(e) A Claimant's Recognized Claim is equal to the sum of the Risk Adjusted Loss for each type of share.

11. The applicable Share Inflation amounts are as follows:

TABLE C – SHARE INFLATION

June 1, 2018 – September 30, 2018	CAD$1.29
October 1, 2018 – July 7, 2019	CAD$5.02
July 8, 2019 – July 9, 2019	CAD$3.57
July 10, 2019 – July 11, 2019	CAD$3.05
July 12, 2019 – July 15, 2019	CAD$2.57
July 16, 2019 – July 23, 2019	CAD$2.09
July 24, 2019 – August 11, 2019	CAD$1.41
August 12, 2019 – September 16, 2019	CAD$0.24
September 17, 2019 before 3:13 p.m. ET[7]	CAD$0.24
September 17, 2019 at or after 3:13 p.m. ET and thereafter	CAD$0.00

[7] Trading at prices at or below CAD$1.85 will be deemed to have occurred after 3:13 p.m. ET.

12. The Claims Administrator shall allocate the Class Compensation Fund on a *pro rata* basis to eligible Claimants based upon each eligible Claimant's Recognized Claim.

13. The Claims Administrator shall make payments to the eligible Claimants based on the allocation under paragraph 12, subject to the Additional Rules set forth below.

VI. ADDITIONAL RULES

14. The Claims Administrator shall not make payments to eligible Claimants whose *pro rata* entitlement under this Allocation and Distribution Scheme is less than CAD$50.00. Such amounts shall instead be allocated *pro rata* to other eligible Claimants whose *pro rata* entitlement under this Allocation and Distribution Scheme is equal or greater than CAD$50.00.

15. To the extent a Claimant had an aggregate market gain from his, her or its transactions in Eligible Securities, the value of his, her or its total Recognized Claim will be zero. To the extent that a Claimant suffered an aggregate market loss on transactions in Eligible Securities, but the aggregate market loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the aggregate market loss. For purposes of determining whether a Claimant had a market gain with respect to his, her, or its aggregate transactions in CannTrust common stock during the Class Period or suffered a market loss, the Claims Administrator will determine the difference between (i) the Total Purchase Amount and (ii) the sum of the Total Sales Proceeds and Holding Value.[8] This difference will be deemed a Claimant's market gain or loss with respect to his, her, or its aggregate transactions in CannTrust common stock during the Class Period.

16. There shall be no Recognized Loss Amount on (a) short sales of Eligible Securities during the Class Period or (b) purchases/acquisitions during the Class Period that were used to cover short sales; however, the short sale transactions shall be part of the calculation of a Claimant's aggregate market gain or loss.

17. The receipt or grant by gift, devise or inheritance of Shares during the Class Period shall not be deemed to be a purchase or acquisition of Shares for the calculation of a Claimant's Recognized Loss Amount if the Person from which the Shares were acquired did not themselves acquire the Shares during the Class Period, nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such Shares unless specifically provided in the instrument or gift or assignment.

18. Shares transferred between accounts belonging to the same Claimant during the Class Period shall not be deemed to be Eligible Securities for the purpose of calculating a Recognized Loss Amount unless those Shares were initially purchased by the Claimant during the Class Period. The share price for such securities shall be calculated based on the share price initially paid for the Eligible Securities.

19. The Claims Administrator shall make payment to an eligible Claimant by either bank transfer or by cheque to the Claimant at the address provided by the Claimant or the last known postal address for the Claimant.

VII. REMAINING UNCLAIMED AMOUNTS

20. If, for any reason, a Claimant does not cash a cheque within six months after the date on which the cheque was sent to the Claimant, the Claimant shall forfeit the right to compensation and the funds shall be distributed in accordance with paragraphs 21-22.

21. If funds remain in the Class Compensation Fund by reason of uncashed distributions or otherwise, then after the Claims Administrator has made reasonable and diligent efforts to have eligible Claimants cash their distributions, and after the payment of any taxes and outstanding fees and expenses of the Claims Administrator, including any fees and expenses to conduct an additional distribution, any balance remaining in the Class Compensation Fund at least six (6) months after the initial distribution of such funds shall be redistributed, if it is economically feasible to do so, to eligible Claimants who have cashed their initial distributions and would receive at least $50.00 in such additional redistribution, in a manner consistent with this Allocation and Distribution Scheme.

22. Class Counsel shall, if feasible, continue to reallocate any further balance remaining in the Class Compensation Fund after the redistribution is completed among eligible Claimants in the same manner and time frame as provided for above. In the event that Class Counsel determine that further redistribution of any balance remaining (following the

[8] The "Total Purchase Amount" is the total amount the Claimant paid (excluding commissions, taxes, and fees) for CannTrust common stock purchased or acquired during the Class Period. The Claims Administrator will match any sales of CannTrust common stock during the Class Period first against the Claimant's opening position (the proceeds of those sales will not be considered for purposes of calculating market gains or losses). The total amount received (excluding commissions, taxes, and fees) for the remaining sales of CannTrust common stock sold during the Class Period will be the "Total Sales Proceeds". The Claims Administrator will ascribe a value of CAD$1.70 per share for CannTrust common stock purchased during the Class Period and still held as of the close of trading on September 17, 2019 (the "**Holding Value**"). The Holding Value is based on the closing price of CannTrust common stock on September 17, 2019, the last day of the Class Period.

initial distribution and redistribution) is no longer feasible, thereafter, Class Counsel shall donate the remaining funds, if any, to a non-sectarian charitable organization(s) certified under the United States Internal Revenue Code § 50l(c)(3) and/or a Canadian charity or other non-profit group to be designated by Class Counsel.

VIII. IRREGULAR CLAIMS

23. The claims process is intended to be expeditious, cost effective and "user friendly" and to minimize the burden on Claimants. The Claims Administrator shall, in the absence of reasonable grounds to the contrary, assume the Claimant to be acting honestly and in good faith.

24. Where a Claim Form contains minor omissions or errors, the Claims Administrator shall correct such omissions or errors if the information necessary to correct the error or omission is readily available to the Claims Administrator.

25. The claims process is also intended to prevent fraud, abuse, and the payment of ineligible Claim Forms. If, after reviewing any Claim Form, the Claims Administrator believes that the claim contains errors which cannot be readily corrected with information readily available to the Claims Administrator, then the Claims Administrator may disallow the claim in its entirety or pay it only in part so that an appropriate Recognized Claim is awarded to the Claimant. If the Claims Administrator believes that the claim is fraudulent or contains intentional errors which would materially exaggerate the Recognized Loss to be awarded to the Claimant, then the Claims Administrator shall disallow the claim in its entirety.

26. Where the Claims Administrator disallows a claim, the Claims Administrator shall send to the Claimant at the address provided by the Claimant or the Claimant's last known email or postal address, a notice advising the Claimant that the claim will be disallowed unless it is corrected and that he, she, or it may request the Claims Administrator to reconsider its decision. For greater certainty, a Claimant is not entitled to a notice or a review where a claim is allowed but the Claimant disputes the determination of the Recognized Claim or his or her individual compensation.

27. Any request for reconsideration must be received by the Claims Administrator within 21 days of the date of the notice advising of the disallowance. If no request for reconsideration is received within this time period, the Claimant shall be deemed to have accepted the Claims Administrator's determination and the determination shall be final and not subject to further review by any court or other tribunal.

28. Where a Claimant submits a request for reconsideration with the Claims Administrator, the Claims Administrator shall advise Class Counsel of the request and conduct an administrative review of the Claimant's request.

29. Following its determination in an administrative review, the Claims Administrator shall advise the Claimant of its determination. In the event the Claims Administrator reverses a disallowance, the Claims Administrator shall send the Claimant at the Claimant's last known postal address, a notice specifying the revision to the Claims Administrator's disallowance.

30. The determination of the Claims Administrator in an administrative review is final and is not subject to further review by any court or other tribunal.

31. Data from each Claim Form shall be retained such that a Claimant will not be required to file further claim forms in any future distributions, except where the Claims Administrator, in consultation with Class Counsel, determines that further claim forms or information are necessary or desirable for efficient claims administration.

32. The failure to file a valid Claim Form shall not prejudice any Person's ability to file a claim form in any future distribution.

33. The Claims Administrator's fees and costs shall be paid from the Class Compensation Fund subject to the approval of Class Counsel, without Court approval.

34. Any matter not referred to above shall be determined by analogy by the Claims Administrator in consultation with Class Counsel.

TAB D

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In Re: CANNTRUST HOLDINGS INC. SECURITIES LITIGATION	No. 1:19-cv-06396-JPO Judge J. Paul Oetken

U.S. FINAL JUDGMENT AS TO SETTLING DEFENDANTS

WHEREAS:

A. On March 31, 2020, defendant CannTrust Holdings Inc. ("**CannTrust**"), and certain other related entities, commenced insolvency proceedings under the Companies' Creditors Arrangement Act (Canada) (the "**CCAA**") in the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**").

B. On April 16, 2021, defendant CannTrust, and certain other related entities, filed a plan of compromise, arrangement and reorganization pursuant to the CCAA in order to, among other things, provide a global resolution of multiple putative securities class actions and other litigation that were commenced against defendant CannTrust, the other defendants named in the above-captioned litigation (the "**U.S. Class Action**") and others, in several provinces in Canada and at the federal and state level in the United States (the "**Actions**") and address other claims and contingent claims against the CannTrust entities.

C. On January 19, 2021, defendant CannTrust, and others,[1] reached a Restructuring Support Agreement, as amended and restated from time to time (the "**RSA**") with the representative plaintiffs in a class action pending in Ontario (the "**Ontario Class Action**") and Lead Plaintiffs Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund ("**Lead Plaintiffs,**" "**U.S. Class Action Lead Plaintiffs**," or "**Granite Point**") in the U.S. Class Action, through their counsel, regarding a framework for the settlement of all securities claims against defendant CannTrust, and others, and various related claims.

D. After entering into the RSA, additional settlements were reached with the following defendants in the U.S. Class Action, and related non-parties: (i) defendant Eric Paul and the Paul Family Trust (the "**Paul Settling Parties Settlement**"); (ii) defendant Canaccord Genuity LLC, Canaccord Genuity Corp., defendant Citigroup Global Markets Inc., Citigroup Global Markets Canada Inc., Credit Suisse Securities (Canada) Inc., defendant Credit Suisse Securities (USA) LLC, Jefferies Securities, Inc, defendant Jefferies LLC, Merrill Lynch Canada Inc., defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated, and defendant RBC Dominion Securities Inc. (the "**Underwriters Settlement**"); (iii) defendant Mark Ian Litwin, Fred Litwin, Stan Abramowitz, defendant Cannamed Financial Corp., Forum Financial Corporation, Mar-Risa Holdings Inc., York Capital Funding Inc., and Sutton Management Limited (the "**Litwin Group Settlement**"); (iv) defendant Ian Abramowitz ("**Abramowitz Settlement**"); (v) defendant Peter

[1] Specifically, CannTrust Inc., CTI Holdings (Osoyoos) Inc., Elmcliffe Investments Inc., defendant Mark Dawber, defendant Greg Guyatt, defendant John Kaden, defendant Robert Marcovitch, defendant Shawna Page, Illana Platt, defendant Mitchell Sanders and defendant Cajun Capital Corporation.

Aceto ("**Aceto Settlement**"); and (v) Kenneth Brady Green ("**Green Settlement**").[2] Lead Plaintiffs also entered into a settlement with opt-out plaintiff Zola Finance Holdings Ltd. and Igor Gimelshtein (the "**Zola Plaintiffs Settlement**"), who had commenced a separate action against CannTrust in Canada and elected not to be represented by the class representatives. The RSA, Paul Settling Parties Settlement, Underwriters Settlement, Litwin Group Settlement, Abramowitz Settlement, Aceto Settlement, Green Settlement and Zola Plaintiffs Settlement shall be referred to as the "**Settlements**."

E. The Settlements, to the extent they relate to the U.S. Class Action, also are subject to review under Rule 23 of the Federal Rules of Civil Procedure and they, collectively, set forth the terms and conditions of the proposed partial settlement of the U.S. Class Action and certain of the claims alleged in the Consolidated Class Action Complaint (the "**Complaint**"), filed on June 26, 2020.

F. On July 16, 2021, the Canadian Court entered a sanction order pursuant to which it approved and sanctioned the fourth amended and restated plan of compromise, arrangement and reorganization of CannTrust Holdings Inc., CannTrust Inc. and Elmcliffe Investments Inc. (as may be further amended from time to time in accordance with its terms, the "**CCAA Plan**") pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended (the "**CCAA Sanction Order**").

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[2] Defendants CannTrust; Cannamed Financial Corp.; Cajun Capital Corporation; Mark Dawber; Greg Guyatt; John Kaden; Robert Marcovitch; Shawna Page; Mitchell Sanders; Eric Paul; Mark Ian Litwin; Ian Abramowitz; Peter Aceto; Canaccord Genuity LLC; Citigroup Global Markets Inc.; Credit Suisse Securities (USA) LLC; Jefferies LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and RBC Dominion Securities Inc. are collectively the "**Settling Defendants**," for purposes of this Judgment and the U.S. Class Action. U.S. Class Action Lead Plaintiffs and the Settling Defendants are collectively the "**Settling Parties,**" for purposes of this Judgment and the U.S. Class Action.

G. The CCAA Plan that is the subject of the CCAA Sanction Order embodies, among other things, the partial settlement of the U.S. Class Action and the Actions.

H. The Court has reviewed and considered the agreements embodying the terms of the Settlements (including the CCAA Sanction Order and the CCAA Plan) (collectively, the "**Settlement Agreements**").

I. All capitalized terms used in this Judgment that are not otherwise defined herein have the meanings defined in the Sanction Order or, if not therein defined, as defined in the CCAA Plan.

J. Pursuant to the Order Granting Preliminary Approval of Class Action Settlements, Approving Form and Manner of Notice, and Setting Date for Hearing on Final Approval of Settlements, entered September 2, 2021 (the "**Preliminary Approval Order**"), the Court scheduled a hearing for December 2, 2021, at 12:30 p.m. New York time (the "**Settlement Hearing**") to, among other things: (i) determine whether the proposed Settlements, to the extent they relate to the U.S. Class Action, on the terms and conditions provided for in the Settlement Agreements are fair, reasonable, and adequate, and should be approved by the Court; and (ii) determine whether a judgment, in relation to the U.S. Class Action, as provided for in the Settlement Agreements should be entered.

K. The Court ordered that the Notice of Pendency of U.S. Class Action and Proposed Settlements (the "**Notice**") and a Proof of Claim and Release form ("**Claim Form**"), substantially in the forms attached to the Preliminary Approval Order as Exhibits 1 and 2, respectively, be mailed by first-class mail, postage prepaid, on or before ten (10) business days after the date of entry of the Preliminary Approval Order ("**Notice Date**") to all potential members of the U.S. Settlement Class who could be identified through reasonable effort, and that the Summary Notice of Pendency of U.S. Class Action and Proposed Settlements (the "**Summary Notice**"), substantially in the form attached to the Preliminary Approval Order as Exhibit 3, be published in *The Wall Street Journal* and transmitted over *PR Newswire* within fourteen (14) calendar days of the Notice Date.

L. The Notice and the Summary Notice advised potential members of the U.S. Settlement Class of the date, time, place, and purpose of the Settlement Hearing. The Notice further advised that any objections to the Settlements, in relation to the U.S. Class Action, were required to be filed with the Court and served on counsel for the Settling Parties such that they were received by November 11, 2021.

M. The provisions of the Preliminary Approval Order as to notice were complied with.

N. On October 28, 2021, U.S. Class Action Lead Plaintiffs moved for final approval of the Settlements, to the extent they relate to the U.S. Class Action, as set forth in the Preliminary Approval Order. The Settlement Hearing was duly held before this Court on December 2, 2021, at which time all interested Persons were afforded the opportunity to be heard.

O. This Court has duly considered U.S. Class Action Lead Plaintiffs' motion for final approval of the Settlements in relation to the U.S Class Action, the affidavits, declarations, memoranda of law submitted in support thereof, the Settlement Agreements, and all of the submissions and arguments presented with respect to the proposed Settlements in relation to the U.S Class Action.

NOW, THEREFORE, after due deliberation, IT IS ORDERED, ADJUDGED AND DECREED that:

1. This Court has jurisdiction over the subject matter of this action and all matters relating to the Settlements in relation to the U.S. Class Action, as they pertain to the parties to this

action and the members of the U.S. Settlement Class (defined below), as well as personal jurisdiction over all parties to this action, including all members of the U.S. Settlement Class.

Certification of the U.S. Settlement Class

2. The Court hereby affirms its determinations in the Preliminary Approval Order and finally certifies, solely for purposes of the Settlements in relation to the U.S. Class Action, pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure, the U.S. Settlement Class of: (i) all persons and entities who or which purchased the publicly traded common stock of CannTrust on the New York Stock Exchange or on any U.S. based trading platform during the period from June 1, 2018 through March 31, 2020, inclusive, (the "**Claim Period**"); and/or (ii) all persons and entities who or which purchased or otherwise acquired CannTrust common stock pursuant or traceable to the Offering Materials (as defined in the Complaint) issued in connection with the secondary public offering, completed on or about May 6, 2019, (collectively, the "**U.S. Settlement Class**" or "**U.S. Securities Claimants**"). Excluded from the U.S. Settlement Class are: (i) CannTrust, Cannamed Financial Corp, Cajun Capital Corporation, KMPG LLP, Merrill Lynch, Pierce, Fenner & Smith Inc., Merrill Lynch Canada Inc., Citigroup Global Markets Inc., Citigroup Global Markets Canada Inc., Credit Suisse Securities (USA) LLC, Credit Suisse Securities (Canada) Inc., RBC Dominion Securities Inc., Jefferies LLC, Jefferies Securities Inc., Canaccord Genuity LLC, Canaccord Genuity Corp., Paul Family Trust, Mar-Risa Holdings Inc., York Capital Funding Inc., Sutton Management Limited (the "**Corporate Defendants**"); (ii) Eric Paul, Peter Aceto, Greg Guyatt, Ian Abramowitz, Mark Dawber, John Kaden, Mark Ian Litwin, Fred Litwin, Robert Marcovitch, Mitchell J. Sanders, Stan Abramowitz, Brad Rogers, Michael Ravensdale, Shawna Page, Ilana Platt, Graham Lee, Kenneth Brady Green, Andrew Kirk, Norman Paul ("**Individual Defendants**"), any member of an Individual Defendant's immediate family, and any

company under the control of an Individual Defendant; and (iii) the past and present subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns of any such excluded person, *provided, however*, for the avoidance of doubt, that any "Investment Vehicle" shall not be excluded from the U.S. Settlement Class. Investment Vehicle means any investment company or pooled investment fund, including but not limited to, mutual fund families, exchange traded funds, fund of funds, and hedge funds, in which Defendants, or any of them, have, has, or may have a direct or indirect interest, or as to which their affiliates may act as an investment advisor, but in which any Defendant alone or together with its, his or her respective affiliates is not a majority owner or does not hold a majority beneficial interest. Also excluded from the U.S. Settlement Class are those Persons who or which have timely and validly sought exclusion from the U.S. Settlement Class and are listed on the annexed Exhibit A as having submitted an exclusion request allowed by the Court.

3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure and solely for purposes of the Settlements in relation to the U.S. Class Action, the Court hereby re-affirms its determinations in the Preliminary Approval Order and finally certifies Lead Plaintiffs Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund as Class Representatives for the U.S. Settlement Class. The law firm of Labaton Sucharow LLP is finally appointed Class Counsel for the U.S. Settlement Class.

Notice to the U.S. Settlement Class and Reaction of the U.S. Settlement Class

4. The Court finds, in relation to the U.S. Class Action, that the mailing and publication of the Notice, Summary Notice, and Claim Form: (i) complied with the Preliminary Approval Order; (ii) constituted the best notice practicable under the circumstances; (iii) constituted notice that was reasonably calculated to apprise U.S. Settlement Class Members of the

effect of the Settlements, of the proposed settlement Allocation and Distribution Scheme ("**A&DS**"), of U.S. Settlement Class Members' right to object or seek exclusion from the U.S. Settlement Class, and of their right to appear at the Settlement Hearing; (iv) constituted due, adequate, and sufficient notice to all Persons entitled to receive notice of the proposed Settlements in relation to the U.S. Class Action; and (v) satisfied the notice requirements of Rule 23 of the Federal Rules of Civil Procedure, the United States Constitution (including the Due Process Clause), Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), and Section 27 of the Securities Act of 1933, 15 U.S.C. §77z-1(a)(7), both as amended by the Private Securities Litigation Reform Act of 1995 (the "**PSLRA**").

5. The Settling Defendants have provided notification to all appropriate federal and state officials regarding the Settlements as required by the Class Action Fairness Act of 2005, 28 U.S.C. §1715.

