

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

**BETWEEN:**

**DANIEL RELVAS**

Plaintiff

– and –

**AUXLY CANNABIS GROUP INC.**

Defendant

Proceeding under the *Class Proceedings Act, 1992*

**SETTLEMENT AGREEMENT**

Made as of the 11<sup>th</sup> day of July, 2023

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#### SCHEDULES

- A. FIRST ORDER
- B. FIRST NOTICE
- C. PLAN OF NOTICE
- D. SECOND ORDER
- E. SECOND NOTICE
- F. PLAN OF ALLOCATION

## SETTLEMENT AGREEMENT

### SECTION 1 – RECITALS

#### 1.1 WHEREAS:

- A. Kevin Gowanlock commenced the Action alleging omissions of material facts relating to Auxly’s business practices and public filings and statements;
- B. The Statement of Claim was subsequently amended to remove Mr. Gowanlock as the plaintiff and substitute the Plaintiff as the representative plaintiff;
- C. The Defendant and the Plaintiff have negotiated a Settlement of the Action that is subject to and conditional upon approval by the Court;
- D. The Defendant denies liability in respect of the claims alleged in the Action and expressly disclaims any wrongdoing or liability of any kind whatsoever including through the execution of this Agreement;
- E. The Defendant states that it would have actively and deliberately pursued affirmative defenses and other defenses had the Action not been settled and that it is entering into the Settlement solely to eliminate the uncertainty, burden and expense of further litigation;
- F. Leave to commence a secondary market securities claim has been granted for a class period beginning November 12, 2018;
- G. The Action was certified on January 18, 2023 by Consent Order;
- H. The Plaintiff and the Defendant, through counsel, have engaged in hard-fought and extensive arm’s-length settlement discussions and negotiations in respect of the Action through two mediations with Joel Wiesenfeld, an experienced securities class action mediator;
- I. As a result of these settlement discussions and negotiations, the Parties have entered into this Agreement, which embodies all of the terms and conditions of the Settlement among the Parties, both individually and on behalf of the Class and subject to approval of the Court;

- J. The Parties have negotiated and entered into the Agreement to fully, definitively and permanently resolve, settle and release and discharge all claims asserted, or which could have been asserted, against the Defendant by the Plaintiff on his own behalf and/or on behalf of the Class he represents, or by a third party for contribution and indemnity in respect of a claim asserted against the Defendant by the Plaintiff, and to avoid the further expense, inconvenience, and burden of this litigation and avoid the risks inherent in uncertain, complex and protracted litigation, and thereby to put to rest this controversy;
- K. The Plaintiff has agreed to accept this Settlement, in part, because of the Settlement Amount to be provided by the Contributing Parties under the Agreement, as well as the attendant risks of litigation in light of the potential defences that may be asserted by the Defendant;
- L. The Plaintiff and Class Counsel confirm that neither the Agreement, nor any statement made in the negotiation thereof, shall be deemed or construed to be an admission by or evidence against the Defendant or evidence of the truth of any of the Plaintiff's allegations against the Defendant;
- M. The Plaintiff and Class Counsel have reviewed and fully understand the terms of the Agreement and, based on their analyses of the facts and law applicable to the Plaintiff, and having regard to the burdens and expense in prosecuting the Action, including the risks and uncertainties associated with trials and appeals, have concluded that this Settlement is fair, reasonable and in the best interests of the Plaintiff and the Class. The Parties therefore wish to, and hereby do, finally resolve, without admission of liability, the Action as against the Defendant, subject to Court approval;
- N. For the purposes of settlement only and contingent on the conditions described herein, the Plaintiff has consented to a dismissal of the Action without costs and with prejudice;

**NOW THEREFORE**, in consideration of the covenants, agreements, promises and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the Parties that the Action be settled on the

merits, subject to the approval of the Settlement by the Court, and that all Released Claims against the Defendant which any Releasor shall or may have or assert against any of the Releasees be forever extinguished and released on the following terms and conditions:

## **SECTION 2 – DEFINITIONS**

### **2.1 Definitions**

For the purposes of the Agreement, including the above Recitals and Schedules hereto:

- (1) **Action** means the action *Daniel Relvas v. Auxly Cannabis Group Inc.*, brought in the Court under Court File No. CV-19-00617136-00CP.
- (2) **Administration Expenses** means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable relating to approval, implementation and administration of the Settlement including the costs of translating, publishing and delivering notices and the fees, disbursements and taxes paid to the Administrator, the Referee, the Transfer Agent (see Sections 7 and 13 of the Agreement) and any other expenses approved by the Court which shall all be paid from the Settlement Amount. For greater certainty, Administration Expenses include the Non-Refundable Expenses but do not include Class Counsel Fees.
- (3) **Administration Expenses Contribution Amount** means Canadian \$50,000.
- (4) **Administrator** means the party or firm appointed by the Court to administer the Agreement after the Settlement is approved by the Court, and any employees of such party or firm.
- (5) **Agreement** means this agreement, including the Recitals and Schedules hereto.
- (6) **Authorized Claimant** means any Class Member who has been approved for compensation by the Administrator.
- (7) **Auxly** means the Defendant Auxly Cannabis Group Inc. and its subsidiaries and affiliates during any portion of the Class Period.
- (8) **Claim Form** means the form or forms to be approved by the Court, which, when completed and submitted in a timely manner to the Administrator, enables a Class Member to apply for compensation pursuant to this Agreement.
- (9) **Claims Bar Deadline** means the date by which each Class Member must file a completed Claim Form and all required supporting documentation with the

Administrator which date shall be set out in the Second Notice and which shall be at least ninety (90) days after the date on which the Second Notice is last published.

- (10) ***Class or Class Members*** means all persons, other than Excluded Persons, who acquired Auxly's common shares in the secondary market on or after November 12, 2018, and who held some or all of those securities until after the close of trading on February 6, 2019.
- (11) ***Class Counsel*** means Berger Montague (Canada) PC.
- (12) ***Class Counsel Fees*** means the fees, disbursements, costs, HST, and other applicable taxes or charges of Class Counsel and a *pro rata* share of all interest earned on the Settlement Amount to the date of payment, as approved by the Court.
- (13) ***Class Period*** means the period from November 12, 2018 to February 6, 2019, inclusive.
- (14) ***Contributing Parties*** means Auxly and Auxly's insurers funding the Settlement.
- (15) ***Court*** means the Ontario Superior Court of Justice.
- (16) ***CPA*** means the *Class Proceedings Act, 1992*, SO 1992, c 6, as amended.
- (17) ***Defendant*** means Auxly.
- (18) ***Eligible Shares*** means Shares purchased during the Class Period and held at the close of trading on February 6, 2019.
- (19) ***Effective Date*** means the date on which the Second Order becomes a final order and the time for any appeals has expired.
- (20) ***Escrow Account*** means the interest bearing Canadian currency trust account with one of the Canadian Schedule 1 banks or a liquid money market account or equivalent security with a rating equivalent to, or better than, that of an interest bearing account in a Canadian Schedule 1 bank in Ontario, initially under the control of Class Counsel, subject to the terms of this Agreement, and then transferred to the control of the Administrator on or after the Effective Date.
- (21) ***Escrow Settlement Amount*** means the Settlement Amount plus any interest accruing thereon as a result of investment thereof after payment of all Non-Refundable Expenses.
- (22) ***Excluded Persons*** means any executive level employee and their family members of Auxly or FSD Pharma, Inc.

- (23) **First Motion** means the motions brought before the Court, for orders:
- (i) setting the date for the hearing of the Second Motion (for Settlement approval and Class Counsel Fee approval);
  - (ii) approving the form of the First Notice;
  - (iii) approving and authorizing publication and dissemination of the First Notice pursuant to the Plan of Notice;
  - (iv) appointing Class Counsel to control the Escrow Account subject to the terms of this Agreement; and
  - (v) appointing Class Counsel to serve as Administrator.
- (24) **First Notice** means notice to the Class in a form to be approved by the Court, which shall substantially be in accordance with the notice at Schedule “B”.
- (25) **First Order** means the order made by the Court granting the relief sought on the First Motion, substantially in the form of the order at Schedule “A”.
- (26) **Non-Refundable Expenses** means certain administration expenses stipulated in section 4.1(1) of the Agreement to be paid from the Settlement Amount.
- (27) **OSA** means the Ontario *Securities Act*, RSO 1990, c. S.5, as amended.
- (28) **Parties** means the Plaintiff and the Defendant.
- (29) **Plaintiff** means Daniel Relvas.
- (30) **Plan of Allocation** means the plan, as approved by the Court, which shall substantially be in accordance with the plan at Schedule “F”.
- (31) **Plan of Notice** means the plan for disseminating the First Notice and the Second Notice to the Class, as approved by the Court, which shall substantially be in accordance with the plan attached as Schedule “C”.
- (32) **Referee** means Joshua Perell, or such other person or persons appointed by the Court to serve in that capacity.
- (33) **Released Claims (or Released Claim in the singular)** means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, whether personal or subrogated, damages whenever and wherever incurred, and rights and liabilities of any nature whatsoever, including interest, costs, expenses, administration expenses, penalties, Class Counsel Fees and lawyers’ fees, whether known or unknown, suspected or unsuspected, in law, under



statute, in equity, at common law or civil law, or under any other law, rule or regulation that the Releasors, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall, or may have as against the Releasees relating or connected in any way to the purchase, sale, retention, pricing, marketing or distributing of Shares, or to any conduct alleged, or that could have been alleged, in the Action, including, without limitation, any such claims that have been asserted, would have been asserted or could have been asserted in any forum whether in Canada or elsewhere, as a result of or in any connected with the purchase, retention or sale, or lack of purchase or sale, of Shares in the Class Period.