6. There have been two objections. On November 12, 2021, the Court received the objection of Myron V. Guidry. ECF No. 160. Mr. Guidry's objection to the proposed Allocation and Distribution Scheme (the "A&DS") is addressed in the Court's accompanying Order Approving Allocation and Distribution Scheme in Connection with U.S. Class Action. Mr. Guidry further asserts that he "believe[s] there should also be another class specifically for African Americans" and that "it is a form of systemic discrimination if the allegations against CannTrust are true based on the fact that African Americans already lack social equity in the marijuana industry due to discriminatory practices, according to many credible sources." Leaving aside the merits of his contention, the U.S. Settlement Class is a proposed class of investors in CannTrust common stock, and Mr. Guidry has identified no basis why the proposed U.S. Settlement Class should not be certified. His objection therefore is overruled. The objection of Benjamin Taylor is also overruled as stated on the record.

Approval of the Proposed Settlements

7. Pursuant to Rule 23(e)(2) of the Federal Rules of Civil Procedure, this Court hereby approves the Settlements, in relation to the U.S. Class Action, and finds that in light of the benefits to the U.S. Settlement Class, the complexity and expense of further litigation, the risks of establishing liability and damages, the financial condition of CannTrust, the difficulties and risks involved in collecting on any judgments after trial, the entry of the CCAA Sanction Order, and the costs of continued litigation, said Settlements are, in relation to the U.S. Class Action, fair, reasonable, and adequate, having considered and found that: (a) U.S. Class Action Lead Plaintiffs and U.S. Class Action Counsel have adequately represented the U.S. Settlement Class; (b) the Settlements, in relation to the U.S. Class Action, were negotiated at arm's-length between experienced counsel; (c) the relief provided for the U.S. Settlement Class is adequate, having taken into account (i) the costs, risks, and delay of trial and appeal; (ii) the effectiveness of any proposed method of distributing relief to the U.S. Settlement Class, including the method of processing U.S. Settlement Class Member claims; (iii) the terms of any proposed award of attorneys' fees, including timing of payment; and (iv) any agreement required to be identified under Rule 23(e)(3); and (d) the proposed A&DS treats U.S. Settlement Class Members equitably relative to each other. Accordingly, the Court hereby, in relation to the U.S. Class Action and consistent with the CCAA Sanction Order:

(a) approves the RSA, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class;

(b) approves the Paul Settling Parties Settlement, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class;

(c) approves the Underwriters Settlement, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class;

(d) approves the Litwin Group Settlement, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class;

(e) approves the Abramowitz Settlement, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class;

(f) approves the Aceto Settlement, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class; and

(g) approves the Green Settlement, in relation to the U.S. Class Action, which shall be consummated in accordance with its terms and provisions, as to the U.S. Settlement Class.

8. The Consolidated Class Action Complaint (the "**Complaint**"), filed on June 26, 2020, is hereby partially dismissed, with prejudice, subject to the CCAA Plan being implemented on the Plan Implementation Date and without costs to any Party, except as otherwise provided in the Settlement Agreements, as to the Settling Defendants: (i) CannTrust, Cannamed Financial Corp, Cajun Capital Corporation, Merrill Lynch, Pierce, Fenner & Smith Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, RBC Dominion Securities Inc., Jefferies LLC, Canaccord Genuity LLC and (ii) Eric Paul, Peter Aceto, Greg Guyatt, Ian Abramowitz, Mark Dawber, John Kaden, Mark Ian Litwin, Robert Marcovitch, Mitchell J. Sanders, Brad Rogers, and Shawna Page.

9. The Court finds, in relation to the U.S. Class Action, that during the course of this action, the Settling Parties and their respective counsel at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

Releases Pursuant to the Settlements in Relation to the U.S. Class Action

10. Upon the Effective Time of the CCAA Plan, U.S. Class Action Lead Plaintiffs and each and every other U.S. Settlement Class Member, on behalf of themselves and each of their respective Representatives, in their capacities as such, shall have and shall be deemed to have fully, finally, and forever compromised, settled, released, resolved, relinquished, waived, discharged, and dismissed with prejudice each and every one of the Released Securities-Related Claims against each and every one of the Released Parties, whether directly, indirectly, derivatively or otherwise, and shall forever be barred, estopped, stayed and enjoined, from commencing, instituting, prosecuting, or maintaining any and all of the Released Securities-Related Claims against any and all of the Released Parties, and all proceedings with respect to, in connection with or relating to such Released Securities-Related Claims are hereby permanently stayed, excepting only any proceeding to enforce the obligations of the Released Parties under the Definitive Documents, including their obligations to make distributions and payments in respect of such Released Securities-Related Claims in the manner and to the extent provided for in the CCAA Plan, the RSA, and this Judgment.

11. As of the Effective Time of the CCAA Plan, the U.S. Class Action Lead Plaintiffs and each and every other U.S. Settlement Class Member, on behalf of themselves and each of their respective Representatives, in their capacities as such, shall be and shall be deemed to be permanently and forever barred, estopped, stayed and enjoined from: (i) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other

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

12. As of the Effective Time of the CCAA Plan, the U.S. Class Action Lead Plaintiffs and each and every other U.S. Settlement Class Member, on behalf of themselves and each of their respective Representatives, in their capacities as such, shall be deemed to have, and by operation of this Judgment shall have expressly waived, the provisions, rights, and benefits of California Civil Code §1542, which provides:

> A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her

settlement with the debtor or released party.

The U.S. Class Action Lead Plaintiffs and each and every other U.S. Settlement Class Member, on behalf of themselves and each of their respective Representatives, in their capacities as such, shall be deemed to have, and by operation of this Judgment shall have expressly waived, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code §1542. The U.S. Class Action Lead Plaintiffs and each and every other U.S. Settlement Class Member, on behalf of themselves and each of their respective Representatives, in their capacities as such, acknowledge that they may hereafter discover facts in addition to or different from those which he, she, it or their counsel now knows or believes to be true with respect to the subject matter of the Released Securities-Related Claims but expressly fully, finally, and forever waive, compromise, settle, discharge, extinguish and release, any and all Released Securities-Related Claims against the Released Parties, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed.

13. As of the Effective Time of the CCAA Plan, the Court permanently bars, enjoins and restrains any person or entity from commencing, prosecuting, or asserting any Securities-Related Indemnity Claim, provided, however, that nothing in this Judgment shall be construed or asserted to bar, enjoin or restrain the Settling Defendants from obtaining or enforcing any rights they may have pursuant to the Settlement Agreements.

14. As of the Effective Time of the CCAA Plan, the recovery of U.S. Securities Claimants from a Non-Settlement Party with which any Settlement Party is judicially determined

to be jointly and severally liable shall be limited to only that proportion of damages attributable to the liability of the Non-Settlement Party, as finally determined in the action.

15. As of the Effective Time of the CCAA Plan, all claims for contribution, indemnity or other claims over that relate to the Released Securities-Related Claims which were or could have been brought by a Settlement Party in the U.S. Class Action against a co-defendant that is a Non-Settlement Party, are permanently and forever barred, estopped, stayed and enjoined, provided, however, that nothing in this Judgment shall be construed or asserted to bar, estop, stay, enjoin or restrain the Settling Defendants from obtaining or enforcing any rights they may have pursuant to the Settlement Agreements.

16. As of the Effective Time of the CCAA Plan, and consistent with the CCAA Sanction Order, all Channelled Claims and Non-Released CannTrust Claims of the U.S. Class Action Lead Plaintiffs and U.S. Settlement Class Members, including their respective Representatives in their capacities as such, will be handled solely in accordance with the CCAA Sanction Order.

17. Upon the Effective Time of the CCAA Plan, the Settling Defendants, on behalf of themselves and each of their respective Representatives, in their capacities as such, shall be deemed to have fully, finally, and forever compromised, settled, released, resolved, relinquished, waived, discharged, and dismissed with prejudice all claims and causes of action of any nature and description, including both known claims and unknown claims, whether arising under federal, state, common, or foreign law, that the Settling Defendant could have asserted against any of the U.S. Class Action Lead Plaintiffs, members of the U.S. Settlement Class, and their respective Representatives, in their capacities as such (collectively, "**Released Plaintiff Parties**"), that arise out of or relate in any way to the institution, prosecution, or settlement of the claims in the U.S.

Class Action and shall forever be barred and enjoined, to the fullest extent permitted by law, from commencing, instituting, prosecuting, or maintaining any and all such claims against any and all of the Released Plaintiff Parties, except for claims relating to the enforcement of the Definitive Documents. Notwithstanding the foregoing, nothing in this order shall be construed as limiting, modifying or otherwise affecting any insurance coverage or policies that may be available to any of the Released Parties.

Additional Provisions of the U.S. Judgment

18. Notwithstanding paragraphs 10-16 above, nothing in this U.S. Judgment shall bar any action by any of the Settling Parties to enforce or effectuate the terms of the Definitive Documents.

19. Each U.S. Settlement Class Member, whether or not such U.S. Settlement Class Member executes and delivers a Claim Form, is bound by this U.S. Judgment, including, without limitation, the release of claims as set forth in the Settlement Agreements.

20. This U.S. Judgment and the Settlement Agreements, whether or not consummated, and any discussion, negotiation, proceeding, or agreement relating to the Settlement Agreements, the Settlements, and any matter arising in connection with settlement discussions or negotiations, proceedings, or agreements, shall not be offered or received against or to the prejudice of the parties or their respective counsel, to the extent in each case they relate to the U.S. Class Action, for any purpose other than in an action to enforce the terms hereof or the Definitive Documents, and in particular:

(a) do not constitute, and shall not be offered or received against or to the prejudice of any of the Released Parties as evidence of, or construed as, or deemed to be evidence of any presumption, concession, or admission by any of the Released Parties with respect to the truth of any allegation by U.S. Class Action Lead Plaintiffs and the U.S. Settlement Class, or the validity of any claim that has been or could have been asserted in the U.S. Class Action or in any litigation, including but not limited to the Released Securities-Related Claims, or of any liability, damages, negligence, fault, or other wrongdoing of any kind by any of the Released Parties or any person or entity whatsoever;

(b) do not constitute, and shall not be offered or received against or to the prejudice of any of the Released Parties as evidence of a presumption, concession, or admission of any fault, misrepresentation, or omission with respect to any statement or written document approved or made by defendants in this action, or against or to the prejudice of U.S. Class Action Lead Plaintiffs, or any other member of the U.S. Settlement Class as evidence of any infirmity in the claims of U.S. Class Action Lead Plaintiffs, or the other members of the U.S. Settlement Class;

(c) do not constitute, and shall not be offered or received against or to the prejudice of any of the Released Parties, U.S. Class Action Lead Plaintiffs, any other member of the U.S. Settlement Class, or their respective counsel, as evidence of a presumption, concession, or admission with respect to any liability, damages, negligence, fault, infirmity, or other wrongdoing of any kind, or in any way referred to for any other reason against or to the prejudice of any of the Released Parties, U.S. Class Action Lead Plaintiffs, other members of the U.S. Settlement Class, or their respective counsel, in any other civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Settlement Agreements;

(d) do not constitute, and shall not be construed against any of the Released Parties, U.S. Class Action Lead Plaintiffs, or any other member of the U.S. Settlement Class, as an admission or concession that the consideration to be given hereunder represents the amount that could be or would have been recovered after trial; and

(e) do not constitute, and shall not be construed as or received in evidence as an admission, concession, or presumption against U.S. Class Action Lead Plaintiffs, or any other member of the U.S. Settlement Class that any of their claims are without merit or infirm or that damages recoverable under the Complaint would not have exceeded the Cash Contributions.

21. In the event that any Settlement does not become effective in accordance with its terms, then this U.S. Judgment, as to the Settling Parties to that Settlement, shall be rendered null and void and shall be vacated as to those parties and, in such event, all orders entered and releases delivered in connection herewith shall be null and void, and those affected Settling Parties shall be restored to their positions in the U.S. Class Action as of January 19, 2021 (subject to the effect (if any) of the CCAA Plan and any orders issued by the Canadian Court, as applicable).

22. Without further order of this Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of the Settlement Agreements.

23. A separate order shall be entered regarding the proposed A&DS for the Class Compensation Fund. Such order shall in no way disturb or affect this U.S. Judgment and shall be considered separate from this U.S. Judgment. Such order shall in no way affect or delay the finality of this U.S. Judgment and shall not affect or delay the Settlements becoming effective, pursuant to their terms.

24. This U.S. Judgment is without prejudice to, and does not limit, the applicability of the CCAA Plan and the CCAA Sanction Order, including the rights of U.S. Class Action Lead Plaintiffs and the U.S. Settlement Class with respect to the Assigned Claims, Cross-Border Action, or Ontario Class Action.

25. Without affecting the finality of this U.S. Judgment in any way, this Court hereby retains continuing jurisdiction over: (i) implementation of the Settlements solely in relation to the U.S. Class Action and putative members of the U.S. Settlement Class; (ii) all parties to this action for the purpose of construing, enforcing and administering the Settlements solely in relation to the U.S. Class Action and this U.S. Judgment; and (v) other matters related or ancillary to the foregoing solely in relation to the U.S. Class Action. There is no just reason for delay in the entry of this U.S. Judgment and immediate entry by the Clerk of Court is directed.

DATED this 2nd day of December, 2021

BY THE COURT:

J. PAUL OETKEN
United States District Judge

EXHIBIT A

1. Eric Blythe - Titusville, Florida

2. Jerry Fetter – Plano Texas

TAB E

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In Re: CANNTRUST HOLDINGS INC. SECURITIES LITIGATION	No. 1:19-cv-06396-JPO Judge J. Paul Oetken

ORDER APPROVING ALLOCATION AND DISTRIBUTION SCHEME
<u>IN CONNECTION WITH U.S. CLASS ACTION</u>

THIS MATTER having come before the Court for a hearing on December 2, 2021, on the motion of Lead Plaintiffs Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (collectively, "**Lead Plaintiffs**") for final approval of proposed class action settlements as they relate to the above-captioned litigation (the "**U.S. Class Action**") and approval of the proposed Allocation and Distribution Scheme ("**A&DS**") for the proceeds of the settlements; the Court having considered all papers filed and proceedings had herein and otherwise being fully informed;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. This Order incorporates by reference the definitions in the Court's Order Granting Preliminary Approval of Class Action Settlements, Approving Form and Manner of Notice, and Setting Date for Hearing on Final Approval of Settlements, entered September 2, 2021 (the "**Preliminary Approval Order**"), ECF No. 153.

2. Pursuant to and in compliance with Rule 23 of the Federal Rules of Civil Procedure, this Court hereby finds and concludes that due and adequate notice was directed to members of the U.S. Settlement Class who could be identified with reasonable effort, advising them of the A&DS and of their right to object thereto, and a full and fair opportunity was accorded to members of the U.S. Settlement Class to be heard with respect to the A&DS.

3. There has been one objection to the A&DS. On November 12, 2021, the Court received the objection of Myron V. Guidry. ECF No. 160. Mr. Guidry objects to the A&DS provision that "purchases made after 9/17/19 are not eligible for recovery because investors were allegedly disclosed the full truth about CannTrust. I believe the full truth was not disclosed to investors and still has not been regarding the allegations against CannTrust." *Id.* The Court has considered the objection, the allegations in Lead Plaintiffs' Consolidated Class Action

Complaint, the provisions of the A&DS, that the A&DS was crafted by Lead Counsel and Ontario Class Action Counsel in consultation with Lead Plaintiffs' consulting damages expert, and that the A&DS was approved by the Canadian Court in the CCAA Sanction Order on July 16, 2021. The A&DS, as it relates to the Settlements in this U.S. Class Action, provides a fair and reasonable method to allocate the Class Compensation Fund. Accordingly, Mr. Guidry's objection to the A&DS is overruled. Mr. Guidry's objection concerning an African American subclass is addressed in the Court's accompanying U.S. Final Judgment as to Settling Defendants.

4. The Court hereby finds and concludes that the A&DS, in connection with the Settlements in this U.S. Class Action, provides a fair and reasonable basis upon which to allocate the Class Compensation Fund. The Court hereby finds and concludes that the A&DS is, in all respects, fair, reasonable, and adequate and the Court hereby approves the A&DS.

DATED this 2nd day of December, 2021

BY THE COURT:

J. PAUL OETKEN
United States District Judge

TAB F

RETENTION AGREEMENT FOR SECURITIES CLASS ACTION LITIGATION

This Retention Agreement ("Agreement") sets forth the terms and conditions pursuant to which Labaton Sucharow LLP ("Labaton Sucharow") is retained by Granite Point Capital ("Client") solely to prosecute a securities class action to recover losses sustained by Client (and other class members) as a result of investments in CannTrust Holdings Inc. ("Defendant"). Such claims may arise under the federal securities laws, other applicable statutes, and common law doctrines and may be asserted against Defendant and other responsible persons and entities (the "Claims").

I. SCOPE OF SERVICES/CASE HANDLING

A. Labaton Sucharow shall conduct such investigation of the Claims as it deems necessary and appropriate, including legal and factual research, retention of experts, preparation of all necessary pleadings, briefs, affirmations, and other documents, and seeking class certification with Client as lead or co-lead plaintiff or class representative and Labaton Sucharow as lead or co-lead counsel, or as liaison or additional counsel to a named plaintiff, class representative, or the class.

B. If Client is not appointed lead or co-lead plaintiff or as a class representative, this Agreement shall automatically terminate and neither party shall have any further obligation hereunder, unless the parties have entered into a further agreement pursuant to which Client retains Labaton Sucharow to prosecute a direct (opt-out) action on its behalf or otherwise represent Client's interests. Notwithstanding, Labaton Sucharow may provide (or continue to provide) services in the class action in such capacity as it deems appropriate and apply for a fee therefor.

C. If Client is appointed lead or co-lead plaintiff or class representative to prosecute the Claims (the "Litigation"): (1) Client will, as necessary, cooperate with Labaton Sucharow in the Litigation, review documents, provide access to documents and personnel, execute affidavits or declarations, and make personnel available to testify at deposition or trial (and the preparation therefor) and (2) Labaton Sucharow will vigorously prosecute the Litigation and consult with Client concerning all major substantive matters related to the Litigation and apply to the Court for a fee for such services.

D. Client shall give reasonable consideration to any settlement offer recommended by Labaton Sucharow.

II. CONTINGENT FEE/EXPENSE AGREEMENT

A. Labaton Sucharow shall advance all expenses in the Litigation including, but not limited to, any expenses incurred by Client related to depositions or any other legal proceedings Client is advised to attend. Client is not liable to pay any of the fees or expenses of the Litigation, whether attorneys' fees or costs. Recovery of costs and other expenses is contingent upon a recovery being obtained.

B. The sole contingency upon which Labaton Sucharow shall be compensated is a recovery in the Litigation, whether by settlement or judgment. Compensation for fees and expenses shall be in such amount as may be awarded by the Court.

C. Labaton Sucharow may associate with other law firms as co-counsel or in other litigation capacities in connection with prosecuting the Litigation. If Labaton Sucharow associates with other law firms in such a manner, any fees paid to such other firms will be paid from the contingency fee or expenses awarded to Labaton Sucharow by the court.

III. GENERAL TERMS

A. Client recognizes and agrees that Labaton Sucharow may represent other investors with Claims against Defendant. Labaton Sucharow will advise Client in writing of any such representation.

B. In the event of a fee dispute, Client may have the right to seek arbitration in accordance with the New York Fee Dispute Resolution Program. Upon Client's request, Labaton Sucharow will provide Client with the necessary information regarding arbitration.

C. Labaton Sucharow's policy is to destroy all paper and electronic files (other than original, irreplaceable documents) seven (7) years after the conclusion of the representation.

D. This Agreement shall be governed and controlled by New York law.

Labaton Sucharow LLP

By:________________
Name: Michael P. Canty
Title: Partner, General Counsel

Date: 8/26/19

Granite Point Capital

By:________________
Name: C. DAVID BUSHLEY
Title: CHIEF OPERATING OFFICER

Date: 9/4/2019

TAB G

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.

DECLARATION OF C. DAVID BUSHLEY
(Affirmed December 6, 2021)

I, **C. DAVID BUSHLEY**, of the city of GLASTONBURY, CONNECTICUT, U.S., **CERTIFY**:

1. I serve as a Principal and the Chief Compliance Officer of Granite Point Capital Management, L.P., the Investment Advisor to Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund (collectively, "**Granite Point Funds**" or "**Granite Point**"). The Granite Point Funds are the court-appointed CCAA U.S. Representatives in this proceeding, and the court-appointed U.S. Class Action Lead Plaintiffs in the U.S. Class Action. Granite Point is a Registered Investment Advisor that manages approximately $400 million USD.

2. I have knowledge of the matters herein deposed. Where I make statements in this declaration that are not within my personal knowledge, I have been informed by my lawyers at Labaton Sucharow LLP and I believe such information to be true.

A. Ownership of CannTrust Shares

3. Since 2018, Granite Point purchased shares of CannTrust Holdings Inc. ("**CannTrust**") on the TSX and the NYSE and suffered substantial losses on the investments in CannTrust shares.

B. Appointment of Granite Point and Retention of Labaton Sucharow

4. Following CannTrust's disclosures in July 2019, Granite Point sought to be appointed lead plaintiffs in the U.S. Class Action pursuant to the Private Securities Litigation Reform Act of 1995. By Order dated April 16, 2020, the U.S. Court consolidated the U.S. Class Action, appointed Granite Point Master Fund, LP and Granite Point Capital Scorpion Focused Ideas Fund as lead plaintiffs, and appointed Granite Point's counsel Labaton Sucharow LLP ("**Labaton Sucharow**" or "**the Firm**") as lead counsel for the proposed class.

5. Granite Point retained Labaton Sucharow to be its counsel in these proceedings with the understanding that the Firm's fees and expenses would be compensated on a contingent basis out of any recoveries or settlements and that Labaton Sucharow may associate with other law firms to conduct the litigation. The burden of the attorneys' fees and expenses would be borne by the Firm. I, on behalf of Granite Point, understood that if the case were successful, attorneys' fees could be up to 25% of money recovered, plus expenses. I, on behalf of Granite Point, believed the arrangement was fair for both the proposed class members and counsel.

6. In March 2020, CannTrust entered into these insolvency proceedings. I understood that the U.S. Class Action was stayed and that counsel would appear in these proceedings and participate in the court-ordered mediation process for the benefit of Granite Point and other proposed class members.

7. Granite Point's understanding and expectation was that the terms of Labaton Sucharow's retention would continue to govern their representation of Granite Point and other proposed class members in these insolvency proceedings. I also expected the retention to continue to govern the relationship between Granite Point and Labaton Sucharow in our capacities as CCAA U.S. Representatives and CCAA U.S. Representative Counsel, following our appointment as such in January 2021.

C. Involvement in the Litigation and Settlement Negotiations

8. During the course of the proceedings, on behalf of Granite Point, I have monitored the progress of the U.S. Class Action, as well as the proceedings before this court, and have regularly conferred with our counsel concerning the prosecution of the claims and developments in the actions. In that regard, I have reviewed the significant pleadings and memoranda filed with both the U.S. Court and this court, communicated with counsel regarding developments and strategy, monitored and consulted with counsel during lengthy settlement discussions over the course of more than six months that ultimately reached, with our Canadian counterparts, a framework for the resolution of all Securities Claims against CannTrust and related claims against certain co-defendants.

9. I authorized and instructed counsel to enter into each of RSAs, Additional RSAs, and related agreements which make up the settlements reached for Securities Claimants.

D. The Settlements Achieved

10. I believe that the settlements reached are an excellent result and fair deal for Securities Claimants. These settlements provide compensation for persons that purchased CannTrust shares at an early stage of the litigation, rather than following what I believe would be a long litigation process with uncertain recovery prospects.

E. CCAA Representative Counsel's Fee Request

11. CCAA Representative Counsel took on this large and complex case and pursued it for two years. They also took on the added risk of funding all work and expenses.

12. By taking this matter on contingency, counsels' efforts have allowed thousands of Securities Claimants to receive compensation for a significant portion of the damages they sustained. I believe that many of those investors would not have pursued such compensation otherwise.

13. I believe counsel have pursued the claims and navigated the mediation process and CCAA proceedings with great skill and diligence.

14. My counsel have explained that CCAA Canadian Representative Counsel are seeking court approval of a contingency fee calculated on 50% of the gross settlement amounts recovered for Securities Claimants, and that CCAA U.S. Representative Counsel will seek approval of a separate fee based on 50% of the gross settlement amount. I understand that these notional allocations are only for the purpose of fee approval and do not have any bearing on the actual distribution of settlement funds.

15. I understand that the fees sought are calculated on the gross (notional) settlement amount, *i.e.,* before deduction of expenses, disbursements, taxes and holdbacks to fund litigation and meet other obligations. I believe that CCAA U.S. Representative Counsel's fee request of 25% of half the gross settlement amount, plus expenses and disbursements, is consistent with the terms of Labaton Sucharow's retention and Granite Point supports the fee request.

I certify, under penalty of perjury under the laws of the United States, that the foregoing is true and correct to the best of my knowledge. Executed in Glastonbury, Connecticut this 6th day of December, 2021.

DocuSigned by:
David Bushley
CC86F37358BE4B3...

C. DAVID BUSHLEY

TAB H

Labaton Sucharow

Labaton Sucharow Credentials

2021

Labaton Sucharow

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ABOUT THE FIRM

Labaton Sucharow has recovered billions of dollars for investors, businesses, and consumers

Founded in 1963, Labaton Sucharow LLP has earned a reputation as one of the leading plaintiffs' firms in the United States. For more than half a century, Labaton Sucharow has successfully exposed corporate misconduct and recovered billions of dollars in the United States and around the globe on behalf of investors and consumers. Our mission is to continue this legacy and to continue to advance market fairness and transparency in the areas of securities, antitrust, corporate governance and shareholder rights, and data privacy and cybersecurity litigation, as well as whistleblower representation. Our Firm has recovered significant losses for investors and secured corporate governance reforms on behalf of the nation's largest institutional investors, including public pension, Taft-Hartley, and hedge funds, investment banks, and other financial institutions.

Along with securing newsworthy recoveries, the Firm has a track record for successfully prosecuting complex cases from discovery to trial to verdict. As *Chambers and Partners* has noted, the Firm is *"considered one of the greatest plaintiffs' firms,"* and *The National Law Journal* "Elite Trial Lawyers" recently recognized our attorneys for their *"cutting-edge work on behalf of plaintiffs."* Our appellate experience includes winning appeals that increased settlement values for clients and securing a landmark U.S. Supreme Court victory in 2013 that benefited all investors by reducing barriers to the certification of securities class action cases.

Our Firm provides global securities portfolio monitoring and advisory services to more than 250 institutional investors, including public pension funds, asset managers, hedge funds, mutual funds, banks, sovereign wealth funds, and multi-employer plans—with collective assets under management (AUM) in excess of $2.5 trillion. We are equipped to deliver results due to our robust infrastructure of more than 70 full-time attorneys, a dynamic professional staff, and innovative technological resources. Labaton Sucharow attorneys are skilled in every stage of business litigation and have challenged corporations from every sector of the financial market. Our professional staff includes financial analysts, paralegals, e-discovery specialists, certified public accountants, certified fraud examiners, and a forensic accountant. We have one of the largest in-house investigative teams in the securities bar.

SECURITIES LITIGATION: As a leader in the securities litigation field, the Firm is a trusted advisor to more than 250 institutional investors with collective assets under management in excess of $2.5 trillion. Our practice focuses on portfolio monitoring and domestic and international securities litigation for sophisticated institutional investors. Since the passage of the Private Securities Litigation Reform Act of 1995, we have recovered more than $12.5 billion in the aggregate. Our success is driven by the Firm's robust infrastructure, which includes one of the largest in-house investigative teams in the plaintiffs' bar.

CORPORATE GOVERNANCE AND SHAREHOLDER RIGHTS LITIGATION: Our breadth of experience in shareholder advocacy has also taken us to Delaware, where we press for corporate reform through our Wilmington office. These efforts have already earned us a string of enviable successes, including one of the largest derivative settlements ever achieved in the Court of Chancery, a $153.75 million settlement on behalf of shareholders in *In re Freeport-McMoRan Copper & Gold Inc. Derivative Litigation.*

ANTITRUST AND COMPETITION: Labaton Sucharow has a well-earned reputation for successfully investigating and litigating complex antitrust multi-district litigation class actions. Regularly appointed lead counsel by courts throughout the nation, we have led the charge in some of the most significant private antitrust litigation in recent years challenging national and international price-fixing cartels, including *In re Air Cargo Shipping Services Antitrust Litigation* ($1.2+ billion in settlements from over 30 global airlines). In particular, we are at the forefront in challenging anticompetitive conduct in the financial and pharmaceutical industries. Whether a case involves complex financial instruments and commodities or branded and generic drugs, Labaton Sucharow has the industry-specific expertise to achieve positive results for the class.

CONSUMER, CYBERSECURITY, AND DATA PRIVACY PRACTICE: Labaton Sucharow is dedicated to putting our expertise to work on behalf of consumers who have been wronged by fraud in the marketplace. Built on our world-class litigation skills, deep understanding of federal and state rules and regulations, and an unwavering commitment to fairness, our Consumer, Cybersecurity, and Data Privacy Practice focuses on protecting consumers and improving the standards of business conduct through litigation and reform. Our team achieved a historic $650 million settlement in the *In re Facebook Biometric Information Privacy Litigation* matter—the largest consumer data privacy settlement ever, and one of the first cases asserting biometric privacy rights of consumers under Illinois' Biometric Information Privacy Act (BIPA).

WHISTLEBLOWER LITIGATION: Our Whistleblower Representation Practice leverages the Firm's securities litigation expertise to protect and advocate for individuals who report violations of the federal securities laws. Jordan A. Thomas, former Assistant Director and Assistant Chief Litigation Counsel in the Division of Enforcement at the SEC, leads the practice.

> ***"Labaton Sucharow is 'superb' and 'at the top of its game.' The Firm's team of 'hard-working lawyers…push themselves to thoroughly investigate the facts' and conduct 'very diligent research.'"***
>
> ***– The Legal 500***

Labaton Sucharow

SECURITIES CLASS ACTION LITIGATION

Labaton Sucharow is a leader in securities litigation and a trusted advisor to more than 250 institutional investors. Since the passage of the Private Securities Litigation Reform Act of 1995 (PSLRA), the Firm has recovered more than $12.5 billion in the aggregate for injured investors through securities class actions prosecuted throughout the United States and against numerous public corporations and other corporate wrongdoers.

These notable recoveries would not be possible without our exhaustive case evaluation process. The Firm has developed a proprietary system for portfolio monitoring and reporting on domestic and international securities litigation, and currently provides these services to more than 250 institutional investors, which manage collective assets of more than $2.5 trillion. The Firm's in-house investigators also gather crucial details to support our cases, whereas other firms rely on outside vendors or fail to conduct any confidential investigation at all.

As a result of our thorough case evaluation process, our securities litigators can focus solely on cases with strong merits. The benefits of our selective approach are reflected in the low dismissal rate of the securities cases we pursue, a rate well below the industry average. Over the past decade, we have successfully prosecuted headline-making class actions against AIG, Bear Stearns, Massey Energy, Schering-Plough, Fannie Mae, Amgen, Facebook, and SCANA, among others.

NOTABLE SUCCESSES

Labaton Sucharow has achieved notable successes in financial and securities class actions on behalf of investors, including the following:

In re American International Group, Inc. Securities Litigation, No. 04-cv- 8141 (S.D.N.Y.)

In one of the most complex and challenging securities cases in history, Labaton Sucharow secured more than $1 billion in recoveries on behalf of lead plaintiff Ohio Public Employees' Retirement System in a case arising from allegations of bid rigging and accounting fraud. To achieve this remarkable recovery, the Firm took over 100 depositions and briefed 22 motions to dismiss. The full settlement entailed a $725 million settlement with American International Group (AIG), $97.5 million settlement with AIG's auditors, $115 million settlement with former AIG officers and related defendants, and an additional $72 million settlement with General Reinsurance Corporation, which was approved by the Second Circuit on September 11, 2013.

In re Countrywide Financial Corp. Securities Litigation, No. 07-cv-05295 (C.D. Cal.)

Labaton Sucharow, as lead counsel for the New York State Common Retirement Fund and the five New York City public pension funds, sued one of the nation's largest issuers of mortgage loans for credit risk misrepresentations. The Firm's focused investigation and discovery efforts uncovered incriminating evidence that led to a $624 million settlement for investors. On February 25, 2011, the court granted final approval to the settlement, which is one of the top 20 securities class action settlements in the history of the PSLRA.

In re HealthSouth Corp. Securities Litigation, No. 03-cv-01500 (N.D. Ala.)

Labaton Sucharow served as co-lead counsel to New Mexico State Investment Council in a case stemming from one of the largest frauds ever perpetrated in the healthcare industry. Recovering $671 million for the class, the settlement is one of the top 15 securities class action settlements of all time. In early 2006, lead plaintiffs negotiated a settlement of $445 million with defendant HealthSouth. On June 12, 2009, the court also granted final approval to a $109 million settlement with defendant Ernst & Young LLP. In addition, on July 26, 2010, the court granted final approval to a $117 million partial settlement with the remaining principal defendants in the case—UBS AG, UBS Warburg LLC, Howard Capek, Benjamin Lorello, and William McGahan.

In re Schering-Plough/ENHANCE Securities Litigation, No. 08-cv-00397 (D. N.J.)

As co-lead counsel, Labaton Sucharow obtained a $473 million settlement on behalf of co-lead plaintiff Massachusetts Pension Reserves Investment Management Board. After five years of litigation, and three weeks before trial, the settlement was approved on October 1, 2013. This recovery is one of the largest securities fraud class action settlements against a pharmaceutical company. The Special Masters' Report noted, "The outstanding result achieved for the class is the direct product of outstanding skill and perseverance by Co-Lead Counsel . . . no one else . . . could have produced the result here—no government agency or corporate litigant to lead the charge and the Settlement Fund is the product solely of the efforts of Plaintiffs' Counsel."

In re Waste Management, Inc. Securities Litigation, No. H-99-2183 (S.D. Tex.)

In 2002, the court approved an extraordinary settlement that provided for the recovery of $457 million in cash, plus an array of far-reaching corporate governance measures. Labaton Sucharow represented lead plaintiff Connecticut Retirement Plans and Trust Funds. At that time, this settlement was the largest common fund settlement of a securities action achieved in any court within the Fifth Circuit and the third largest achieved in any federal court in the nation. Judge Harmon noted, among other things, that Labaton Sucharow "obtained an outstanding result by virtue of the quality of the work and vigorous representation of the class."

In re General Motors Corp. Securities Litigation, No. 06-cv-1749 (E.D. Mich.)

As co-lead counsel in a case against automotive giant General Motors (GM) and its auditor Deloitte & Touche LLP (Deloitte), Labaton Sucharow obtained a settlement of $303 million—one of the largest settlements ever secured in the early stages of a securities fraud case. Lead plaintiff Deka Investment GmbH alleged that GM, its officers, and its outside auditor overstated GM's income by billions of dollars and GM's operating cash flows by tens of billions of dollars, through a series of accounting manipulations. The final settlement, approved on July 21, 2008, consisted of a cash payment of $277 million by GM and $26 million in cash from Deloitte.

Wyatt v. El Paso Corp., No. H-02-2717 (S.D. Tex.)

Labaton Sucharow secured a $285 million class action settlement against the El Paso Corporation on behalf of the co-lead plaintiff, an individual. The case involved a securities fraud stemming from the company's inflated earnings statements, which cost shareholders hundreds of millions of dollars during a four-year span. On March 6, 2007, the court approved the settlement and also commended the efficiency with which the case had been prosecuted, particularly in light of the complexity of the allegations and the legal issues.

In re Bear Stearns Cos., Inc. Securities, Derivative & ERISA Litigation, No. 08-cv-2793 (S.D.N.Y.)

Labaton Sucharow served as co-lead counsel, representing lead plaintiff State of Michigan Retirement Systems and the class. The action alleged that Bear Stearns and certain officers and directors made misstatements and omissions in connection with Bear Stearns' financial condition, including losses in the value of its mortgage-backed assets and Bear Stearns' risk profile and liquidity. The action further claimed that Bear Stearns' outside auditor, Deloitte & Touche LLP, made misstatements and omissions in connection with its audits of Bear Stearns' financial statements for fiscal years 2006 and 2007. Our prosecution of this action required us to develop a detailed understanding of the arcane world of packaging and selling subprime mortgages. Our complaint has been called a "tutorial" for plaintiffs and defendants alike in this fast- evolving area. After surviving motions to dismiss, on November 9, 2012, the court granted final approval to settlements with the defendant Bear Stearns for $275 million and with Deloitte for $19.9 million.

In re Massey Energy Co. Securities Litigation, No. 10-CV-00689 (S.D. W.Va.)

As co-lead counsel representing the Commonwealth of Massachusetts Pension Reserves Investment Trust, Labaton Sucharow achieved a $265 million all-cash settlement in a case arising from one of the most notorious mining disasters in US history. On June 4, 2014, the settlement was reached with Alpha Natural Resources, Massey's parent company. Investors alleged that Massey falsely told investors it had embarked on safety improvement initiatives and presented a new corporate image following a deadly fire at one of its coalmines in 2006. After another devastating explosion, which killed 29 miners in 2010, Massey's market capitalization dropped by more than $3 billion. Judge Irene C. Berger noted, "Class counsel has done an expert job of representing all of the class members to reach an excellent resolution and maximize recovery for the class."

Eastwood Enterprises, LLC v. Farha (WellCare Securities Litigation), No. 07-cv-1940 (M.D. Fla.)

On behalf of the New Mexico State Investment Council and the Public Employees Retirement Association of New Mexico, Labaton Sucharow served as co-lead counsel and negotiated a $200 million settlement over allegations that WellCare Health Plans, Inc., a Florida-based healthcare service provider, disguised its profitability by overcharging state Medicaid programs. Further, under the terms of the settlement approved by the court on May 4, 2011, WellCare agreed to pay an additional $25 million in cash if, at any time in the next three years, WellCare was acquired or otherwise experienced a change in control at a share price of $30 or more after adjustments for dilution or stock splits.

In re SCANA Corporation Securities Litigation, No. 17-cv-2616 (D.S.C.)

Labaton Sucharow served as co-lead counsel in this matter against a regulated electric and natural gas public utility, representing the class and co-lead plaintiff West Virginia Investment Management

Board. The action alleges that for a period of two years, the company and certain of its executives made a series of misstatements and omissions regarding the progress, schedule, costs, and oversight of a key nuclear reactor project in South Carolina. Labaton Sucharow conducted an extensive investigation into the alleged fraud, including by interviewing 69 former SCANA employees and other individuals who worked on the nuclear project. In addition, Labaton Sucharow obtained more than 1,500 documents from South Carolina regulatory agencies, SCANA's state-owned junior partner on the nuclear project, and a South Carolina newspaper, among others, pursuant to the South Carolina Freedom of Information Act (FOIA). This information ultimately provided the foundation for our amended complaint and was relied upon by the Court extensively in its opinion denying defendants' motion dismiss. In late 2019, we secured a $192.5 million recovery for investors—the largest securities fraud settlement in the history of the District of South Carolina.

In re Bristol-Myers Squibb Securities Litigation, No. 00-cv-1990 (D.N.J.)

Labaton Sucharow served as lead counsel representing the lead plaintiff, union-owned LongView Collective Investment Fund of the Amalgamated Bank (LongView), against drug company Bristol-Myers Squibb (BMS). LongView claimed that the company's press release touting its new blood pressure medication, Vanlev, left out critical information— that undisclosed results from the clinical trials indicated that Vanlev appeared to have life-threatening side effects. The FDA expressed serious concerns about these side effects and BMS released a statement that it was withdrawing the drug's FDA application, resulting in the company's stock price falling and losing nearly 30 percent of its value in a single day. After a five-year battle, we won relief on two critical fronts. First, we secured a $185 million recovery for shareholders, and second, we negotiated major reforms to the company's drug development process that will have a significant impact on consumers and medical professionals across the globe. Due to our advocacy, BMS must now disclose the results of clinical studies on all of its drugs marketed in any country.

In re Fannie Mae 2008 Securities Litigation, No. 08-cv-7831 (S.D.N.Y.)

As co-lead counsel representing co-lead plaintiff Boston Retirement System, Labaton Sucharow secured a $170 million settlement on March 3, 2015, with Fannie Mae. The lead plaintiffs alleged that Fannie Mae and certain of its current and former senior officers violated federal securities laws, by making false and misleading statements concerning the company's internal controls and risk management with respect to Alt-A and subprime mortgages. The lead plaintiffs also alleged that defendants made misstatements with respect to Fannie Mae's core capital, deferred tax assets, other-than- temporary losses, and loss reserves. Labaton Sucharow successfully argued that investors' losses were caused by Fannie Mae's misrepresentations and poor risk management, rather than by the financial crisis. This settlement is a significant feat, particularly following the unfavorable result in a similar case involving investors in Fannie Mae's sibling company, Freddie Mac.

In re Broadcom Corp. Class Action Litigation, No. 06-cv-05036 (C.D. Cal.)

Labaton Sucharow served as lead counsel on behalf of lead plaintiff New Mexico State Investment Council in a case stemming from Broadcom Corp.'s $2.2 billion restatement of its historic financial statements for 1998-2005. In August 2010, the court granted final approval of a $160.5 million settlement with Broadcom and two individual defendants to resolve this matter. It is the second largest up-front cash settlement ever recovered from a company accused of options backdating.