- (34) **Releasees** means the Defendant and its past and present affiliates, and subsidiaries, and each of their respective current or former insurers, reinsurers, directors, officers, partners, employees, agents, trustees, servants, parents, consultants, underwriters, lenders, advisors, lawyers, representatives, successors, predecessors, assigns and each of their respective heirs, executors, attorneys, administrators, guardians, estates, trustees, successors and assigns.
- (35) **Releasors** means, jointly and severally, the Plaintiff, the Class Members, including any person having a legal and/or beneficial interest in the Shares purchased or acquired by these Class Members and their respective past and present predecessors, affiliates, subsidiaries, directors, officers, employees, partners, parents, agents, trustees, servants, consultants, underwriters, lenders, shareholders, advisors, representatives, lawyers, heirs, executors, attorneys, administrators, guardians, estate trustees, successors and assigns, as the case may be.
- (36) **Second Motion** means the motions brought in the Court for an order:
- (i) approving the Settlement;
  - (ii) appointing the Administrator and the Referee;
  - (iii) approving the Second Notice;
  - (iv) approving the Plan of Allocation;
  - (v) approving the Claim Form;
  - (vi) setting the Claims Bar Deadline;
  - (vii) dismissing the Action without costs and with prejudice; and

- (viii) approving Class Counsel Fees.
- (37) **Second Notice** means notice to the Class in a form to be approved by the Court, which shall substantially be in accordance with the notice at Schedule “E”.
- (38) **Second Order** means the order made by the Court granting the relief sought on the Second Motion, substantially in the form of the order at Schedule “D”.
- (39) **Settlement** means the settlement provided for in this Agreement.
- (40) **Settlement Amount** means Canadian \$4,000,000, inclusive of the Administration Expenses, Class Counsel Fees, interest, taxes and any other costs or expenses related to the Action or the Settlement.
- (41) **Shares** means the common shares of Auxly that are or were listed for trading during the Class Period.
- (42) **Transfer Agent** means Computershare Trust Company of Canada.

### **SECTION 3 – THE MOTIONS**

#### **3.1 Nature of Motions**

- (1) The Parties shall use their best efforts to implement the Agreement and to secure the prompt, complete and final resolution of the Action, including a final dismissal of the Action, without costs and with prejudice as against the Defendant.
- (2) The First Motion shall be brought as soon as is reasonably possible following the execution of this Agreement. The Defendant shall consent to the First Order provided that it is substantially in the form at Schedule “A”.
- (3) Following the determination of the First Motion, the First Notice shall be published in accordance with section 9.1 of this Agreement.
- (4) Following the determination of the First Motion, the Second Motion will be brought and the Defendant shall consent to the Second Order provided that it is substantially in the form at Schedule “D”.
- (5) Following the determination of the Second Motion, provided that the Settlement is approved by the Court, the Second Notice shall be published in accordance with section 9.2 of this Agreement.

## **SECTION 4 – NON-REFUNDABLE EXPENSES**

### **4.1 Payments**

(1) The Contributing Parties, or any of them, shall pay the Administration Expenses Contribution Amount to Class Counsel, in trust, within thirty (30) calendar days of execution of this Agreement. Expenses reasonably incurred for the following purposes shall be the Non-Refundable Expenses, and shall be payable first from the Administration Expenses Contribution Amount and thereafter from the Escrow Account, when incurred:

- (a) the costs incurred in connection with establishing and operating the Escrow Account;
- (b) the costs incurred for translating, publishing and disseminating the First Notice and the Second Notice;
- (c) the costs in connection with receiving objections and reporting to the Court; and
- (d) if necessary, the costs incurred in publishing and disseminating notice to the Class that the Agreement has been terminated.

(2) Class Counsel shall account to the Court and the Parties for all payments it makes from the Administration Expenses Contribution Amount and the Escrow Account. In the event that the Agreement is terminated, this accounting shall be delivered no later than ten (10) days after such termination.

### **4.2 Disputes Concerning Non-Refundable Expenses**

Any dispute concerning the entitlement to or quantum of Non-Refundable Expenses shall be dealt with by a motion to the Court on notice to the Parties. The Contributing Parties shall have standing in respect of such a motion, should it deem it appropriate to intervene or otherwise make representations.