Following a Ninth Circuit ruling confirming that outside auditors are subject to the same pleading standards as all other defendants, the district court denied the motion by Broadcom's auditor, Ernst & Young, to dismiss on the ground of loss causation. This ruling is a major victory for the class and a landmark decision by the court—the first of its kind in a case arising from stock-options backdating. In October 2012, the court approved a $13 million settlement with Ernst & Young.

In re Satyam Computer Services Ltd. Securities Litigation, No. 09-md-2027 (S.D.N.Y.)

Satyam Computer Services Ltd. (Satyam), referred to as "India's Enron," engaged in one of the most egregious frauds on record. In a case that rivals the Enron and Bernie Madoff scandals, the Firm represented lead plaintiff UK-based Mineworkers' Pension Scheme, which alleged that Satyam, related entities, Satyam's auditors, and certain directors and officers made materially false and misleading statements to the investing public about the company's earnings and assets, artificially inflating the price of Satyam securities. On September 13, 2011, the court granted final approval to a settlement with Satyam of $125 million and a settlement with the company's auditor, PricewaterhouseCoopers, in the amount of $25.5 million. Judge Barbara S. Jones commended lead counsel during the final approval hearing, noting the "quality of representation[,] which I found to be very high."

In re Mercury Interactive Corp. Securities Litigation, No. 05-cv-3395 (N.D. Cal.)

Labaton Sucharow served as co-lead counsel on behalf of co-lead plaintiff Steamship Trade Association/International Longshoremen's Association Pension Fund, which alleged that Mercury Interactive Corp. (Mercury) backdated option grants used to compensate employees and officers of the company. Mercury's former CEO, CFO, and General Counsel actively participated in and benefited from the options backdating scheme, which came at the expense of the company's shareholders and the investing public. On September 25, 2008, the court granted final approval of the $117.5 million settlement.

In re Oppenheimer Champion Fund Securities Fraud Class Actions, No. 09- cv-525 (D. Colo.) and *In re Core Bond Fund,* No. 09-cv-1186 (D. Colo.)

Labaton Sucharow served as lead counsel and represented individuals and the proposed class in two related securities class actions brought against Oppenheimer Funds, Inc., among others, and certain officers and trustees of two funds—Oppenheimer Core Bond Fund and Oppenheimer Champion Income Fund. The lawsuits alleged that the investment policies followed by the funds resulted in investor losses when the funds suffered drops in net asset value although they were presented as safe and conservative investments to consumers. In May 2011, the Firm achieved settlements amounting to $100 million: $52.5 million in *In re Oppenheimer Champion Fund Securities Fraud Class Actions* and a $47.5 million settlement in *In re Core Bond Fund*.

In re Computer Sciences Corporation Securities Litigation, No. 11-cv-610 (E.D. Va.)

As lead counsel representing Ontario Teachers' Pension Plan Board, Labaton Sucharow secured a $97.5 million settlement in this "rocket docket" case involving accounting fraud. The settlement was the third largest all-cash recovery in a securities class action in the Fourth Circuit and the second largest all-cash recovery in such a case in the Eastern District of Virginia. The plaintiffs

Labaton Sucharow

alleged that IT consulting and outsourcing company, Computer Sciences Corporation (CSC), fraudulently inflated its stock price by misrepresenting and omitting the truth about the state of its most visible contract and the state of its internal controls. In particular, the plaintiffs alleged that CSC assured the market that it was performing on a $5.4 billion contract with the UK National Health Service when CSC internally knew that it could not deliver on the contract, departed from the terms of the contract, and as a result, was not properly accounting for the contract. Judge T.S. Ellis III stated, "I have no doubt—that the work product I saw was always of the highest quality for both sides."

Public Employees' Retirement System of Mississippi v. Endo Int'l plc, et al., No. 2017-02081-MJ (Pa. Ct. of C.P. Montgomery Cty.)

Labaton Sucharow served as lead counsel in a securities class action against Endo Pharmaceuticals. The case settled for $50 million, the largest class settlement obtained in any court pursuant to the Securities Act of 1933 in connection with a secondary public offering. The action alleged that Endo failed to disclose adverse trends facing its generic drugs division in advance of a secondary public offering that raised $2 billion to finance the acquisition of Par Pharmaceuticals in 2015. The Firm overcame several procedural hurdles to reach this historic settlement, including successfully opposing defendants' attempts to remove the case to federal court and to dismiss the class complaint in state court.

In re JELD-WEN Holding, Inc. Securities Litigation, No. 3:20-cv-00112-JAG (E.D. Va.)

Representing Public Employees' Retirement System of Mississippi, Labaton Sucharow is court-appointed co-lead counsel in a securities class action lawsuit against JELD-WEN Holding, Inc. and certain of its executives related to allegedly false and misleading statements and omissions concerning JELD-WEN's allegedly anticompetitive conduct and financial results in the doorskins and interior molded door markets and the merit of a lawsuit filed against JELD-WEN by an interior door manufacturer. The parties reached an agreement to settle the action for $40 million in April 2021. The court granted final approval of the settlement on November 22, 2021.

City of Warren Police and Fire Retirement System v. World Wrestling Entertainment, Inc. et al., No. 20-cv-02031 (S.D.N.Y.)

Labaton Sucharow served as court-appointed lead counsel in a securities class action against World Wrestling Entertainment, Inc. ("WWE"). The Firm represented Firefighters Pension System of the City of Kansas City Missouri Trust in the action alleging WWE defrauded investors by making false and misleading statements in connection with certain of its key overseas businesses in the Middle East North Africa region ("MENA") from February 7, 2019, through February 5, 2020. The lead plaintiff further alleged that the price of WWE publicly traded common stock was artificially inflated as a result of the company's allegedly false and misleading statements and omissions, and that the price declined when the truth was allegedly revealed through a series of partial revelations. The parties reached an agreement to settle the action for in November 2020, and on June 30, 2021, the court granted final approval of the $39 million settlement.

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Pension Trust Fund for Operating Engineers v. DeVry Education Group, Inc., No. 16-cv-05198 (N.D. Ill.)

In a case that underscores the skill of our in-house investigative team, Labaton Sucharow secured a $27.5 million recovery in an action alleging that DeVry Education Group, Inc. issued false statements to investors about employment and salary statistics for DeVry University graduates. The Firm took over as lead counsel after a consolidated class action complaint and an amended complaint were both dismissed. Labaton Sucharow filed a third amended complaint on January 29, 2018, which included additional allegations based on internal documents obtained from government entities through the Freedom of Information Act and allegations from 13 new confidential witnesses who worked for DeVry. In denying defendants' motion to dismiss, the court concluded that the "additional allegations . . . alter[ed] the alleged picture with respect to scienter" and showed "with a degree of particularity . . . that the problems with DeVry's [representations] . . . were broad in scope and magnitude."

Vancouver Alumni Asset Holdings Inc. v. Daimler A.G., et al., No. 16-cv-2942 (C.D. Cal.)

Serving as lead counsel on behalf of Public School Retirement System of Kansas City, Missouri, Labaton Sucharow secured a $19 million settlement in a class action against automaker Daimler AG. The action arose out of Daimler's misstatements and omissions touting its Mercedes-Benz diesel vehicles as "green" when independent tests showed that under normal driving conditions the vehicles exceeded the nitrous oxide emissions levels set by U.S. and E.U. regulators. Defendants lodged two motions to dismiss the case. However, the *Daimler* litigation team was able to overcome both challenges, and on May 31, 2017, the court granted in part and denied in part Defendants' motions and allowed the case to proceed to discovery. The court then stayed the action after the U.S. Department of Justice intervened. The *Daimler* litigation team worked with the DOJ and defendants to partially lift the stay in order to allow lead plaintiffs to seek limited discovery. Thereafter, in December 2019, the parties agreed to settle the action for $19 million.

Avila v. LifeLock, Inc., No. 15-cv-1398 (D. Ariz.)

As co-lead counsel representing Oklahoma Police Pension and Retirement System and Oklahoma Firefighters Pension and Retirement System, the Firm secured a $20 million settlement in a securities class action against LifeLock. The action alleged that LifeLock misrepresented the capabilities of its identity theft alerts to investors. While LifeLock repeatedly touted the "proactive," "near real-time" nature of its alerts, in reality the timeliness of such alerts to customers did not resemble a near real-time basis. The LifeLock litigation team played a critical role in securing the $20 million settlement. After being dismissed by the District Court twice, the LifeLock team was able to successfully appeal the case to the Ninth Circuit and secured a reversal of the District Court's dismissals. The case settled shortly after being remanded to the District Court. On July 22, 2020, the court issued an order granting final approval of the settlement.

In re Prothena Corporation PLC Securities Litigation, No. 18-cv-6425 (S.D.N.Y)

Labaton Sucharow, as co-lead counsel, secured a $15.75 million recovery in a securities class action against development-stage biotechnology company, Prothena Corp. The action alleged that Prothena and certain of its senior executives misleadingly cited the results of an ongoing clinical

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study of NEOD001—a drug designed to treat amyloid light chain amyloidosis and one of Prothena's principal assets. Despite telling investors that early phases of testing were successful, Defendants later revealed that the drug was "substantially less effective than a placebo." Upon this news, Prothena's stock price dropped nearly 70 percent. On August 26, 2019, the parties executed a Stipulation and Agreement of Settlement for $15.75 million. Final Judgment was entered on December 4, 2019.

Ronge v. Camping World Holdings, Inc., No. 18-cv-7030 (N.D. Ill.)

In a securities class action against Camping World Holdings, Labaton Sucharow achieved a multi-million dollar settlement for investors. The action alleged that, for a period of two years, the recreational vehicle company and certain of its executives made materially false and misleading statements regarding its financial results, internal controls, and success of its integration of an acquired company. The Firm conducted an extensive investigation into the alleged fraud, including by reviewing public filings and statements and interviewing several former employees. This investigation provided the foundation for our amended complaint and ultimately resulted in $12.5 million recovery for investors through a mediated settlement with defendants. The court granted final approval of the settlement on August 5, 2020.

In re BrightView Holdings, Inc. Securities Litigation, No. 2019-07222 (Pa. Ct. of C.P. Montgomery Cty.)

Labaton Sucharow, as co-lead counsel, secured an $11.5 million recovery in a securities class action against commercial landscaping services company BrightView Holdings, Inc. The action alleged that the registration statement used to conduct BrightView's June 2018 IPO contained material misstatements and omissions in violation of Sections 11 and 15 of the Securities Act of 1933. Notably, less than a year following its IPO, BrightView's stock price had fallen 42%. After successfully defending against defendants' preliminary objections and motion to dismiss, our team was able to secure an $11.5 million settlement for BrightView investors, which was approved the court on December 17, 2020.

In re Dr. Reddy's Laboratories Limited Securities Litigation, No. 17-06436 (D.N.J.)

Labaton Sucharow served as lead counsel in a Section 10(b) securities class action against Dr. Reddy's Laboratories Ltd., an Indian pharmaceutical manufacturer that misled investors about having robust quality processes and systems in place at their manufacturing facilities. Dr. Reddy's shares dropped after a series of disclosures by the FDA and other regulators revealed that conditions at three key Indian manufacturing facilities violated FDA regulations. These violations included the use of an undisclosed and uncontrolled facility for doctoring quality control tests, ultimately causing the company to delay production of a key product and miss earnings. Labaton Sucharow was involved in litigating the case through the amended complaint, motions to dismiss, discovery, and settlement negotiations. In December 2020, the court granted final approval of the $9 million settlement.

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Plymouth County, et al. v. HRG Group, Inc., et al (Spectrum Brands), No. 2019-CV-000982 (Wis. Cir. Ct. Dane Cty.)

Serving as lead counsel on behalf of Plymouth County Retirement Association, Labaton Sucharow secured a $9 million settlement in one of the first post-*Cyan* Securities Act class actions brought in Wisconsin state court. The complaint alleged that the registration statement issued in connection with the merger of Spectrum Brands Legacy, Inc. and HRG Group Inc. contained false statements and omissions of material fact concerning undisclosed materially adverse conditions, trends, and uncertainties, which resulted in the company taking a $92.5 million write-off for impairment of goodwill a few months after the merger. Labaton Sucharow initiated the action, filed an amended complaint with allegations supported by statements from several confidential witnesses, opposed defendants' motion to dismiss, and agreed to mediation on the eve of oral argument.

In re SciPlay Corporation Securities Litigation, No 655984/2019 (N.Y. Supreme Court, Commercial Div.)

Labaton Sucharow served as lead counsel representing Police Retirement System of St. Louis in an action against SciPlay, a developer and publisher of digital games on mobile and web platforms. Plaintiffs alleged that the registration statement and prospectus used to conduct SciPlay's November 2019 IPO were false and misleading for failing to disclose that prior to and during the IPO SciPlay's games were being disrupted by faulty third-party software that made it difficult or impossible for users to play. On December 19, 2019, the Court consolidated that case with a substantially similar action and appointed Labaton Sucharow as interim lead counsel. The Firm lead the litigation past motion to dismiss and filed a motion for class certification, after which the parties began discussing the possibility of resolving the claims asserted in the action and a related action. Following formal mediation in April and May 2021, an agreement in principle was reached to settle the matter for $8.27 million. The Court approved the settlement on November 24, 2021.

LEAD COUNSEL APPOINTMENTS IN ONGOING LITIGATION

Labaton Sucharow's institutional investor clients are regularly chosen by federal judges to serve as lead plaintiffs in prominent securities litigations brought under the PSLRA. Dozens of public pension funds and union funds have selected Labaton Sucharow to represent them in federal securities class actions and advise them as securities litigation/investigation counsel.

In re AT&T/DirecTV Now Securities Litigation, No. 19-cv-2892 (S.D.N.Y.)

Labaton Sucharow represents Steamfitters Local 449 Pension Plan in this securities class action against AT&T and multiple executives and directors of the company alleging wide- ranging fraud, abusive sales tactics, and misleading statements to the market in regards to the streaming service, DirecTV Now.

In re PG&E Corporation Securities Litigation, No. 18-cv-03509 (N.D. Cal.)

Labaton Sucharow represents the Public Employees Retirement Association of New Mexico in a securities class action lawsuit against PG&E related to wildfires that devastated Northern California in 2017.

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Murphy v. Precision Castparts Corp., No. 16-cv-00521 (D. Or.)

Labaton Sucharow represents Oklahoma Firefighters Pension and Retirement System in a securities class action against Precision Castparts Corp., an aviation parts manufacturing conglomerate that produces complex metal parts primarily marketed to industrial and aerospace customers.

In re Goldman Sachs Group, Inc. Securities Litigation, No. 10-cv-03461 (S.D.N.Y.)

Labaton Sucharow represents Arkansas Teacher Retirement System in a high-profile litigation based on the scandals involving Goldman Sachs' sales of the Abacus CDO.

Meitav Dash Provident Funds and Pension Ltd., et al. v. Spirit AeroSystems Holdings, Inc. et al., No. 20-cv-00054 (N.D. Okla.)

Labaton Sucharow represents Meitav Dash Provident Funds and Pension Ltd. in a securities class action against Spirit AeroSystems Holdings alleging misrepresentation of production rates and the effectiveness of its internal controls over financial reporting relating to production of Boeing planes.

Boston Retirement System v. Uber Technologies, Inc., et al., No. 19-cv-6361-RS (N.D. Cal.)

Labaton Sucharow serves as lead counsel in a securities class action against Uber Technologies, Inc., arising in connection with the company's more than $8 billion IPO. The action alleges that Uber's IPO registration statement and prospectus made material misstatements and omissions in violation of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933.

Oklahoma Firefighters Pension and Retirement System v. Peabody Energy Corporation et al., No. 20-cv-8024 (S.D.N.Y.)

Labaton Sucharow represents Oklahoma Firefighters Pension and Retirement System in a securities class action against Peabody Energy Corp arising from inadequate safety practices at the company's north Australian mine.

Hill v. Silver Lake Group, L.L.C. (Intelsat S.A.), No. 20-CV-2341 (N.D. Cal.)

The court appointed Labaton Sucharow as lead counsel in the *Intelsat* securities litigation, noting that the Firm "has strong experience prosecuting securities class actions and has served as lead counsel in many high-profile securities actions.

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OUR CLIENTS

Labaton Sucharow represents and advises the following institutional investor clients, among others:

- Arkansas Public Employees Retirement System
- Arkansas Teacher Retirement System
- Boston Retirement System
- Bristol County Retirement System
- Cambridge Retirement Board
- Detroit Police & Firemen Retirement System
- El Paso Firemen & Policemen Pension Fund
- Hollywood Employees' Retirement Fund System
- Houston Municipal Employees Pension System
- Public Employee Retirement System of Idaho
- Jackson County Revised Pension Plan
- Kansas City Employees' Retirement System
- Firefighters' Pension System of the City of Kansas City, Missouri Trust
- Public School Retirement System of the School District of Kansas City, Missouri
- Public School Teachers Pension & Retirement Fund of Chicago
- Indiana Public Retirement System
- Public Employees' Retirement System of Mississippi
- Public School and Education Employee Retirement Systems of Missouri
- Nebraska State Investment Council
- New Mexico Public Employees Retirement Association
- Educational Retirement Board of New Mexico
- Norfolk County Retirement System
- Oklahoma City Employee Retirement System
- Oklahoma Firefighters Pension and Retirement System
- Oklahoma Police Pension & Retirement System
- Omaha Police & Fire Retirement System
- Oregon Public Employees Retirement System
- Pittsburgh Pension
- Providence Board of Investment Commissioners
- Plymouth County Retirement System
- Rhode Island State Investment Commission
- St. Louis Police Retirement System
- St. Louis Firemen's Retirement System
- St. Paul Teachers Retirement Fund
- Utah Retirement Systems
- Warwick Retirement System
- Wayne County Employees' Retirement System
- West Palm Beach Police Pension Fund
- West Virginia Investment Management Board

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AWARDS AND ACCOLADES

CONSISTENTLY RANKED AS A LEADING FIRM:

The National Law Journal "2021 Elite Trial Lawyers" recognized Labaton Sucharow as 2021 Class Action Law Firm of the Year. The Firm was also recognized as a finalist in the Diversity Initiative category. Additionally, Labaton Sucharow was named the 2020 Law Firm of the Year for Securities Litigation.

Benchmark Litigation recognized Labaton Sucharow both nationally and regionally, in New York and Delaware, in its 2022 edition and named 12 Partners as Litigation Stars and Future Stars across the U.S. The Firm received top rankings in the Securities and Dispute Resolution categories. The publication also named the Firm a "Top Plaintiffs Firms" in the nation.

Labaton Sucharow is recognized by *Chambers USA 2021* among the leading plaintiffs' firms in the nation, receiving a total of five practice group rankings and nine individual rankings. *Chambers* notes that the Firm is "top flight all-round," a "very high-quality practice," with "good, sensible lawyers."

Labaton Sucharow has been recognized as one of the Nation's Best Plaintiffs' Firms by *The Legal 500*. In 2021, the Firm earned a Tier 1 ranking in Securities Litigation and was also ranked for its excellence in the Antitrust and M&A Litigation. 10 Labaton Sucharow Partners were ranked or recommended in the 2020 guide noting "Labaton Sucharow has a deep group of litigators who are enormously experienced in securities litigation who do exceptionally good work."

Labaton Sucharow was named a finalist for *Euromoney* LMG's Women in Business Law Awards 2021 in the North America Women in Business Law: Firm of the Year, Gender Diversity Initiative, and Talent Management categories. *Euromoney's* WIBL Awards recognizes firms advancing diversity in the profession.

Lawdragon recognized 17 Labaton Sucharow attorneys among the 500 Leading Plaintiff Financial Lawyers in the country in their 2021 guide. The guide recognizes attorneys that are "the best in the nation – many would say the world – at representing plaintiffs in securities and other business litigation, antitrust, whistleblower claims and increasingly complex financial litigation and data privacy invasions." *Lawdragon* also included three of our Partners in their Hall of Fame.

Labaton Sucharow was recognized as finalist for *Chambers'* 2020 Diversity and Inclusion Awards in the category of Inclusive Firm of the Year.

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PRO BONO AND COMMUNITY INVOLVEMENT

It is not enough to achieve the highest accolades from the bench and bar, and demand the very best of our people. At Labaton Sucharow, we believe that community service is a crucial aspect of practicing law and that pursuing justice is at the heart of our commitment to our profession and the community at large. As a result, we shine in pro bono legal representation and as public and community volunteers.

Our Firm has devoted significant resources to pro bono legal work and public and community service. In fact, our Pro Bono practice is recognized by *The National Law Journal* as winner of the "Law Firm of the Year" in Immigration for 2019 and 2020. We support and encourage individual attorneys to volunteer and take on leadership positions in charitable organizations, which have resulted in such honors as the Alliance for Justice's "Champion of Justice" award, a tenant advocacy organization's "Volunteer and Leadership Award," and board participation for the Ovarian Cancer Research Fund.

Our continued support of charitable and nonprofit organizations, such as the Legal Aid Society, City Bar Justice Center, Public Justice Foundation, Change for Kids, Sidney Hillman Foundation, and various food banks and other organizations, embodies our longstanding commitment to fairness, equality, and opportunity for everyone in our community, which is manifest in the many programs in which we participate.

Immigration Justice Campaign

Our attorneys have scored numerous victories on behalf of asylum seekers around the world, particularly from Cuba and Uganda, as well as in reuniting children separated at the border. Our Firm also helped by providing housing, clothing, and financial assistance to those who literally came to the U.S. with only the clothes on their back.

Advocacy for the Mentally Ill

Our attorneys have provided pro bono representation to mentally ill tenants facing eviction and worked with a tenants' advocacy organization defending the rights of city residents.

Federal Pro Se Legal Assistance Project

We represented pro se litigants who could not afford legal counsel through an Eastern District of New York clinic. We assisted those pursuing claims for racial and religious discrimination, helped navigate complex procedural issues involving allegations of a defamatory accusation made to undermine our client's disability benefits, and assisted a small business owner allegedly sued for unpaid wages by a stranger.

New York City Bar Association Thurgood Marshall Scholar

We are involved in the Thurgood Marshall Summer Law Internship Program, which places diverse New York City public high school students with legal employers for the summer. This program runs annually, from April through August, and is part of the City Bar's continuing efforts to enhance the diversity of the legal profession.

Diversity Fellowship Program

We provide a fellowship as a key component of the Firm's objective to recruit, retain, and advance diverse law students. Positions are offered to exceptional law students who can contribute to the diversity of our organization and the broader legal community.

Brooklyn Law School Securities Arbitration Clinic

Our Firm partnered with Brooklyn Law School to establish a securities arbitration clinic. The program, which ran for five years, assisted defrauded individual investors who could not otherwise afford to pay for legal counsel and provided students with real-world experience in securities arbitration and litigation.

Change for Kids

We support Change for Kids (CFK) as a strategic partner of P.S. 182 in East Harlem. One school at a time, CFK rallies communities to provide a broad range of essential educational opportunities at under-resourced public elementary schools, as well as enables students to discover their unique strengths and develop the requisite confidence to achieve.

Lawyers' Committee for Civil Rights Under Law

We are long-time supporters of the Lawyers' Committee for Civil Rights Under Law, a nonpartisan, nonprofit organization formed in 1963 at the request of President John F. Kennedy. The Lawyers' Committee involves the private bar in providing legal services to address racial discrimination. We have been involved at the federal level on U.S. Supreme Court nominee analyses and national voters' rights initiatives. Edward Labaton is a member of the Board of Directors.

Sidney Hillman Foundation

Our Firm supports the Sidney Hillman Foundation. Created in honor of the first president of the Amalgamated Clothing Workers of America, Sidney Hillman, the foundation supports investigative and progressive journalism by awarding monthly and yearly prizes.

COMMITMENT TO DIVERSITY, EQUITY, AND INCLUSION

"In the legal industry and private practice in particular, diversity is a challenge. At Labaton Sucharow, there is undeniable strength, limitless creativity, and steadfast momentum for diversity and inclusion. We believe a multitude of perspectives, backgrounds, and points of view improves the quality of our work and makes us better advisers to those we serve." *– Gregory Asciolla, Partner and Chair of the Diversity, Equity, and Inclusion Committee*

Over half a century, Labaton Sucharow has earned global recognition for its success in securing historic recoveries and reforms for investors and consumers. We strive to attain the same level of achievement in promoting fairness and equality within our practice and throughout the legal profession and believe this can be realized by building and maintaining a team of professionals with a broad range of backgrounds, orientations, and interests.

As a national law firm serving a global clientele, diversity is vital to reaching the right result and provides us with distinct points of view from which to address each client's most pressing needs and complex legal challenges. Problem solving is at the core of what we do…and equity and inclusion serve as a catalyst for understanding and leveraging the myriad strengths of our diverse workforce.

Research demonstrates that diversity in background, gender, and ethnicity leads to smarter and more informed decision-making, as well as positive social impact that addresses the imbalance in business today—leading to generations of greater returns for all. We remain committed to developing initiatives that focus on tangible diversity, equity, and inclusion goals involving recruiting, professional development, retention, and advancement of diverse and minority candidates, while also raising awareness and supporting real change inside and outside our Firm.

In recognition of our efforts, we have been honored and shortlisted by *Chambers & Partners* as Inclusive Firm of the Year and by *Euromoney* as the Best National Firm for Women in Business Law, Best Gender Diversity Initiative, and Best for Talent Management, as well as for *The National Law Journal* "Elite Trial Lawyers" inaugural Diversity Initiative Award. Our Firm understands the importance of extending leadership positions to diverse lawyers and is committed to investing time and resources to develop the next generation of leaders and counselors. We actively recruit, mentor, and promote to partnership minority and female lawyers.

WOMEN'S INITIATIVE

Women's Networking and Mentoring Initiative

Labaton Sucharow is the first securities litigation firm with a dedicated program to foster growth, leadership, and advancement of female attorneys. Established more than a decade ago, our Women's Initiative has hosted seminars, workshops, and networking events that encourage the advancement of female lawyers and staff, and bolster their participation as industry collaborators and celebrated thought innovators. We engage important women who inspire us by sharing their experience, wisdom, and lessons learned. We offer workshops on subject matter that ranges from professional development, negotiation, and public speaking, to business development and gender inequality in the law today.

Institutional Investing in Women and Minority-Led Investment Firms

Our Women's Initiative hosts an annual event on institutional investing in women and minority-led investment firms that was shortlisted for a *Chambers & Partners'* Diversity & Inclusion award. By bringing pension funds, diverse managers, hedge funds, investment consultants, and legal counsel together and elevating the voices of diverse women, we address the importance and advancement of diversity investing. Our 2018 inaugural event was shortlisted among *Euromoney's* Best Gender Diversity Initiative.

MINORITY SCHOLARSHIP AND INTERNSHIP

To take an active stance in introducing minority students to our practice and the legal profession, we established the Labaton Sucharow Minority Scholarship and Internship years ago. Annually, we present a grant and Summer Associate position to a first-year minority student from a metropolitan New York law school who has demonstrated academic excellence, community commitment, and unwavering personal integrity. Several past recipients are now full-time attorneys at the Firm. We also offer two annual summer internships to Hunter College students.

WHAT THE BENCH SAYS ABOUT US

On October 13, 2020, the Honorable Judge Lewis Liman of the Southern District of New York, upon appointing Labaton Sucharow as co-lead counsel (with two female lawyers) to the end-payor class in the pay-for-delay case involving the drug Bystolic, noted:

"Historically, there has been a dearth of diversity within the legal profession. Although progress has been made…still just one tenth of lawyers are people of color and just over a third are women. A firm's commitment to diversity…demonstrate[s] that it shares with the courts a commitment to the values of equal justice under law…[and] is one that is able to attract, train, and retain lawyers with the most latent talent and commitment regardless of race, ethnicity, gender, or sexual orientation."

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PROFESSIONAL PROFILES

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Christopher J. Keller is Chairman of Labaton Sucharow LLP and head of the Firm's Executive Committee. He is based in the Firm's New York office. Chris focuses on complex securities litigation cases and works with institutional investor clients, including some of the world's largest public and private pension funds with tens of billions of dollars under management.

Chris's distinction in the plaintiffs' bar has earned him recognition from *Lawdragon* as an "Elite Lawyer in the Legal Profession" and "Leading Plaintiff Financial Lawyer" *and Chambers & Partners USA* as a "Noted Practitioner," as well as recommendations from *The Legal 500* for excellence in the field of securities litigation.

Described by *The Legal 500* as a "sharp and tenacious advocate" who "has his pulse on the trends," Chris has been instrumental in the Firm's appointments as lead counsel in some of the largest securities matters arising out of the financial crisis, such as actions against Countrywide ($624 million settlement), Bear Stearns ($275 million settlement with Bear Stearns Companies and $19.9 million settlement with Deloitte & Touche LLP, Bear Stearns' outside auditor), and Goldman Sachs.

Chris has been integral in the prosecution of traditional fraud cases such as *In re Schering-Plough Corporation/ENHANCE Securities Litigation*; *In re Massey Energy Co. Securities Litigation*, where the Firm obtained a $265 million all-cash settlement with Alpha Natural Resources, Massey's parent company; as well as *In re Satyam Computer Services, Ltd. Securities Litigation*, where the Firm obtained a settlement of more than $150 million. Chris was also a principal litigator on the trial team of *In re Real Estate Associates Limited Partnership Litigation*. The six-week jury trial resulted in a $185 million plaintiffs' verdict, one of the largest jury verdicts since the passage of the Private Securities Litigation Reform Act.

In addition to his active caseload, Chris holds a variety of leadership positions within the Firm, including serving on the Firm's Executive Committee. In response to the evolving needs of clients, Chris also established, and currently leads, the Case Development Group, which is composed of attorneys, in-house investigators, financial analysts, and forensic accountants. The group is responsible for evaluating clients' financial losses and analyzing their potential legal claims both in and outside of the U.S. and tracking trends that are of potential concern to investors.

Educating institutional investors is a significant element of Chris's advocacy efforts for shareholder rights. He is regularly called upon for presentations on developing trends in the law and new case theories at annual meetings and seminars for institutional investors.

Chris is a member of several professional groups, including the New York State Bar Association and the New York County Lawyers' Association. He is a prior member of the Board of Directors of the City

Bar Fund, the nonprofit 501(c)(3) arm of the New York City Bar Association aimed at engaging and supporting the legal profession in advancing social justice.

Labaton Sucharow

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Eric J. Belfi is a Partner in the New York office of Labaton Sucharow LLP and a member of the Firm's Executive Committee. An accomplished litigator with a broad range of experience in commercial matters, Eric represents many of the world's leading pension funds and other institutional investors. Eric actively focuses on domestic and international securities and shareholder litigation, as well as direct actions on behalf of governmental entities. As an integral member of the Firm's Case Development Group, Eric has brought numerous high-profile domestic securities cases that resulted from the credit crisis, including the prosecution against Goldman Sachs. Along with his domestic securities litigation practice, Eric leads the Firm's Non-U.S. Securities Litigation Practice, which is dedicated exclusively to analyzing potential claims in non-U.S. jurisdictions and advising on the risks and benefits of litigation in those forums. Additionally, Eric oversees the Financial Products and Services Litigation Practice, focusing on individual actions against malfeasant investment bankers, including cases against custodial banks that allegedly committed deceptive practices relating to certain foreign currency transactions.

Lawdragon has recognized Eric as one of the country's "500 Leading Plaintiff Financial Lawyers" as the result of their research into top verdicts and settlements, and input from "lawyers nationwide about whom they admire and would hire to seek justice for a claim that strikes a loved one."

In his work with the Case Development Group, Eric was actively involved in securing a combined settlement of $18.4 million in *In re Colonial BancGroup, Inc. Securities Litigation*, regarding material misstatements and omissions in SEC filings by Colonial BancGroup and certain underwriters. Eric's experience includes noteworthy M&A and derivative cases such as *In re Medco Health Solutions Inc. Shareholders Litigation* in which he was integrally involved in the negotiation of the settlement that included a significant reduction in the termination fee.

Under Eric's direction, the Firm's Non-U.S. Securities Litigation Practice—one of the first of its kind—also serves as liaison counsel to institutional investors in such cases, where appropriate. Eric represents nearly 30 institutional investors in over a dozen non-U.S. cases against companies including SNC-Lavalin Group Inc. in Canada, Vivendi Universal, S.A. in France, OZ Minerals Ltd. in Australia, Lloyds Banking Group in the U.K., and Olympus Corporation in Japan. Eric's international experience also includes securing settlements on behalf of non-U.S. clients including the U.K.-based Mineworkers' Pension Scheme in *In re Satyam Computer Securities Services Ltd. Securities Litigation*, an action related to one of the largest securities frauds in India, which resulted in $150.5 million in collective settlements. While representing two of Europe's leading pension funds, Deka Investment GmbH and Deka International S.A., Luxembourg, in *In re General Motors Corp. Securities Litigation*, Eric was integral in securing a $303 million settlement in relation to multiple accounting manipulations and overstatements by General Motors.

As head of the Financial Products and Services Litigation Practice, Eric served as lead counsel to Arkansas Teacher Retirement System in a class action against State Street Corporation and certain affiliated entities alleging misleading actions in connection with foreign currency exchange trades, which resulted in a $300 million recovery. He has also represented the Commonwealth of Virginia in its False Claims Act case against Bank of New York Mellon, Inc.

Prior to joining Labaton Sucharow, Eric served as an Assistant Attorney General for the State of New York and as an Assistant District Attorney for the County of Westchester. As a prosecutor, Eric investigated and prosecuted white-collar criminal cases, including many securities law violations. He presented hundreds of cases to the grand jury and obtained numerous felony convictions after jury trials.

Eric is a member of the National Association of Public Pension Attorneys (NAPPA) Securities Litigation Working Group and the Cold Spring Harbor Laboratory Corporate Advisory Board. He has spoken publicly on the topics of shareholder litigation and U.S.-style class actions in European countries and has also discussed socially responsible investments for public pension funds.

Eric earned his Juris Doctor from St. John's University School of Law and received his bachelor's degree from Georgetown University.

Michael P. Canty Partner

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Michael P. Canty is a Partner in the New York office of Labaton Sucharow LLP, where he serves as General Counsel and head of the Firm's Consumer Cybersecurity and Data Privacy group. Michael's practice focuses on complex fraud cases on behalf of institutional investors and consumers.

Recommended by *The Legal 500* and *Benchmark Litigation* as an accomplished litigator, Michael has more than a decade of trial experience in matters relating to national security, white collar crime, and cybercrime. Michael has been recognized as a Plaintiffs' Trailblazer and a NY Trailblazer by the *National Law Journal* and the *New York Law Journal*, respectively, for his impact on the practice and business of law. *Lawdragon* has also recognized Michael as one of the "500 Leading Plaintiff Financial Lawyers in America," as the result of their research into the country's top verdicts and settlements.

Michael has successfully prosecuted a number of high-profile securities matters involving technology companies. Most notably, Michael is part of the litigation team that recently achieved a historic $650 million settlement in the *In re Facebook Biometric Information Privacy Litigation* matter—the largest consumer data privacy settlement ever and one of the first cases asserting consumers' biometric privacy rights under Illinois' Biometric Information Privacy Act (BIPA). Michael has also led cases against AMD, a multi-national semiconductor company, and Ubiquiti Networks, Inc., a global software company. In both cases, Michael played a pivotal role in securing favorable settlements for investors.

Prior to joining Labaton Sucharow, Michael served as an Assistant U.S. Attorney in the U.S. Attorney's Office for the Eastern District of New York, where he was the Deputy Chief of the Office's General Crimes Section. During his time as a federal prosecutor, Michael also served in the Office's National Security and Cybercrimes Section. Prior to this, he served as an Assistant District Attorney for the Nassau County District Attorney's Office, where he handled complex state criminal offenses and served in the Office's Homicide Unit.

Michael has extensive trial experience both from his days as a prosecutor in New York City for the U.S. Department of Justice and as a Nassau County Assistant District Attorney. Michael served as trial counsel in more than 35 matters, many of which related to violent crime, white-collar, and terrorism-related offenses. He played a pivotal role in *United States v. Abid Naseer*, where he prosecuted and convicted an al-Qaeda operative who conspired to carry out attacks in the United States and Europe. Michael also led the investigation in *United States v. Marcos Alonso Zea*, a case in which he successfully prosecuted a citizen for attempting to join a terrorist organization in the Arabian Peninsula and for providing material support for planned attacks.

Michael also has extensive experience investigating and prosecuting cases involving the distribution of prescription opioids. In January 2012, Michael was assigned to the U.S. Attorney's Office Prescription Drug Initiative to mount a comprehensive response to what the Centers for Disease Control and Prevention (CDC) has called an epidemic increase in the abuse of so-called opioid analgesics. As a member of the initiative, in *United States v. Conway* and *United States v. Deslouche*, Michael successfully prosecuted medical professionals who were illegally prescribing opioids. In *United States v. Moss et al.*, he was responsible for dismantling one of the largest oxycodone rings operating in the New York metropolitan area at the time. In addition to prosecuting these cases, Michael spoke regularly to the community on the dangers of opioid abuse as part of the Office's community outreach.

Before becoming a prosecutor, Michael worked as a Congressional Staff Member for the U.S. House of Representatives. He primarily served as a liaison between the Majority Leader's Office and the Government Reform and Oversight Committee. During his time with the House of Representatives, Michael managed congressional oversight of the United States Postal Service and reviewed and analyzed counter-narcotics legislation as it related to national security matters.

He is a member of the Federal Bar Council American Inn of Court, which endeavors to create a community of lawyers and jurists and promotes the ideals of professionalism, mentoring, ethics, and legal skills.

Michael earned his Juris Doctor, *cum laude*, from St. John's University's School of Law. He received his Bachelor of Arts, *cum laude*, from Mary Washington College.

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Thomas A. Dubbs is a Partner in the New York office of Labaton Sucharow LLP. Tom focuses on the representation of institutional investors in domestic and multinational securities cases. Tom serves or has served as lead or co-lead counsel in some of the most important federal securities class actions in recent years, including those against American International Group, Goldman Sachs, the Bear Stearns Companies, Facebook, Fannie Mae, Broadcom, and WellCare.

Tom is highly-regarded in his practice. He has been named a top litigator by *Chambers & Partners USA* for more than 10 consecutive years and has been consistently ranked as a Leading Lawyer in Securities Litigation by *The Legal 500*. *Law360* named him an MVP of the Year for distinction in class action litigation, and he has been recognized by *The National Law Journal*, *Lawdragon*, and *Benchmark Litigation* for excellence in securities litigation. Tom has also received a rating of AV Preeminent from the publishers of the Martindale-Hubbell directory. In addition, *The Legal 500* has inducted Tom into its Hall of Fame—an honor presented to only four plaintiffs' securities litigators "who have received constant praise by their clients for continued excellence."

Tom has played an integral role in securing significant settlements in several high-profile cases, including *In re American International Group, Inc. Securities Litigation* (settlements totaling more than $1 billion); *In re Bear Stearns Companies, Inc. Securities Litigation* ($275 million settlement with Bear Stearns Companies plus a $19.9 million settlement with Deloitte & Touche LLP, Bear Stearns' outside auditor); *In re HealthSouth Securities Litigation* ($671 million settlement); *Eastwood Enterprises LLC v. Farha et al.* (WellCare Securities Litigation) (over $200 million settlement); *In re Fannie Mae 2008 Securities Litigation* ($170 million settlement); *In re Broadcom Corp. Securities Litigation* ($160.5 million settlement with Broadcom, plus $13 million settlement with Ernst & Young LLP, Broadcom's outside auditor); *In re St. Paul Travelers Securities Litigation* ($144.5 million settlement); *In re Amgen Inc. Securities Litigation* ($95 million settlement); and *In re Vesta Insurance Group, Inc. Securities Litigation* ($78 million settlement).

Representing an affiliate of the Amalgamated Bank, Tom successfully led a team that litigated a class action against Bristol-Myers Squibb, which resulted in a settlement of $185 million as well as major corporate governance reforms. He has argued before the U.S. Supreme Court and has argued 10 appeals dealing with securities or commodities issues before the U.S. Courts of Appeals.

Due to his reputation in securities law, Tom frequently lectures to institutional investors and other groups, such as the Government Finance Officers Association, the National Conference on Public Employee Retirement Systems, and the Council of Institutional Investors. He is a prolific author of articles related to his field, including "Textualism and Transnational Securities Law: A Reappraisal of Justice Scalia's Analysis in *Morrison v. National Australia Bank*," which he penned for the

Southwestern Journal of International Law. He has also written several columns in U.K. publications regarding securities class actions and corporate governance.

Prior to joining Labaton Sucharow, Tom was Senior Vice President & Senior Litigation Counsel for Kidder, Peabody & Co. Incorporated, where he represented the company in many class actions, including the *First Executive* and *Orange County* litigation and was first chair in many securities trials. Before joining Kidder, Tom was head of the litigation department at Hall, McNicol, Hamilton & Clark, where he was the principal partner representing Thomson McKinnon Securities Inc. in many matters, including the *Petro Lewis* and *Baldwin-United* class actions.

Tom serves as a FINRA Arbitrator and is an Advisory Board Member for the Institute for Transnational Arbitration. He is a member of the New York State Bar Association and the Association of the Bar of the City of New York, as well as a patron of the American Society of International Law. Tom is an active member of the American Law Institute and is currently an adviser on the proposed Restatement of the Law Third, Conflict of Laws; he was also a member of the Consultative Groups for the Restatement of the Law Fourth, U.S. Foreign Relations Law, and the Principles of Law, Aggregate Litigation. Tom also serves on the Board of Directors for The Sidney Hillman Foundation.