## **SECTION 5 – THE SETTLEMENT AMOUNT**

### **5.1 Payment of Escrow Settlement Amount**

The Contributing Parties, or any of them, shall pay the Settlement Amount to Class Counsel, in trust, within twenty (30) calendar days of execution of this Agreement, which Class Counsel will deposit it in an interest-bearing trust account at a Canadian bank which shall be held to the order of the Contributing Parties and shall be paid out upon the Settlement

becoming final.

## **5.2 Interim Investment of Escrow Account**

After the Effective Date, the Administrator shall invest the Settlement Amount in a liquid money market account or equivalent security with a rating equivalent to, or better than that of an interest-bearing account in a Canadian Schedule 1 bank and shall not pay out any amount from the Escrow Account, except in accordance with the terms of this Agreement.

## **5.3 Taxes on Interest**

(1) Except as provided in section 5.3(2), all taxes payable on any interest which accrues in relation to the Settlement Amount, shall be solely the Class' responsibility and shall be paid by Class Counsel or the Administrator, as appropriate, from the Escrow Settlement Amount, or by the Class as the Administrator considers appropriate, and the Defendant and their insurers and re- insurers shall have no liability for any taxes payable on the interest.

(2) If the Administrator or Class Counsel returns any portion of the Settlement Amount plus accrued interest to the Contributing Parties pursuant to the provisions of this Agreement, the taxes payable on the interest portion of the returned amount shall be the responsibility of the Contributing Parties.

## **SECTION 6 – NO REVERSION**

Unless the Agreement is terminated as provided herein or otherwise by the Court, the Contributing Parties shall not, under any circumstances, be entitled to the repayment of any portion of the Settlement Amount and then only to the extent of and in accordance with the terms provided herein.

## **SECTION 7 - DISTRIBUTION OF THE ESCROW SETTLEMENT AMOUNT**

If the Settlement becomes final as contemplated by section 11, the Administrator shall distribute the Settlement Amount out of the Escrow Account in accordance with the following priorities:

- (a) pay all of the costs and expenses reasonably and actually incurred in connection with the provision of notices, locating Class Members for the sole purpose of providing notice to them, and soliciting Class Members to submit a Claim Form (including the notice expenses reasonably and actually

incurred by the Transfer Agent in connection with the provision of notice of this Settlement to Class Members). For greater certainty, the Defendant is specifically excluded from eligibility for any payment of costs and expenses under this subsection;

- (b) pay all of the costs and expenses reasonably and actually incurred by the Administrator and the Referee, relating to determining eligibility, the filing of Claim Forms, processing Claim Forms, resolving disputes arising from the processing of Claim Forms and administering and distributing the Settlement Amount;
- (c) pay any taxes required by law to be paid to any governmental authority; and
- (d) pay a share of the balance of the Escrow Settlement Amount to each Authorized Claimant in proportion to his/her/its claim as recognized in accordance with the Plan of Allocation.

## **SECTION 8 – EFFECT OF SETTLEMENT**

### **8.1 No Admission of Liability**

Neither this Agreement, nor anything contained herein, shall be interpreted as a concession or admission of wrongdoing or liability by the Releasees, or as a concession or admission by the Releasees of the truthfulness or merit of any claim or allegation asserted in the Action. Neither the Agreement, nor anything contained herein, shall be used or construed as an admission by the Releasees of any fault, omission, liability or wrongdoing in connection with the matters alleged in the Action or any oral or written statement, release or written document or financial report. The Defendant expressly denies any and all allegations of fault, liability, wrongdoing or damages whatsoever.

### **8.2 Agreement Not Evidence**

(1) Whether or not the Agreement is terminated, the Parties agree that neither the Agreement, nor anything contained herein, nor any of the negotiations or proceedings connected with it, nor any related document, nor any other action taken to carry out the Agreement shall be referred to, offered as evidence or received in evidence in any current or future civil, criminal, quasi- criminal, regulatory or administrative action or proceeding in any jurisdiction as any presumption, concession or admission:

- (a) of the validity of any claim that has been or could have been asserted in the Action by the Plaintiff against the Defendant, or the deficiency of any defence that has been or could have been asserted in the Action;
  - (b) of wrongdoing, fault, neglect or liability by the Defendant; and
  - (c) that the consideration to be given hereunder represents the amount that could be or would have been recovered in the Action after trial.
- (2) Notwithstanding section 8.2(1), this Agreement may be referred to or offered as evidence in a proceeding to approve or enforce the Agreement, to defend against the assertion of Released Claims, and as otherwise required by law.