Tom earned his Juris Doctor and his bachelor's degree from the University of Wisconsin-Madison. He received his master's degree from the Fletcher School of Law and Diplomacy, Tufts University.

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Alfred L. Fatale III is a Partner in the New York office of Labaton Sucharow LLP and currently leads a team of attorneys focused on litigating securities claims arising from initial public offerings, secondary offerings, and stock-for-stock mergers.

Alfred's success in moving the needle in the legal industry has earned him recognition from the *National Law Journal* as a “Plaintiffs’ Lawyer Trailblazer” and *The American Lawyer* as a “Northeast Trailblazer.”

Alfred represents individual and institutional investors in cases related to the protection of the financial markets and public securities offerings in trial and appellate courts throughout the country. In particular, he is leading the Firm’s efforts to litigate securities claims against several companies in state courts following the U.S. Supreme Court’s decision in *Cyan, Inc. v. Beaver County Employees Retirement Fund*. This includes prosecuting such claims against Lyft, CVS, Restaurant Brands International, Venator Materials PLC, and SciPlay Corporation.

Since joining the Firm in 2016, Alfred has lead the investigation and prosecution of several successful cases, including *In re ADT Inc. Securities Litigation*, resulting in a $30 million recovery; *In re CPI Card Group Inc. Securities Litigation*, resulting in a $11 million recovery; *In re BrightView Holdings, Inc. Securities Litigation*, resulting in a $11.5 million recovery; and *Plymouth County Retirement Association v. Spectrum Brands Holdings Inc.*, resulting in a $9 million recovery. Alfred’s recoveries include obtaining more than $50 million for investors in cases litigated in state courts.

Alfred also regularly represents investors in cases alleging fraud-related conduct. Alfred is actively involved in *Murphy v. Precision Castparts Corp.*, a case against a major aerospace parts manufacturer that allegedly misled investors about its market share and demand for its products, and Boston Retirement System v. Alexion Pharmaceuticals Inc., a class action arising from the company’s conduct in connection with sales of Soliris—a drug that costs between $500,000 and $700,000 a year.

Prior to joining Labaton Sucharow, Alfred was an Associate at Fried, Frank, Harris, Shriver & Jacobson LLP, where he advised and represented financial institutions, investors, officers, and directors in a broad range of complex disputes and litigations including cases involving violations of federal securities law and business torts.

Alfred is an active member of the American Bar Association and the New York City Bar Association.

Alfred earned his Juris Doctor from Cornell Law School, where he was a member of the *Cornell Law Review* as well as the Moot Court Board. He also served as a Judicial Extern under the Honorable

Robert C. Mulvey. He received his bachelor's degree, *summa cum laude*, from Montclair State University.

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Christine M. Fox is a Partner in the New York office of Labaton Sucharow LLP. With more than 20 years of securities litigation experience, Christine prosecutes complex securities fraud cases on behalf of institutional investors.

Christine is recognized by *Lawdragon* as one of the "500 Leading Plaintiff Financial Lawyers in America."

Christine is actively involved in litigating matters against Peabody Energy, Nielsen, Hain Celestial, Adient, Abiomed, AT&T, and Uniti Group. She has played a pivotal role in securing favorable settlements for investors in class actions against Barrick Gold Corporation, one of the largest gold mining companies in the world ($140 million recovery); CVS Caremark, the nation's largest pharmacy retail chain ($48 million recovery); Nu Skin Enterprises, a multilevel marketing company ($47 million recovery); and Intuitive Surgical, a manufacturer of robotic-assisted technologies for surgery ($42.5 million recovery); and World Wrestling Entertainment, a media and entertainment company ($39 million recovery).

Christine is actively involved in the Firm's pro bono immigration program and reunited a father and child separated at the border. She is currently working on their asylum application.

Prior to joining the Firm, Christine worked at a national litigation firm focusing on securities, antitrust, and consumer litigation in state and federal courts. She played a significant role in securing class action recoveries in a number of high-profile securities cases, including *In re Merrill Lynch Co., Inc. Research Reports Securities Litigation* ($475 million recovery); *In re Informix Corp. Securities Litigation* ($136.5 million recovery); *In re Alcatel Alsthom Securities Litigation* ($75 million recovery); and *In re Ambac Financial Group, Inc. Securities Litigation* ($33 million recovery).

She is a member of the American Bar Association, New York State Bar Association, and Puerto Rican Bar Association.

Christine earned her Juris Doctor from the University of Michigan Law School and received her bachelor's degree from Cornell University.

Christine is conversant in Spanish.

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Jonathan Gardner is a Partner in the New York office of Labaton Sucharow LLP and serves as Head of Litigation for the Firm. With more than 30 years of experience, Jonathan oversees all of the Firm's litigation matters, including prosecuting complex securities fraud cases on behalf of institutional investors.

A *Benchmark Litigation* "Star" acknowledged by his peers as "engaged and strategic," Jonathan has also been named an MVP by *Law360* for securing hard-earned successes in high-stakes litigation and complex global matters. He is ranked by *Chambers & Partners USA* and recommended *The Legal 500*, whose sources remarked on Jonathan's ability to "understand the unique nature of complex securities litigation and strive for practical yet results-driven outcomes" and his "considerable expertise and litigation skill and practical experience that helps achieve terrific results for clients." Jonathan is also recognized by *Lawdragon* as one of the "500 Leading Plaintiff Financial Lawyers in America."

Jonathan has played an integral role in securing some of the largest class action recoveries against corporate offenders since the global financial crisis. He led the Firm's team in the investigation and prosecution of *In re Barrick Gold Securities Litigation*, which resulted in a $140 million recovery. He has also served as the lead attorney in several cases resulting in significant recoveries for injured class members, including *In re Hewlett-Packard Company Securities Litigation* ($57 million recovery); *Public Employees' Retirement System of Mississippi v. Endo International PLC (*$50 million recovery); *Medoff v. CVS Caremark Corporation* ($48 million recovery); *In re Nu Skin Enterprises, Inc., Securities Litigation*, ($47 million recovery); *In re Intuitive Surgical Securities Litigation* ($42.5 million recovery); *In re Carter's Inc. Securities Litigation* ($23.3 million recovery against Carter's and certain officers, as well as its auditing firm PricewaterhouseCoopers); *In re Aeropostale Inc. Securities Litigation* ($15 million recovery); *In re Lender Processing Services Inc*. ($13.1 million recovery); and *In re K-12, Inc. Securities Litigation* ($6.75 million recovery).

Jonathan has led the Firm's representation of investors in many high-profile cases including *Rubin v. MF Global Ltd*., which involved allegations of material misstatements and omissions in a Registration Statement and Prospectus issued in connection with MF Global's IPO. The case resulted in a recovery of $90 million for investors. Jonathan also represented lead plaintiff City of Edinburgh Council as Administering Authority of the Lothian Pension Fund in *In re Lehman Brothers Equity/Debt Securities Litigation*, which resulted in settlements exceeding $600 million against Lehman Brothers' former officers and directors, Lehman's former public accounting firm, as well the banks that underwrote Lehman Brothers' offerings. In representing lead plaintiff Massachusetts Bricklayers and Masons Trust Funds in an action against Deutsche Bank, Jonathan secured a $32.5 million recovery for a class of investors injured by the bank's conduct in connection with certain residential mortgage-backed securities.

Jonathan has also been responsible for prosecuting several of the Firm's options backdating cases, including *In re Monster Worldwide, Inc. Securities Litigation* ($47.5 million settlement); *In re SafeNet, Inc. Securities Litigation* ($25 million settlement); *In re Semtech Securities Litigation* ($20 million settlement); and *In re MRV Communications, Inc. Securities Litigation* ($10 million settlement). He also was instrumental in *In re Mercury Interactive Corp. Securities Litigation*, which settled for $117.5 million, one of the largest settlements or judgments in a securities fraud litigation based on options backdating. Jonathan also represented the Successor Liquidating Trustee of Lipper Convertibles, a convertible bond hedge fund, in actions against the fund's former independent auditor and a member of the fund's general partner as well as numerous former limited partners who received excess distributions. He successfully recovered over $5.2 million for the Successor Liquidating Trustee from the limited partners and $29.9 million from the former auditor.

Jonathan is a member of the Federal Bar Council, New York State Bar Association, and the Association of the Bar of the City of New York.

Jonathan earned his Juris Doctor from St. John's University School of Law. He received his bachelor's degree from American University.

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Thomas G. Hoffman, Jr. is a partner in the New York office of Labaton Sucharow LLP. Thomas focuses on representing institutional investors in complex securities actions. He is currently prosecuting cases against BP and Allstate.

Thomas was instrumental in securing a $1 billion recovery in the eight-year litigation against AIG and related defendants. He also was a key member of the Labaton Sucharow team that recovered $170 million for investors in *In re 2008 Fannie Mae Securities Litigation*.

Thomas earned his Juris Doctor from UCLA School of Law, where he was Editor-in-Chief of the *UCLA Entertainment Law Review* and served as a Moot Court Executive Board Member. In addition, he served as a judicial extern to the Honorable William J. Rea, United States District Court for the Central District of California. Thomas received his bachelor's degree, with honors, from New York University.

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James W. Johnson is a Partner in the New York office of Labaton Sucharow LLP. Jim focuses on litigating complex securities fraud cases. In addition to his active caseload, Jim holds a variety of leadership positions within the Firm, including serving on the Firm's Executive Committee. He also serves as the Executive Partner overseeing firm-wide issues.

Jim has been recognized by *Lawdragon* as one of the "500 Leading Lawyers in America" and one of the country's top "Plaintiff Financial Lawyers," and *Benchmark Litigation* has named him a "Litigation Star." He has also received a rating of AV Preeminent from the publishers of the *Martindale-Hubbell* directory.

In representing investors who have been victimized by securities fraud and breaches of fiduciary responsibility, Jim's advocacy has resulted in record recoveries for wronged investors. Currently, he is prosecuting the high-profile case against financial industry leader Goldman Sachs—*In re Goldman Sachs Group, Inc. Securities Litigation*.

A recognized leader in his field, Jim has successfully litigated a number of complex securities and RICO class actions. These include *In re HealthSouth Corp. Securities Litigation* ($671 million settlement); *Eastwood Enterprises LLC v. Farha et al. (WellCare Securities Litigation)* ($200 million settlement); *In re Amgen Inc. Securities Litigation* ($95 million settlement); *In re Vesta Insurance Group, Inc. Securities Litigation* ($79 million settlement); and *In re SCANA Securities Litigation* ($192.5 million settlement). Other notably successes include *In re National Health Laboratories, Inc. Securities Litigation*, which resulted in a recovery of $80 million in the federal action and a related state court derivative action, and *In re Bristol Myers Squibb Co. Securities Litigation*, in which the court approved a $185 million settlement including significant corporate governance reforms and recognized plaintiff's counsel as "extremely skilled and efficient."

Jim also represented lead plaintiffs in *In re Bear Stearns Companies, Inc. Securities Litigation*, securing a $275 million settlement with Bear Stearns Companies, plus a $19.9 million settlement with Deloitte & Touche LLP, Bear Stearns' outside auditor. In *County of Suffolk v. Long Island Lighting Co.*, Jim represented the plaintiff in a RICO class action, securing a jury verdict after a two-month trial that resulted in a $400 million settlement. The Second Circuit quoted the trial judge, the Honorable Jack B. Weinstein, as stating, "Counsel [has] done a superb job [and] tried this case as well as I have ever seen any case tried." On behalf of the Chugach Native Americans, he also assisted in prosecuting environmental damage claims resulting from the Exxon Valdez oil spill.

Jim is a Member of the American Bar Association and the Association of the Bar of the City of New York, where he served on the Federal Courts Committee. He is also a Fellow in the Litigation Council of America and a Member of the Advisory Board of the Institute for Law and Economic Policy.

Jim earned his Juris Doctor from New York University School of Law and his bachelor's degree from Fairfield University.

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Edward Labaton is a Partner in the New York office of Labaton Sucharow LLP. An accomplished trial and appellate lawyer, Ed has devoted his 50 years of practice to representing a full range of clients in class action and complex litigation matters in state and federal court.

Ed's distinguished career has won his recognition from *The National Law Journal* as a "Plaintiffs' Lawyer Trailblazer" and from *Lawdragon* one of the country's "500 Leading Plaintiff Financial Lawyers," as well as recommendations from *The Legal 500* for excellence in the field of securities litigation. Notably, Ed is the recipient of the Alliance for Justice's "Champion of Justice Award," given to outstanding individuals whose life and work exemplifies the principle of equal justice.

Ed has played a leading role as plaintiffs' class counsel in a number of successful, high-profile cases involving companies such as PepsiCo, Dun & Bradstreet, Financial Corporation of America, ZZZZ Best, Revlon, GAF Co., American Brands, Petro Lewis, and Jim Walter, as well as several Big Eight (now Big Four) accounting firms. He has also argued appeals in state and federal courts, achieving results with important precedential value.

Ed's commitment to the bar extends far beyond the courtroom. For more than 30 years, he has lectured on a variety of topics, including federal civil litigation, securities litigation, and corporate governance. Ed is a founder of the Institute for Law and Economic Policy (ILEP), a research and educational foundation dedicated to enhancing investor and consumer access to the civil justice system. Each year, ILEP co-sponsors symposia with major law schools to address issues relating to civil justice; Ed currently serves as its President Emeritus. In 2010, Ed was appointed to the newly-formed Advisory Board of George Washington University's Center for Law, Economics, & Finance, a think tank within the Law School, for the study and debate of major issues in economic and financial law confronting the United States and the globe. In addition, Ed has served on the Executive Committee and has been an officer of the Ovarian Cancer Research Fund since its inception.

Ed is an Honorary Lifetime Member of the Lawyers' Committee for Civil Rights Under Law, a Member of the American Law Institute, and a Life Member of the ABA Foundation. Ed is a past Chairman of the Federal Courts Committee of the New York County Lawyers Association and was a member of the organization's Board of Directors. He is active in the New York City Bar Association, where he was previously Chair of the Senior Lawyers' Committee and served on its Task Force on the Role of Lawyers in Corporate Governance. He has also served on its Federal Courts, Federal Legislation, Securities Regulation, International Human Rights, and Corporation Law Committees. Ed previously served as Chair of the Legal Referral Service Committee, a joint committee of the New York County Lawyers' Association and the New York City Bar Association. In addition, he has been an active Member of the American Bar Association, the Federal Bar Council, and the New York State Bar Association, where was a Member of the House of Delegates.

Ed earned his Bachelor of Laws from Yale University. He received his Bachelor of Business Administration from City College of New York.

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Francis P. McConville is a Partner in the New York office of Labaton Sucharow LLP. Francis focuses on prosecuting complex securities fraud cases on behalf of institutional investor clients. As a lead member of the Firm's Case Development Group, he focuses on the identification, investigation, and development of potential actions to recover investment losses resulting from violations of the federal securities laws and various actions to vindicate shareholder rights in response to corporate and fiduciary misconduct.

Francis has been named a "Rising Star" of securities litigation in *Law360's* list of attorneys under 40 whose legal accomplishments transcend their age.

Francis has played a key role in filing several matters on behalf of the Firm, including *In re PG&E Corporation Securities Litigation*; *In re SCANA Securities Litigation* ($192.5 million settlement); *Steamfitters Local 449 Pension Plan v. Skechers U.S.A., Inc.*; and *In re Nielsen Holdings PLC Securities Litigation*.

Prior to joining Labaton Sucharow, Francis was a Litigation Associate at a national law firm primarily focused on securities and consumer class action litigation. Francis has represented institutional and individual clients in federal and state court across the country in class action securities litigation and shareholder disputes, along with a variety of commercial litigation matters. He assisted in the prosecution of several matters, including *Kiken v. Lumber Liquidators Holdings, Inc.* ($42 million recovery); *Hayes v. MagnaChip Semiconductor Corp.* ($23.5 million recovery); and *In re Galena Biopharma, Inc. Securities Litigation* ($20 million recovery).

Francis received his Juris Doctor, *magna cum laude*, from New York Law School, where he was named a John Marshall Harlan Scholar, and received a Public Service Certificate. Francis served as Associate Managing Editor of the *New York Law School Law Review* and worked in the Urban Law Clinic. He earned his Bachelor of Arts degree from the University of Notre Dame.

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Domenico "Nico" Minerva is a Partner in the New York office of Labaton Sucharow LLP. A former financial advisor, his work focuses on securities, antitrust, and consumer class actions and shareholder derivative litigation, representing Taft-Hartley and public pension funds across the country. Nico advises leading pension funds and other institutional investors on issues related to corporate fraud in the U.S. securities markets.

Nico is described by clients as "always there for us" and known to provide "an honest answer and describe all the parameters and/or pitfalls of each and every case." As a result of his work, the Firm has received a Tier 2 ranking in Antitrust Civil Litigation and Class Actions from *Legal 500*.

Nico's extensive securities litigation experience includes the case against global security systems company Tyco and co-defendant PricewaterhouseCoopers (*In re Tyco International Ltd., Securities Litigation*), which resulted in a $3.2 billion settlement—the largest single-defendant settlement in post-PSLRA history. He also has counseled companies and institutional investors on corporate governance reform.

Nico has also done substantial work in antitrust class actions. These include pay-for-delay or "product hopping" cases in which pharmaceutical companies allegedly obstructed generic competitors in order to preserve monopoly profits on patented drugs, such as *Mylan Pharmaceuticals Inc. v. Warner Chilcott Public Limited Co.*, *In re Lidoderm Antitrust Litigation*, *In re Solodyn (MinocyclineHydrochloride) Antitrust Litigation*, *In re Niaspan Antitrust Litigation*, *In re Aggrenox Antitrust Litigation*, and *Sergeants Benevolent Association Health & Welfare Fund et al. v. Actavis PLC et al.* In the anticompetitive matter *The Infirmary LLC vs. National Football League Inc et al.*, Nico played an instrumental part in challenging an exclusivity agreement between the NFL and DirectTV over the service's "NFL Sunday Ticket" package. He also litigated on behalf of indirect purchasers in a case alleging that growers conspired to control and suppress the nation's potato supply, *In re Fresh and Process Potatoes Antitrust Litigation*.

On behalf of consumers, Nico represented a plaintiff in *In Re ConAgra Foods Inc.,* over misleading claims that Wesson-brand vegetable oils are 100% natural.

An accomplished speaker, Nico has given numerous presentations to investors on topics related to corporate fraud, wrongdoing, and waste. He is also an active member of the National Association of Public Pension Plan Attorneys.

Nico earned his Juris Doctor from Tulane University Law School, where he completed a two-year externship with the Honorable Kurt D. Engelhardt of the United States District Court for the Eastern District of Louisiana. He received his bachelor's degree from the University of Florida.

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Corban S. Rhodes is a Partner in the New York office of Labaton Sucharow LLP. Corban focuses on prosecuting consumer cybersecurity and data privacy litigation, as well as complex securities fraud cases on behalf of institutional investors.

Corban has been recognized as a "Rising Star" in Consumer Protection Law by *Law360* and a New York Metro "Rising Star" by *Super Lawyers*, a Thomson Reuters publication, noting his experience and contributions to the securities litigation field. *Benchmark Litigation* has recognized him as a "Future Star" and, in 2020, selected him to the "40 & Under Hot List," which includes "the best and brightest law firm partners who stand out in their practices" and are "ready to take the reins."

Corban is actively pursuing a number of matters involving consumer data privacy, including cases of alleged misuse or misappropriation of consumer data. Most notably, Corban is part of the litigation team that recently achieved a historic $650 million settlement in the *In re Facebook Biometric Information Privacy Litigation* matter—the largest consumer data privacy settlement ever, and one of the first cases asserting biometric privacy rights of consumers under Illinois' Biometric Information Privacy Act (BIPA). Corban has also litigated cases of negligence or other malfeasance leading to data breaches, including the largest known data breach in history, *In re Yahoo! Inc. Customer Data Breach Security Litigation*, affecting nearly 3 billion consumers.

Corban maintains an active practice representing shareholders litigating fraud-based claims and has successfully litigated dozens of cases against most of the largest Wall Street banks in connection with their underwriting and securitization of mortgage-backed securities leading up to the financial crisis. Currently, Corban is litigating the massive high frequency trading scandal in *City of Providence, et al. v. BATS Global Markets, et al*., alleging preferential treatment of trading orders for certain customers of the large securities exchanges. Corban is also actively prosecuting several securities fraud actions against pharmaceutical giant AbbVie Inc., stemming from alleged misrepresentations in connection with their failed $54 billion merger with U.K.-based Shire.

Prior to joining Labaton Sucharow, Corban was an Associate at Sidley Austin LLP where he practiced complex commercial litigation and securities regulation and served as the lead associate on behalf of large financial institutions in several investigations by regulatory and enforcement agencies related to the financial crisis.

Corban has served on the Securities Litigation Committee of the New York City Bar Association and is also a past recipient of the Thurgood Marshall Award for his pro bono representation on a habeas petition of a capital punishment sentence.