### **8.3 Best Efforts**

The Parties shall use their best efforts to implement the terms of this Agreement. The Parties agree to hold in abeyance all steps in the Action, including all discovery, other than proceedings provided for in this Agreement, the First Motion, the Second Motion and such other proceedings required to implement the terms of this Agreement, until the date the Settlement becomes final or the termination of the Agreement.

### **8.4 No Further Litigation**

- (1) The Plaintiff, Class Counsel, and any anyone formerly, currently or hereafter employed by, associated with, or a partner with Class Counsel, may not directly or indirectly participate or be involved in, or in any way assist with respect to any claim made by any person in relation to any claim they have or may in the future assert, regarding the subject matter of the Action, including with respect to the period September 20, 2018 to November 12, 2018.
- (2) Auxly shall not pursue any claims for contribution, indemnity or third-party recovery against FSD Pharma Inc. or any of its subsidiaries or affiliates in respect of any claim regarding the subject matter of the Action, including with respect to the period September 20, 2018 to November 12, 2018.

## **SECTION 9 – NOTICE TO THE CLASS**

### **9.1 First Notice**

Class Counsel shall cause the First Notice to be translated, published and disseminated in accordance with the Plan of Notice and the costs of doing so shall be paid as a Non-

Refundable Expense as provided in section 4.1(1)(b) of this Agreement.

## **9.2 Second Notice**

Class Counsel shall cause the Second Notice to be translated, published and disseminated in accordance with the Plan of Notice and the costs of so doing shall be paid as a Non-Refundable Expense as provided in section 4.1(1)(b) of this Agreement.

## **9.3 Report to the Court**

Forthwith after the publication and dissemination of each of the notices required by this section, Class Counsel shall file with the Court affidavits confirming that the notices have been published and disseminated in accordance with the Agreement and the Plan of Notice, as appropriate, or order of the Court.

## **9.4 Notice of Termination**

If the Agreement is terminated after the First Notice has been published and disseminated, a notice of the termination will be given to the Class. Class Counsel will cause the notice of termination, in a form approved by the Court, to be published and disseminated as directed by the Court, and the costs of so doing shall be paid as a Non-Refundable Expense as provided in section 4.1(1)(b) of this Agreement.

# **SECTION 10 – TERMINATION OF THE AGREEMENT**

## **10.1 General**

- (1) Only Auxly may terminate this Agreement, and only if:
  - (a) the Second Order (excluding approval of Class Counsel Fees) is not granted by the Court substantially in accordance with the form at Schedule “D”; or
  - (b) the Second Order is reversed on appeal and the reversal becomes final.
- (2) The failure of the Court to approve in full the request by Class Counsel for Class Counsel Fees or Class Counsel’s request for an honorarium for the representative plaintiff Daniel Relvas shall not be grounds to terminate this Agreement.
- (3) In the event this Agreement is terminated in accordance with its terms, or is not approved by the Court, or the Second Order is reversed, vacated or terminated by any appellate court:
  - (a) the Parties will be restored to their respective positions prior to the execution of this Agreement;

- (b) the Agreement will have no further force and effect and no effect on the rights of the Parties;
  - (c) any amounts paid for establishing and operating the Escrow Account, publishing and disseminating the Settlement Agreement, the First Notice and the Termination Notice, if any are non-recoverable from the Plaintiff and the Class Members;
  - (d) the Settlement Amount and the Administration Expenses Contribution Amount will be returned to the Contributing Parties less any Non-Recoverable Expenses that have already been properly incurred; and
  - (e) this Agreement will not be introduced into evidence or otherwise referred to in any litigation or proceeding against the Defendant.
- (4) Notwithstanding the provisions of section 10.1(3) of this Agreement, if this Agreement is terminated, the provisions of this section and sections 2, 4, 5.2, 5.3, 8.1, 8.2 and the recitals and schedules applicable thereto shall survive termination and shall continue in full force and effect.

## **10.2 Allocation of Monies in the Escrow Account Following Termination**

- (1) The Administrator and Class Counsel shall account to the Court for the amounts maintained in the Escrow Account. If the Agreement is terminated, this accounting shall be delivered no later than ten (10) days after such termination.
- (2) If the Agreement is terminated, the Defendant shall, within thirty (30) days after termination, and with the co-operation of the Plaintiff, apply to the Court for an order:
  - (a) declaring the Agreement null and void and of no force or effect except for the provisions of those sections listed in section 10.1(4) of this Agreement;
  - (b) requiring the notice of termination to be sent out to the Class Members and, if so, the form and method of disseminating such a notice;
  - (c) setting aside, *nunc pro tunc*, all prior orders or judgments entered in accordance with the terms of the Agreement; and
  - (d) authorizing the payment to the Contributing Parties of
    - i. funds received by Class Counsel from any of the Contributing Parties and not yet paid into the Escrow Account pursuant to



- section 4.1 of this Agreement;
- ii. the balance, if any, of the Administrative Expenses Contribution Amount; and
- iii. funds in the Escrow Account, including accrued interest, minus any amounts paid out of the Escrow Account as Non-Refundable Expenses in accordance with the terms of the Agreement.

### **10.3 Disputes Relating to Termination**

If there are any disputes about the termination of the Agreement, the Court shall determine any dispute by motion on notice to the Parties. The Contributing Parties shall be granted standing in respect of any such motion, should it deem it appropriate to intervene or otherwise make representations.

## **SECTION 11 – DETERMINATION THAT THE SETTLEMENT IS FINAL**

The Settlement shall be considered final on the Effective Date.

## **SECTION 12 – RELEASES AND JURISDICTION OF THE COURT**

### **12.1 Release of Releasees**

As of the Effective Date, provided that the Settlement Amount has been deposited into the Escrow Account, the Releasers in exchange for and in consideration of the foregoing, and inasmuch as the terms and conditions of the Settlement are approved by the Court, forever and absolutely release the Releasees from the Released Claims.

### **12.2 No Further Claims**

- (1) As of the Effective Date and provided that the Settlement Amount has been deposited into the Escrow Account, the Releasers and Class Counsel shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit, cause of action, claim or demand against any Releasee or any other person who may claim contribution or indemnity from any Releasee in respect of any Released Claim or any matter related thereto; and
- (2) For greater certainty, the Releasers and Class Counsel acknowledge that they may subsequently discover facts adding to those they knew as the date of this Settlement, but

nonetheless agree that on the Effective Date, they shall have fully, definitively and permanently settled, waived and released and discharged all claims, no matter if they were unknown, unsuspected, not disclosed, and regardless of the subsequent discovery of facts different from those they are currently aware of. By means of the Settlement, the Releasors waive any right they might have under any statute, rule or regulation, the common law, civil law, in equity or otherwise, to disregard or avoid the release and discharge of the unknown claims and bar against the commencement of new claims for any reason whatsoever and expressly relinquish any such right and each Class Member shall be deemed to have waived and relinquished such right. Furthermore, the Releasors agree to this waiver of their own volition, with full knowledge of its consequences and that this waiver was negotiated and constitutes a key element of the Settlement.

### **12.3 Dismissal of the Action**

Except as otherwise provided in the Agreement and the Second Order, and as a condition of Settlement, the Action shall be dismissed without costs and with prejudice as against the Defendant. The cost of obtaining the dismissal order will be borne by the Plaintiff.

## **SECTION 13 – ADMINISTRATION**

### **13.1 Class Counsel to Act as Administrator**

- (1) Class Counsel will serve as the Administrator to implement the Agreement and the Plan of Allocation, on the terms and conditions and with the powers, rights, duties and responsibilities set out in the agreement and in the Plan of Allocation.
- (2) Notwithstanding section 13.1(1), if a third-party claims administrator is appointed by the Court, that claims administrator will implement the Agreement and the Plan of Allocation on the terms and conditions and with the powers, rights, duties and responsibilities set out in this Agreement and in the Plan of Allocation.
- (3) If the Agreement is terminated, the Administrator's fees, disbursements and taxes will be fixed by the Court.
- (4) If the Settlement becomes final as contemplated by section 11 of this Agreement, the Court will fix the Administrator's compensation and payment schedule.

### **13.2 Appointment of the Referee**

- (1) The Court will appoint the Referee with the powers, duties and responsibilities set

out in the Agreement and the Plan of Allocation.

(2) The fees, disbursements and taxes of the Referee will be fixed by the Court and shall not exceed \$20,000, exclusive of disbursements and HST. When directed by the Court, the Administrator will pay the Referee from the Escrow Settlement Amount.

### **13.3 Information and Assistance from the Defendant**

(1) Auxly shall use reasonable best efforts to cause its transfer agent and proximate intermediary to assist with distribution of the Second Notice if requested by the Administrator. The costs, if any, of the transfer agent and proximate intermediary shall be payable from the Administration Expenses Contribution Amount or the Escrow Account, pursuant to section 4.1(b), up to a maximum of Canadian \$10,000. For greater certainty, Auxly and the Contributing Parties are not responsible for any such costs.

(2) Auxly will identify a person to whom the Administrator may address any requests for information in respect of section 13.3(1) of this Agreement. Auxly agrees to make reasonable efforts to answer any reasonable inquiry from the Administrator in order to facilitate the administration and implementation of the Agreement and the Plan of Allocation.