Corban received a Juris Doctor, *cum laude*, from Fordham University School of Law, where he received the Lawrence J. McKay Advocacy Award for excellence in oral advocacy and was a board member of the Fordham Moot Court team. He earned his Bachelor of Arts, *magna cum laude*, in History from Boston College.

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Mark D. Richardson is a Partner in the Delaware office of Labaton Sucharow LLP. Mark focuses on representing shareholders in corporate governance and transactional matters, including class action and derivative litigation.

Mark is recommended by *The Legal 500* for the excellence of his work in the Chancery. Clients highlighted his team's ability to "generate strong cases and take creative and innovative positions."

Mark is actively prosecuting, among other matters, *In re Straight Path Communications Inc. Consol. Stockholder Litigation*; *In re Dell Technologies Inc. Class V Stockholders Litigation*; and *In re AmTrust Financial Services, Inc. Stockholder Litigation*—three class actions pending in the Delaware Court of Chancery. He recently served as Co-Lead Counsel in a derivative action on behalf of stockholders of AGNC Investment Corp., which challenged excessive payments under an external management agreement and in connection with a subsequent internalization transaction. The case settled for $35.5 million.

Prior to joining Labaton Sucharow, Mark was an Associate at Schulte Roth & Zabel LLP, where he gained substantial experience in complex commercial litigation within the financial services industry and advised and represented clients in class action litigation, expedited bankruptcy proceedings and arbitrations, fraudulent transfer actions, proxy fights, internal investigations, employment disputes, breaches of contract, enforcement of non-competes, data theft, and misappropriation of trade secrets.

In addition to his active caseload, Mark has contributed to numerous publications and is the recipient of *The Burton Awards* Distinguished Legal Writing Award for his article published in the *New York Law Journal*, "Options When a Competitor Raids the Company."

Mark earned his Juris Doctor from Emory University School of Law, where he served as the President of the Student Bar Association. He received his Bachelor of Science from Cornell University.

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Michael H. Rogers is a Partner in the New York office of Labaton Sucharow LLP. An experienced litigator, Mike focuses on prosecuting complex securities fraud cases on behalf of institutional investors.

He is actively involved in prosecuting *In re Goldman Sachs, Inc. Securities Litigation*; *Murphy v. Precision Castparts Corp.*; *In re Acuity Brands, Inc. Securities Litigation*; *In re CannTrust, Inc. Securities Litigation*; and *In re Jen-Weld Holding, Inc. Securities Litigation*.

Mike has been a member of the lead counsel teams in many successful class actions, including those against Countrywide Financial Corp. ($624 million settlement), HealthSouth Corp. ($671 million settlement), State Street ($300 million settlement), SCANA Corp ($192.5 million settlement), Mercury Interactive Corp. ($117.5 million settlement), Computer Sciences Corp. ($97.5 million settlement), and Virtus Investment Partners ($20 million settlement).

Prior to joining Labaton Sucharow, Mike was an attorney at Kasowitz, Benson, Torres & Friedman LLP, where he practiced securities and antitrust litigation, representing international banking institutions bringing federal securities and other claims against major banks, auditing firms, ratings agencies and individuals in complex multidistrict litigation. He also represented an international chemical shipping firm in arbitration of antitrust and other claims against conspirator ship owners. Mike began his career as an attorney at Sullivan & Cromwell, where he was part of Microsoft's defense team in the remedies phase of the Department of Justice antitrust action against the company.

Mike earned his Juris Doctor, *magna cum laude*, from the Benjamin N. Cardozo School of Law, Yeshiva University, where he was a member of the *Cardozo Law Review*. He earned his bachelor's degree, *magna cum laude*, from Columbia University.

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Ira A. Schochet is a Partner in the New York office of Labaton Sucharow LLP. A seasoned litigator with three decades of experience, Ira focuses on class actions involving securities fraud. Ira has played a lead role in securing multimillion dollar recoveries in high-profile cases such as those against Countrywide Financial Corporation ($624 million), Weatherford International Ltd ($120 million), Massey Energy Company ($265 million), Caterpillar Inc. ($23 million), Autoliv Inc. ($22.5 million), and Fifth Street Financial Corp. ($14 million).

A highly regarded industry veteran, Ira has been recommended in securities litigation by *The Legal 500*, named a "Leading Plaintiff Financial Lawyer" by *Lawdragon* and been awarded an AV Preeminent rating, the highest distinction, from Martindale-Hubbell.

Ira is a longtime leader in the securities class action bar and represented one of the first institutional investors acting as a lead plaintiff in a post-Private Securities Litigation Reform Act case and ultimately obtained one of the first rulings interpreting the statute's intent provision in a manner favorable to investors in *STI Classic Funds, et al. v. Bollinger Industries, Inc.* His efforts are regularly recognized by the courts, including in *Kamarasy v. Coopers & Lybrand*, where the court remarked on "the superior quality of the representation provided to the class." In approving the settlement he achieved in *In re InterMune Securities Litigation*, the court complimented Ira's ability to secure a significant recovery for the class in a very efficient manner, shielding the class from prolonged litigation and substantial risk.

Ira has also played a key role in groundbreaking cases in the field of merger and derivative litigation. In *In re Freeport-McMoRan Copper & Gold Inc. Derivative Litigation*, he achieved the second largest derivative settlement in the Delaware Court of Chancery history, a $153.75 million settlement with an unprecedented provision of direct payments to stockholders by means of a special dividend. In another first-of-its-kind case, Ira was featured in *The AmLaw Litigation Daily* as Litigator of the Week for his work in *In re El Paso Corporation Shareholder Litigation*. The action alleged breach of fiduciary duties in connection with a merger transaction, including specific reference to wrongdoing by a conflicted financial advisory consultant, and resulted in a $110 million recovery for a class of shareholders and a waiver by the consultant of its fee.

From 2009-2011, Ira served as President of the National Association of Shareholder and Consumer Attorneys (NASCAT), a membership organization of approximately 100 law firms that practice class action and complex civil litigation. During this time, he represented the plaintiffs' securities bar in meetings with members of Congress, the Administration, and the SEC.

From 1996 through 2012, Ira served as Chairman of the Class Action Committee of the Commercial and Federal Litigation Section of the New York State Bar Association. During his tenure, he served on the Executive Committee of the Section and authored important papers on issues relating to class action procedure including revisions proposed by both houses of Congress and the Advisory Committee on Civil Procedure of the United States Judicial Conference. Examples include "Proposed Changes in Federal Class Action Procedure," "Opting Out on Opting In," and "The Interstate Class Action Jurisdiction Act of 1999." Ira has also lectured extensively on securities litigation at seminars throughout the country.

Ira earned his Juris Doctor from Duke University School of Law and his bachelor's degree, *summa cum laude*, from the State University of New York at Binghamton.

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David J. Schwartz is a Partner in the New York office of Labaton Sucharow LLP. David focuses on event-driven and special situation litigation using legal strategies to enhance clients' investment returns.

David has been named a "Future Star" by *Benchmark Litigation*. He was also selected, three years in a row, to *Benchmark*'s "40 & Under Hot List," which recognized him as one of the nation's most accomplished partners attorneys.

David's extensive experience includes prosecuting, as well as defending against, securities and corporate governance actions for an array of domestic and international clients, including retail investors, hedge funds, merger arbitrage investors, pension funds, mutual funds, and asset management companies. He played a pivotal role in several securities class action cases, including against real estate service provider Altisource Portfolio Solutions, where he helped achieve a $32 million cash settlement, and investment management firm Virtus Investment Partners, which resulted in a $22 million settlement. David has also done substantial work in mergers and acquisitions appraisal litigation, and direct action/opt-out litigation.

Among other cases, David is currently prosecuting *In re Silver Lake Group, L.L.C. Securities Litigation*; *In re Mindbody, Inc. Securities Litigation*; and several international appraisal actions.

David earned his Juris Doctor from Fordham University School of Law, where he served on the *Urban Law Journal*. He received his bachelor's degree in economics, graduating with honors, from The University of Chicago.

Irina Vasilchenko Partner

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Irina Vasilchenko is a Partner in the New York office of Labaton Sucharow LLP and head of the Firm's Associate Training Program. Irina focuses on prosecuting complex securities fraud cases on behalf of institutional investors and has over a decade of experience in such litigation.

Irina is recognized as an up-and-coming litigator whose legal accomplishments transcend her age. She has been named repeatedly to *Benchmark Litigation's* "40 & Under Hot List" and also has been recognized as a "Future Star" by *Benchmark Litigation* and a "Rising Star" by *Law360*, one of only six securities attorneys in its 2020 list. Additionally, *Lawdragon* has named her one of the "500 Leading Plaintiff Financial Lawyers in America."

Currently, Irina is involved in prosecuting the high-profile case against financial industry leader Goldman Sachs, *In re Goldman Sachs Group, Inc. Securities Litigation*, arising from its Abacus and other subprime mortgage-backed CDOs during the Financial Crisis, including defending against an appeal of the class certification order to the U.S. Supreme Court and to the Second Circuit. She is also actively prosecuting *In re Acuity Brands, Inc. Securities Litigation*; *Meitav Dash Provident Funds and Pension Ltd. v. Spirit AeroSystems Holdings, Inc.*; and *Perrelouis v. Gogo Inc*.

Recently, Irina played a pivotal role in securing a historic $192.5 million settlement for investors in energy company SCANA Corp. over a failed nuclear reactor project in South Carolina, as well as a $19 million settlement in a shareholders' suit against Daimler AG over its Mercedes Benz diesel emissions scandal. Since joining Labaton Sucharow, she also has been a key member of the Firm's teams that have obtained favorable settlements for investors in numerous securities cases, including *In re Massey Energy Co. Securities Litigation* ($265 million settlement); *In re Fannie Mae 2008 Securities Litigation* ($170 million settlement); *In re Amgen Inc. Securities Litigation* ($95 million settlement); *In re Hewlett-Packard Company Securities Litigation* ($57 million settlement); and *In re Extreme Networks, Inc. Securities Litigation* ($7 million settlement).

Irina maintains a commitment to pro bono legal service, including representing an indigent defendant in a criminal appeal case before the New York First Appellate Division, in association with the Office of the Appellate Defender. As part of this representation, she argued the appeal before the First Department panel. Prior to joining Labaton Sucharow, Irina was an Associate in the general litigation practice group at Ropes & Gray LLP, where she focused on securities litigation.

She is a member of the New York State Bar Association and New York City Bar Association.

Irina received her Juris Doctor, *magna cum laude*, from Boston University School of Law, where she was an editor of the *Boston University Law Review* and was the G. Joseph Tauro Distinguished Scholar, the Paul L. Liacos Distinguished Scholar, and the Edward F. Hennessey Scholar. Irina earned a Bachelor of Arts in Comparative Literature, *summa cum laude* and Phi Beta Kappa, from Yale University.

Irina is fluent in Russian and proficient in Spanish.

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Carol C. Villegas is a Partner in the New York office of Labaton Sucharow LLP. Carol focuses on prosecuting complex securities fraud and consumer cases on behalf of institutional investors and individuals. Leading one of the Firm's litigation teams, she is actively overseeing litigation against AT&T, Marriott, Nielsen Holdings, Mindbody, Danske Bank, Peabody Energy, Flo Health, Amazon, and Hain. In addition to her litigation responsibilities, Carol holds a variety of leadership positions within the Firm, including serving on the Firm's Executive Committee, as Chair of the Firm's Women's Networking and Mentoring Initiative, and as the Chief of Compliance.

Carol's development of innovative case theories in complex cases, her skillful handling of discovery work, and her adept ability during oral argument has earned her accolades from *The National Law Journal* as a "Plaintiffs' Trailblazer" and the *New York Law Journal* as a "Top Woman in Law" and a "New York Trailblazer." *The National Law Journal* recognized Carol's superb ability to excel in high-stakes matters on behalf of plaintiffs and selected her to its 2020 class of "Elite Women of the Plaintiffs Bar." She has also been recognized as a "Future Star" by *Benchmark Litigation* and a "Next Generation Partner" by *The Legal 500*, where clients praised her for helping them "better understand the process and how to value a case." *Lawdragon* has named her one of the "500 Leading Plaintiff Financial Lawyers in America," and *Crain's New York Business* selected Carol to its list of "Notable Women in Law."

Carol has played a pivotal role in securing favorable settlements for investors, including DeVry, a for-profit university; AMD, a multi-national semiconductor company; Liquidity Services, an online auction marketplace; Aeropostale, a leader in the international retail apparel industry; Vocera, a healthcare communications provider; Prothena, a biopharmaceutical company; and World Wrestling Entertainment, a media and entertainment company, among others. Carol has also helped revive a securities class action against LifeLock after arguing an appeal before the Ninth Circuit. The case settled shortly thereafter.

Prior to joining Labaton Sucharow, Carol served as the Assistant District Attorney in the Supreme Court Bureau for the Richmond County District Attorney's office, where she took several cases to trial. She began her career as an Associate at King & Spalding LLP, where she worked as a federal litigator.

Carol is an active member of the New York State Bar Association's Women in the Law Section and Chair of the Board of Directors of the City Bar Fund, the nonprofit 501(c)(3) arm of the New York City Bar Association. She is also a member of the National Association of Public Pension Attorneys, the National Association of Women Lawyers, and the Hispanic National Bar Association. In addition, Carol currently serves on *Law360's* Securities Editorial Board.

Carol earned her Juris Doctor from New York University School of Law, where she was the recipient of The Irving H. Jurow Achievement Award for the Study of Law and received the Association of the Bar of the City of New York Diversity Fellowship. She received her bachelor's degree, with honors, from New York University.

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Ned Weinberger is a Partner in the Delaware office of Labaton Sucharow LLP and is Chair of the Firm's Corporate Governance and Shareholder Rights Litigation Practice. An experienced advocate of shareholder rights, Ned focuses on representing investors in corporate governance and transactional matters, including class action and derivative litigation.

Highly regarded in his practice, Ned has been recognized by *Chambers & Partners USA* in the Delaware Court of Chancery and was named "Up and Coming" for three consecutive years—the by-product of his impressive range of practice areas. After being named a "Future Star" earlier in his career, Ned is now recognized by *Benchmark Litigation* as a "Litigation Star" and has been selected to *Benchmark*'s "40 & Under Hot List." He has also been named a "Leading Lawyer" by *The Legal 500*, whose sources remarked that he "is one of the best plaintiffs' lawyers in Delaware," who "commands respect and generates productive discussion where it is needed."

Ned is actively prosecuting, among other matters, *In re Straight Path Communications Inc. Consolidated Stockholder Litigation*, which alleges breaches of fiduciary duty by the controlling stockholder of Straight Path Communications, Howard Jonas, in connection with the company's sale to Verizon Communications Inc. He recently led a class and derivative action on behalf of stockholders of Providence Service Corporation—*Haverhill Retirement System v. Kerley*—that challenged an acquisition financing arrangement involving Providence's board chairman and his hedge fund. The case settled for $10 million.

Ned was part of a team that achieved a $12 million recovery on behalf of stockholders of ArthroCare Corporation in a case alleging breaches of fiduciary duty by the ArthroCare board of directors and other defendants in connection with Smith & Nephew, Inc.'s acquisition of ArthroCare. Other recent successes on behalf of stockholders include *In re Vaalco Energy Inc. Consolidated Stockholder Litigation*, which resulted in the invalidation of charter and bylaw provisions that interfered with stockholders' fundamental right to remove directors without cause.

Prior to joining Labaton Sucharow, Ned was a Litigation Associate at Grant & Eisenhofer P.A., where he gained substantial experience in all aspects of investor protection, including representing shareholders in matters relating to securities fraud, mergers and acquisitions, and alternative entities. Representative of Ned's experience in the Delaware Court of Chancery is *In re Barnes & Noble Stockholders Derivative Litigation*, in which Ned assisted in obtaining approximately $29 million in settlements on behalf of Barnes & Noble investors. Ned was also part of the litigation team in *In re Clear Channel Outdoor Holdings, Inc. Shareholder Litigation*, the settlement of which provided numerous benefits for Clear Channel Outdoor Holdings and its shareholders, including, among other things, a $200 million cash dividend to the company's shareholders.

Ned is a Member of the Advisory Board of the Institute for Law and Economic Policy (ILEP), a research and educational foundation dedicated to enhancing investor and consumer access to the civil justice system.

Ned earned his Juris Doctor from the Louis D. Brandeis School of Law at the University of Louisville, where he served on the Journal of Law and Education. He received his bachelor's degree, *cum laude*, from Miami University.

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Mark S. Willis is a Partner in the D.C. office of Labaton Sucharow LLP. With more than three decades of experience, Mark's practice focuses on domestic and international securities litigation. Mark advises leading pension funds, investment managers, and other institutional investors from around the world on their legal remedies when impacted by securities fraud and corporate governance breaches. Mark represents clients in U.S. litigation and maintains a significant practice advising clients on the pursuit of securities-related claims abroad.

Mark is recommended by *The Legal 500* for excellence in securities litigation and has been named one of *Lawdragon's* "500 Leading Plaintiff Financial Lawyer in America." Under his leadership, the Firm has been awarded *Law360* Practice Group of the Year Awards for Class Actions and Securities.

Mark represents institutions from the United Kingdom, Spain, the Netherlands, Denmark, Germany, Belgium, Canada, Japan, and the United States in a novel lawsuit in Texas against BP plc to salvage claims that were dismissed from the U.S. class action because the claimants' BP shares were purchased abroad (thus running afoul of the Supreme Court's *Morrison* rule that precludes a U.S. legal remedy for such shares). These previously dismissed claims have now been sustained and are being pursued under English law in a Texas federal court.

Mark also represents the Utah Retirement Systems in a shareholder action against the DeVry Education Group, and he represented the Arkansas Public Employees Retirement System in a shareholder action against The Bancorp (which settled for $17.5 million), and Caisse de dépôt et placement du Québec, one of Canada's largest institutional investors, in a U.S. shareholder class action against Liquidity Services (which settled for $17 million).

In the *Converium* class action, Mark represented a Greek institution in a nearly four-year battle that eventually became the first U.S. class action settled on two continents. This trans-Atlantic result saw part of the $145 million recovery approved by a federal court in New York, and the rest by the Amsterdam Court of Appeal. The Dutch portion was resolved using the Netherlands then newly enacted Act on Collective Settlement of Mass Claims. In doing so, the Dutch Court issued a landmark decision that substantially broadened its jurisdictional reach, extending jurisdiction for the first time to a scenario in which the claims were not brought under Dutch law, the alleged wrongdoing took place outside the Netherlands, and none of the potentially liable parties were domiciled in the Netherlands.

In the corporate governance arena, Mark has represented both U.S. and overseas investors. In a shareholder derivative action against Abbott Laboratories' directors, he charged the defendants with mismanagement and fiduciary breaches for causing or allowing the company to engage in a 10-year off-label marketing scheme, which had resulted in a $1.6 billion payment pursuant to a Justice

Department investigation—at the time the second largest in history for a pharmaceutical company. In the derivative action, the company agreed to implement sweeping corporate governance reforms, including an extensive compensation clawback provision going beyond the requirements under the Dodd-Frank Act, as well as the restructuring of a board committee and enhancing the role of the Lead Director. In the *Parmalat* case, known as the "Enron of Europe" due to the size and scope of the fraud, Mark represented a group of European institutions and eventually recovered nearly $100 million and negotiated governance reforms with two large European banks who, as part of the settlement, agreed to endorse their future adherence to key corporate governance principles designed to advance investor protection and to minimize the likelihood of future deceptive transactions. Securing governance reforms from a defendant that was not an issuer was a first at that time in a shareholder fraud class action.

Mark has also represented clients in opt-out actions. In one, brought on behalf of the Utah Retirement Systems, Mark negotiated a settlement that was nearly four times more than what its client would have received had it participated in the class action.

On non-U.S. actions Mark has advised clients, and represented their interests as liaison counsel, in more than 30 cases against companies such as Volkswagen, Olympus, the Royal Bank of Scotland, the Lloyds Banking Group, and Petrobras, and in jurisdictions ranging from the UK to Japan to Australia to Brazil to Germany.

Mark has written on corporate, securities, and investor protection issues—often with an international focus—in industry publications such as *International Law News, Professional Investor, European Lawyer, and Investment & Pensions Europe*. He has also authored several chapters in international law treatises on European corporate law and on the listing and subsequent disclosure obligations for issuers listing on European stock exchanges. He also speaks at conferences and at client forums on investor protection through the U.S. federal securities laws, corporate governance measures, and the impact on shareholders of non-U.S. investor remedies.

Mark earned his Juris Doctor from the Pepperdine University School of Law and his master's degree from Georgetown University Law Center.

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Nicole M. Zeiss is a Partner in the New York office of Labaton Sucharow. A litigator with two decades of experience, Nicole leads the Firm's Settlement Group, which analyzes the fairness and adequacy of the procedures used in class action settlements. Her practice focuses on negotiating and documenting complex class action settlements and obtaining the required court approval of the settlements, notice procedures, and payments of attorneys' fees.