(3) Any information obtained or created in the administration of this Agreement is confidential and, except as required by law, shall be used and disclosed only for the purpose of distributing notices and the administration of the Agreement and Plan of Allocation.

### **13.4 Claims Process**

(1) In order to seek payment from the Settlement Amount, a Class Member must submit a completed Claim Form to the Administrator, in accordance with the provisions of the Plan of Allocation, on or before the Claims Bar Deadline and any Class Member who fails to do so shall not share in any distribution made in accordance with the Plan of Allocation unless the relevant court orders otherwise as provided in section 16.4(2) of this Agreement.

(2) In order to remedy any deficiency in the completion of a Claim Form, the Administrator may require and request that additional information be submitted by a Class Member who submits a Claim Form. Such Class Members shall have until the later of thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information

within the thirty (30) day period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the relevant court to the contrary as provided in section 16.4(2) of this Agreement, but will in all other respects be subject to, and bound by, the provisions of the Agreement and the releases contained herein.

### **13.5 Disputes Concerning the Decisions of the Administrator**

(1) In the event that a Class Member disputes the Administrator's decision, whether in whole or in part, the Class Member may appeal the decision to the Referee in accordance with the provisions in the Plan of Allocation. The decision of the Referee will be final with no right of appeal.

(2) No action shall lie against the Releasees, the Defendant, the Defendant's counsel, Class Counsel, the Administrator or the Referee for any decision made in the administration of the Agreement and Plan of Allocation without an order from the Court authorizing such an action.

### **13.6 Conclusion of the Administration**

(1) Following the Claims Bar Deadline, and in accordance with the terms of this Agreement, the Plan of Allocation, and such further order of the Court, as may be necessary, or as circumstances may require, the Administrator shall distribute the Escrow Settlement Amount to Authorized Claimants.

(2) No claims or appeals shall lie against the Releasees, the Defendant, the Defendant's counsel, Class Counsel, the Administrator or the Referee based on distributions made substantially in accordance with the Agreement and the Plan of Allocation.

(3) If the Escrow Settlement Account is in a positive balance in an amount greater than 10% of the net Settlement Amount (whether by reason of tax refunds, un-cashed cheques or otherwise) after one hundred eighty (180) days from the date of distribution of the Escrow Settlement Amount to the Authorized Claimants, the Administrator shall, if economically feasible, allocate and distribute such balance among Authorized Claimants in an equitable fashion up to the limit of each authorized claimant's actual loss. If there is a balance in the Escrow Settlement Account after each Authorized Claimant is paid up to his/her/its actual loss, or if an amount equal to or less than 10% of the net Settlement Amount remains undistributed, the remaining funds shall be paid *cy près* to a recipient

mutually agreed upon by the Parties and/or approved by the Court.

(4) Upon the conclusion of the administration, or at such other time(s) as the Court directs, the Administrator shall report to the Court on the administration and shall account for all monies it has received, administered and disbursed and obtain an order from the Court discharging it as Administrator.

#### **SECTION 14 – THE PLAN OF ALLOCATION**

The Defendant shall have no standing to oppose the approval of the Plan of Allocation, or to make submissions to the Court in respect of it.

#### **SECTION 15 – CLASS COUNSEL FEES**

##### **15.1 Motion for Approval of Class Counsel Fees**

(1) At the Second Motion, Class Counsel shall seek the approval of Class Counsel Fees to be paid as a first charge on the Settlement Amount. Class Counsel are not precluded from making additional applications to the Court for expenses incurred as a result of implementing the terms of the Agreement. All amounts awarded on account of Class Counsel Fees shall be paid from the Settlement Amount.

(2) The Defendant acknowledges that it is not a party to the motion concerning the approval of Class Counsel Fees, they will have no involvement in the approval process to determine the amount of Class Counsel Fees, and they will not make any submissions to the Court concerning Class Counsel Fees.

(3) Any order or proceeding relating to Class Counsel Fees, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Agreement or affect or delay the finality of the Second Order and the Settlement of the Action as provided herein.

##### **15.2 Payment of Class Counsel Fees**

Forthwith after the Settlement becomes final, as contemplated in section 11 of this Agreement, the Class Counsel Fees approved by the Court shall be paid to Class Counsel from the Escrow Account.

## **SECTION 16 – MISCELLANEOUS**

### **16.1 Motions for Directions**

- (1) Any one or more of the Parties, the Contributing Parties, Class Counsel, the Administrator or the Referee may apply to the Court for directions in respect of any matter in relation to this Agreement, subject to the terms hereof.
- (2) All motions contemplated by this Agreement shall be on notice to the Parties.