Nicole was part of the Labaton Sucharow team that successfully litigated the $185 million settlement in *In re Bristol-Myers Squibb Securities Litigation*. She played a significant role in *In re Monster Worldwide, Inc. Securities Litigation* ($47.5 million settlement). Nicole also litigated on behalf of investors who have been damaged by fraud in the telecommunications, hedge fund, and banking industries. Over the past decade, Nicole has been actively involved in finalizing the Firm's securities class action settlements, including in cases against Massey Energy Company ($265 million), SCANA ($192.5 million), Fannie Mae ($170 million), and Schering-Plough ($473 million), among many others.

Prior to joining Labaton Sucharow, Nicole practiced poverty law at MFY Legal Services. She also worked at Gaynor & Bass practicing general complex civil litigation, particularly representing the rights of freelance writers seeking copyright enforcement.

Nicole is a member of the New York City Bar Association and the New York State Bar Association. Nicole also maintains a commitment to pro bono legal services.

She received a Juris Doctor from the Benjamin N. Cardozo School of Law, Yeshiva University, and earned a Bachelor of Arts in Philosophy from Barnard College.

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Mark Bogen is Of Counsel in the New York office of Labaton Sucharow LLP. Mark advises leading pension funds and other institutional investors on issues related to corporate fraud in domestic and international securities markets. His work focuses on securities, antitrust, and consumer class action litigation, representing Taft-Hartley and public pension funds across the country.

Among his many efforts to protect his clients' interests and maximize shareholder value, Mark recently helped bring claims against and secure a settlement with Abbott Laboratories' directors, whereby the company agreed to implement sweeping corporate governance reforms, including an extensive compensation clawback provision going beyond the requirements under the Dodd-Frank Act.

Mark has written weekly legal columns for the Sun-Sentinel, one of the largest daily newspapers circulated in Florida. He has been legal counsel to the American Association of Professional Athletes, an association of over 4,000 retired professional athletes. He has also served as an Assistant State Attorney and as a Special Assistant to the State Attorney's Office in the State of Florida.

Mark earned his Juris Doctor from Loyola University School of Law. He received his bachelor's degree from the University of Illinois.

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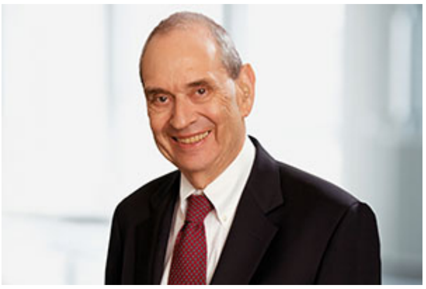
Derick I. Cividini is Of Counsel in the New York office of Labaton Sucharow LLP and serves as the Firm's Director of E-Discovery. Derick focuses on prosecuting complex securities fraud cases on behalf of institutional investors, including class actions, corporate governance matters, and derivative litigation. As the Director of E-discovery, he is responsible for managing the Firm's discovery efforts, particularly with regard to the implementation of e-discovery best practices for ESI (electronically stored information) and other relevant sources.

Derick was part of the team that represented lead plaintiff City of Edinburgh Council as Administering Authority of the Lothian Pension Fund in *In re Lehman Brothers Equity/Debt Securities Litigation*, which resulted in settlements totaling $516 million against Lehman Brothers' former officers and directors as well as most of the banks that underwrote Lehman Brothers' offerings.

Prior to joining Labaton Sucharow, Derick was a litigation attorney at Kirkland & Ellis LLP, where he practiced complex civil litigation. Earlier in his litigation career, he worked on product liability class actions with Hughes Hubbard & Reed LLP.

Derick earned his Juris Doctor and Master of Business Administration from Rutgers University and received his bachelor's degree in Finance from Boston College.



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Joseph H. Einstein is Of Counsel in the New York office of Labaton Sucharow LLP. A seasoned litigator, Joe represents clients in complex corporate disputes, employment matters, and general commercial litigation. He has litigated major cases in state and federal courts and has argued many appeals, including appearing before the U.S. Supreme Court.

Joe has an AV Preeminent rating, the highest distinction, from the publishers of the Martindale-Hubbell directory.

His experience encompasses extensive work in the computer software field including licensing and consulting agreements. Joe also counsels and advises business entities in a broad variety of transactions.

Joe serves as a Mediator for the U.S. District Court for the Southern District of New York. He has served as a Commercial Arbitrator for the American Arbitration Association and currently is a FINRA Arbitrator and Mediator. Joe is a former member of the New York State Bar Association Committee on Civil Practice Law and Rules, and the Council on Judicial Administration of the Association of the Bar of the City of New York. He also is a former member of the Arbitration Committee of the Association of the Bar of the City of New York.

Joe received his Bachelor of Laws and Master of Laws from New York University School of Law. During his time at NYU, Joe was a Pomeroy and Hirschman Foundation Scholar and served as an Associate Editor of the *New York University Law Review*.

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Derrick Farrell is Of Counsel in the Delaware office of Labaton Sucharow LLP. He focuses his practice on representing shareholders in appraisal, class, and derivative actions.

Derrick has substantial trial experience as both a petitioner and a respondent on a number of high-profile matters, including *In re Appraisal of Ancestry.com, Inc.*; *IQ Holdings, Inc. v. Am. Commercial Lines Inc.*; and *In re Cogent, Inc. Shareholder Litigation*. He has also argued before the Delaware Supreme Court on multiple occasions.

Prior to joining Labaton Sucharow, Derrick practiced with Latham & Watkins LLP, where he gained substantial insight into the inner workings of corporate boards and the role of investment bankers in a sale process. Derrick started his career as a Clerk for the Honorable Donald F. Parsons, Jr., Vice Chancellor, Court of Chancery of the State of Delaware.

He has guest lectured at Harvard University and co-authored numerous articles for publications including the *Harvard Law School Forum on Corporate Governance and Financial Regulation* and *PLI*.

Derrick received his Juris Doctor, *cum laude*, from the Georgetown University Law Center. At Georgetown, he served as an advocate and coach to the Barrister's Council (Moot Court Team) and was Magister of Phi Delta Phi. He received his Bachelor of Science in Biomedical Science from Texas A&M University.

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Mark S. Goldman is Of Counsel in the New York office of Labaton Sucharow LLP. Mark has 30 years of experience in commercial litigation, primarily litigating class actions involving securities fraud, consumer fraud, and violations of federal and state antitrust laws.

Mark has been awarded an AV Preeminent rating, the highest distinction, from the publishers of the Martindale-Hubbell directory.

Mark is currently prosecuting securities fraud claims on behalf of institutional and individual investors against the manufacturer of communications systems used by hospitals that allegedly misrepresented the impact of the ACA and budget sequestration of the company's sales, and a multi-layer marketing company that allegedly misled investors about its business structure in China. Mark is also participating in litigation brought against international air cargo carriers charged with conspiring to fix fuel and security surcharges, and domestic manufacturers of various auto parts charged with price-fixing.

Mark successfully litigated a number of consumer fraud cases brought against insurance companies challenging the manner in which they calculated life insurance premiums. He also prosecuted a number of insider trading cases brought against company insiders who, in violation of Section 16(b) of the Securities Exchange Act, engaged in short swing trading. In addition, Mark participated in the prosecution of *In re AOL Time Warner Securities Litigation*, a massive securities fraud case that settled for $2.5 billion.

Mark is a member of the American Bar Association.

Mark earned his Juris Doctor from the University of Kansas. He earned his Bachelor of Arts from Pennsylvania State University.

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Lara Goldstone is Of Counsel in the New York office of Labaton Sucharow LLP. Lara advises leading pension funds and other institutional investors in the United States and Canada on issues related to corporate fraud in the U.S. securities markets. Her work focuses on monitoring the well-being of institutional investments and counseling clients on best practices in securities, antitrust, corporate governance and shareholder rights and consumer class action litigation.

Lara has achieved significant settlements on behalf of clients. She represented investors in high-profile cases against LifeLock, KBR, Fifth Street Finance Corp., NII Holdings, Rent-A-Center, and Castlight Health. Lara has also served as legal adviser to clients who have pursued claims in state court, derivative actions in the form of serving books and records demands, non-U.S. actions and antitrust class actions including pay-for-delay or "product hopping" cases in which pharmaceutical companies allegedly obstructed generic competitors in order to preserve monopoly profits on patented drugs, such as *In re Generic Pharmaceuticals Pricing Antitrust Litigation*.

Before joining Labaton Sucharow, Lara worked as a Legal Intern in the Larimer County District Attorney's Office and the Jefferson County District Attorney's Office. She also volunteered at Crossroads Safehouse, which provided legal representation to victims of domestic violence. Prior to her legal career, Lara worked at Industrial Labs where she worked closely with Federal Drug Administration standards and regulations. In addition, she was a teacher in Irvine, California.

She is a member of the Firm's Women's Initiative.

Lara earned her Juris Doctor from the University of Denver Sturm College of Law, where she was a judge of the Providence Foundation of Law & Leadership Mock Trial and a competitor of the Daniel S. Hoffman Trial Advocacy Competition. She received her bachelor's degree from George Washington University, where she was a recipient of a Presidential Scholarship for academic excellence.

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Ross Kamhi is Of Counsel in the New York office of Labaton Sucharow LLP. Ross focuses on prosecuting complex securities fraud cases on behalf of institutional investors, as well as on consumer cybersecurity and data privacy litigation. He has also focused his practice on the identification and analysis of emerging cases.

Ross has been recognized as a "Rising Star of the Plaintiffs Bar" by *The National Law Journal* Elite Trial Lawyers.

Ross is part of the litigation team that recently achieved a historic $650 million settlement in the *In re Facebook Biometric Information Privacy Litigation* matter—the largest consumer data privacy settlement ever, and one of the first cases asserting biometric privacy rights of consumers under Illinois' Biometric Information Privacy Act (BIPA).

Prior to joining Labaton Sucharow, Ross was a Litigation Associate at Shearman & Sterling LLP, where he represented multinational corporations and global financial institutions in securities class actions, regulatory proceedings, and general commercial disputes.

Ross serves on the Information Technology and Cyber Law Committee of the New York City Bar Association.

Ross earned his Juris Doctor, *cum laude*, from Fordham University School of Law, where he was a member of the *Fordham Law Review* and served a Teaching Assistant in the Legal Writing Program. While in law school, Ross served as a Judicial Intern for the Honorable Colleen McMahon in the United States District Court for the Southern District of New York. He received his bachelor's degree in Philosophy from the University of Michigan.

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James McGovern is Of Counsel in the New York office of Labaton Sucharow LLP. He advises leading pension funds and other institutional investors on issues related to corporate fraud in domestic and international securities markets. James' work focuses primarily on securities litigation and corporate governance, representing Taft-Hartley and public pension funds and other institutional investors in domestic securities actions. James also advises clients regarding potential claims tied to securities-related actions in foreign jurisdictions.

James has worked on a number of significant securities class actions, including *In re Worldcom, Inc. Securities Litigation* ($6.1 billion recovery), the second-largest securities class action settlement since the passage of the PSLRA; *In re Parmalat Securities Litigation* ($90 million recovery); *In re American Home Mortgage Securities Litigation* (opt-out client's recovery is confidential); *In re The Bancorp Inc. Securities Litigation* ($17.5 million recovery); *In re Pozen Securities Litigation* ($11.2 million recovery); *In re Cabletron Systems, Inc. Securities Litigation* ($10.5 million settlement); *In re UICI Securities Litigation* ($6.5 million recovery); and *In re SCANA Securities Litigation* ($192.5 million recovery).

In the corporate governance arena, James helped bring claims against Abbott Laboratories' directors for mismanagement and breach of fiduciary duties in allowing the company to engage in a 10-year off-label marketing scheme. Upon settlement of this action, the company agreed to implement sweeping corporate governance reforms, including an extensive compensation clawback provision going beyond the requirements under the Dodd-Frank Act.

Following the unprecedented takeover of Fannie Mae and Freddie Mac by the federal government in 2008, James was retained by a group of individual and institutional investors to seek recovery of the massive losses they incurred when the value of their shares in these companies was essentially destroyed. He brought and continues to litigate a complex takings class action against the federal government for depriving Fannie Mae and Freddie Mac shareholders of their property interests in violation of the Fifth Amendment and for causing tens of billions of dollars in damages.

Prior to focusing his practice on plaintiffs' securities litigation, James was an attorney at Latham & Watkins where he worked on complex litigation and FIFRA arbitrations, as well as matters relating to corporate bankruptcy and project finance.

James is also an accomplished public speaker and has addressed members of several public pension associations, including the Texas Association of Public Employee Retirement Systems and the Michigan Association of Public Employee Retirement Systems, on how institutional investors can guard their assets against the risks of corporate fraud and poor corporate governance.

James earned his Juris Doctor, *magna cum laude*, from Georgetown University Law Center. He received his bachelor's and master's degrees from American University, where he was awarded a Presidential Scholarship and graduated with high honors.

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Elizabeth Rosenberg is Of Counsel in the New York office of Labaton Sucharow LLP. Elizabeth focuses on litigating complex securities fraud cases on behalf of institutional investors, with a focus on obtaining court approval of class action settlements, notice procedures and payment of attorneys' fees.

Prior to joining Labaton Sucharow, Elizabeth was an Associate at Whatley Drake & Kallas LLP, where she litigated securities and consumer fraud class actions. Elizabeth began her career as an Associate at Milberg LLP where she practiced securities litigation and was also involved in the pro bono representation of individuals seeking to obtain relief from the World Trade Center Victims' Compensation Fund.

Elizabeth earned her Juris Doctor from Brooklyn Law School. She received her bachelor's degree from the University of Michigan.

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William “Bill” Schervish is Of Counsel in the New York office of Labaton Sucharow LLP and serves as the Firm's Director of Financial Research. As a key member of the Firm’s Case Development Group, Bill identifies, analyzes, and develops cases alleging securities fraud and other forms of corporate misconduct that expose the Firm's institutional clients to legally recoverable losses. Bill is also a member of the Firm's SEC Whistleblower Group, where he evaluates and develops cases on behalf of confidential whistleblowers for the Securities and Exchange Commission. Bill has recently concentrated his practice on developing securities fraud cases in connection with Special Purpose Acquisition Companies (SPACs).

Bill has been practicing securities law for more than 14 years. As a complement to his legal experience, Bill is a Certified Public Accountant (CPA), a CFA® Charterholder, and a Certified Fraud Examiner (CFE) with extensive work experience in accounting and finance.

Prior to joining the Firm, Bill worked as a finance attorney at Mayer Brown LLP, where he drafted and analyzed credit default swaps, indentures, and securities offering documents on behalf of large banking institutions. Bill's professional background also includes positions in controllership, securities analysis, and commodity trading. He began his career as an auditor at PricewaterhouseCoopers.

Bill earned a Juris Doctor, *cum laude*, from Loyola University and received a Bachelor of Science, *cum laude*, in Business Administration from Miami University, where he was a member of the Business and Accounting Honor Societies.

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Lawrence A. Sucharow is a Senior Advisor to Labaton Sucharow LLP. Larry served as Chairman of the Firm for more than 20 years and, under his guidance, the Firm has earned its position as one of the top plaintiffs' securities and antitrust class action firms in the world. Larry's practice focused on counseling the Firm's large institutional clients, developing creative and compelling strategies to advance and protect clients' interests, and prosecuting and resolving many of the Firm's leading cases. With more than four decades of experience, Larry is an internationally recognized trial lawyer and a leader of the class action bar.

In recognition of his career accomplishments and standing in the securities bar, Larry was selected by *Law360* as one the 10 Most Admired Securities Attorneys in the United States and as a Titan of the Plaintiffs Bar. Larry was honored with the *National Law Journal's* Elite Trial Lawyers Lifetime Achievement Award, and he is one of a small handful of plaintiffs' securities lawyers in the United States recognized by *Chambers & Partners USA*, *The Legal 500*, and *Benchmark Litigation* for his successes in securities litigation. Larry has been consistently recognized by *Lawdragon* as one of the country's leading lawyers, and in 2020, Larry was inducted in the Hall of Fame in recognition of his outstanding contributions as a leader and litigator. Referred to as a "legend" by his peers in *Benchmark Litigation*, *Chambers* describes him as an "immensely respected plaintiff advocate" and a "renowned figure in the securities plaintiff world…[that] has handled some of the most high-profile litigation in this field." According to *The Legal 500*, clients characterize Larry as "a strong and passionate advocate with a desire to win." In addition, Brooklyn Law School honored Larry as Alumni of the Year Award in 2012 for his notable achievements in the field.

Over the course of his career, Larry has prosecuted hundreds of cases and the Firm has recovered billions in groundbreaking securities, antitrust, business transaction, product liability, and other class actions. In fact, a landmark case tried in 2002—*In re Real Estate Associates Limited Partnership Litigation*—was the very first securities action successfully tried to a jury verdict following the enactment of the Private Securities Litigation Reform Act (PSLRA).

Other representative matters include: *Arkansas Teacher Retirement System v. State Street Corporation* ($300 million settlement); *In re CNL Resorts, Inc. Securities Litigation* ($225 million settlement); *In re Paine Webber Incorporated Limited Partnerships Litigation* ($200 million settlement); *In re Prudential Securities Incorporated Limited Partnerships Litigation* ($110 million partial settlement); *In re Prudential Bache Energy Income Partnerships Securities Litigation* ($91 million settlement); and *Shea v. New York Life Insurance Company* (over $92 million settlement).

Larry's consumer protection experience includes leading the national litigation against the tobacco companies in *Castano v. American Tobacco Co.*, as well as litigating *In re Imprelis Herbicide Marketing, Sales Practices and Products Liability Litigation*. Larry played a key role in *In re Takata*

Airbag Products Liability Litigation and a nationwide consumer class action against Volkswagen Group of America, Inc., arising out of the wide-scale fraud concerning Volkswagen's "Clean Diesel" vehicles. Larry further conceptualized the establishment of two Dutch foundations, or "Stichtingen" to pursue settlement of claims against Volkswagen on behalf of injured car owners and investors in Europe.

In 2018, Larry was appointed to serve on Brooklyn Law School's Board of Trustees. He has served a two-year term as President of the National Association of Shareholder and Consumer Attorneys, a membership organization of approximately 100 law firms that practice complex civil litigation including class actions. A longtime supporter of the Federal Bar Council, Larry serves as a trustee of the Federal Bar Council Foundation. He is a member of the Federal Bar Council's Committee on Second Circuit Courts, and the Federal Courts Committee of the New York County Lawyers' Association. He is also a member of the Securities Law Committee of the New Jersey State Bar Association and was the Founding Chairman of the Class Action Committee of the Commercial and Federal Litigation Section of the New York State Bar Association, a position he held from 1988-1994. In addition, Larry serves on the Advocacy Committee of the World Federation of Investors Corporation, a worldwide umbrella organization of national shareholder associations. In May 2013, Larry was elected Vice Chair of the International Financial Litigation Network (IFLN), a network of law firms from 15 countries seeking international solutions to cross-border financial problems.

Larry earned his Juris Doctor, *cum laude*, from Brooklyn Law School. He received his bachelor's degree from Baruch School of the City College of the City University of New York.

TAB 3

Court File No.: CV-00638930-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

(Commercial List)

THE HONOURABLE MR.	)	FRIDAY, THE 17th
	)	
JUSTICE PENNY	)	DAY OF DECEMBER, 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.

ORDER
(Fee Approval for CCAA U.S. Representative Counsel)

THIS MOTION, made by CCAA U.S. Representatives, for an order approving the legal fees and disbursements of Labaton Sucharow LLP ("**Labaton**"), Levi & Korsinsky LLP, Girard Sharp LLP and Gibbs Law Group (together, "**U.S. Counsel**") payable from the funds in the Securities Claimant Trust was heard this day by Zoom judicial video conference due to the COVID-19 pandemic.

UPON READING the materials filed by the CCAA U.S. Representatives and on hearing the submissions of the Applicants, CCAA U.S. Representative Counsel, the Monitor, and any such other counsel that were present as listed on the counsel slip, no appearing for any other person on the service list, although duly properly served as appears from the affidavit of service, filed:

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

2. **THIS COURT ORDERS** that all capitalized terms used in this Order and not expressly defined herein shall have the meanings given to them in the fourth amended and restated plan of compromise, arrangement and reorganization of CannTrust Holdings Inc., CannTrust Inc. and Elmcliffe Investments Inc. dated July 7, 2021 ("**CCAA Plan**").

3. **THIS COURT ORDERS** that the amount payable to CCAA U.S. Representative Counsel, on behalf of U.S. Counsel, out of the Securities Claimant Trust is hereby set at $15,786,571.25 in respect of legal fees and US $302,000.62 for disbursements (inclusive of all applicable taxes on the disbursements).

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER

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CCAA U.S. Representative Counsel

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

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

MOTION RECORD

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