### **16.2 Defendant Has No Responsibility or Liability for Administration**

Except for the obligation to pay the Administrative Expenses Contribution Amount and the Settlement Amount and to provide the cooperation contemplated by section 13.3 of this Agreement, none of the Releasees, the Defendant, or the Defendant's counsel shall have any responsibility for or any liability whatsoever with respect to the administration or implementation of the Agreement and Plan of Allocation, including, without limitation, the processing and payment of claims by the Administrator.

### **16.3 Headings, etc.**

- (1) In this Agreement:
  - (a) the division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Agreement;
  - (b) the terms “the Agreement”, “this Agreement”, “herein”, “hereto” and similar expressions refer to the Agreement and not to any particular section or other portion of this Agreement;
  - (c) unless otherwise indicated, all amounts referred to are in lawful money of Canada; and
  - (d) “person” means any legal entity including, but not limited to, individuals, corporations, sole proprietorships, general or limited partnerships, limited liability partnerships or limited liability companies.
- (2) In the computation of time in the Agreement, except where a contrary intention appears:
  - (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar

days; and

- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

#### **16.4 Governing Law**

- (1) The Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario.
- (2) The Court shall exercise jurisdiction with respect to all issues related to this Agreement including implementation, administration, interpretation and enforcement of the terms of this Agreement.

#### **16.5 Entire Agreement**

This Agreement constitutes the entire agreement among the Parties and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Agreement, unless expressly incorporated herein. This Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Court.

#### **16.6 Binding Effect**

- (1) If the Settlement is approved by the Court and becomes final as contemplated in section 11 of this Agreement, the Agreement shall be binding upon, and enure to the benefit of the Plaintiff, the Class Members, the Defendant, the Releasees, the Releasers, the Contributing Parties and all of their respective heirs, executors, predecessors, successors and assigns. Without limiting the generality of the foregoing, each and every covenant and agreement made herein by the Plaintiff shall be binding upon all Releasers and each and every covenant and agreement made herein by the Defendant shall be binding upon all of the Releasees.
- (2) The persons signing this Agreement represent and warrant (as applicable) that:
  - (a) they have all requisite corporate power and authority to execute, deliver and perform the Agreement and to consummate the transaction contemplated

- hereby on his/her own behalf;
- (b) the execution, delivery, and performance of the Agreement and the consummation of the Action contemplated herein have been duly authorized by all necessary corporate action;
  - (c) the Agreement has been duly and validly executed and delivered by them and constitutes legal, valid, and binding obligations; and
  - (d) they agree to use their best efforts to satisfy all conditions precedent to the Effective Date.

### **16.7 Survival**

The representations and warranties contained in this Agreement shall survive its execution and implementation.

### **16.8 Negotiated Agreement**

This Agreement and the Settlement have been the subject of negotiations and many discussions among the Parties. Each of the undersigned has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafters of the Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of this Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Agreement.

### **16.9 Confidentiality**

The Parties agree that prior to the filing of the First Motion or public disclosure of the Settlement by Auxly, whichever comes first: (1) this Settlement Agreement, its terms, and the Settlement Amount are and shall be treated as confidential and shall not be disclosed, described, or characterized to any other person, entity, publication or member of the media, except as may be required by law, judicial process, or order of a court, to enforce the terms of the Settlement Agreement, or as otherwise agreed by the Parties; and (2) any Party intending to disclose such information as may be required by law, judicial process or order of a court, will notify the other of its intention and give the non-disclosing party a reasonable opportunity to object. The Parties agree not to disclose the substance of the negotiations that led to this Settlement Agreement including the merits of any positions taken by any Party except as necessary to provide the Court with information necessary to consider approval of



the Settlement. Notwithstanding the foregoing, the Defendant may disclose such information to a regulatory authority if it determines that disclosure is warranted, which determination shall be in the Defendant's sole discretion.

#### **16.10 Recitals and Schedules**

- (1) The recitals and schedules to this Agreement are material and integral parts hereof and are fully incorporated into, and form part of, the Agreement.
- (2) The schedules to this Agreement are:
  - (a) Schedule "A" – First Order
  - (b) Schedule "B" – First Notice
  - (c) Schedule "C" – Plan of Notice
  - (d) Schedule "D" – Second Order
  - (e) Schedule "E" – Second Notice
  - (f) Schedule "F" – Plan of Allocation

#### **16.11 Acknowledgements**

Each of the Parties hereby represents, affirms and acknowledges that:

- (a) he, she or its representative has the authority to bind the Party with respect to the matters set forth herein and has read and understood the Agreement;
- (b) the terms of the Agreement and the effects thereof have been fully explained to him, her or its representative by his, her or its counsel; and
- (c) he, she or its representative fully understands each term of the Agreement and its effect.

#### **16.12 Authorized Signatures**

Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, the Agreement on behalf of the Party for whom he or she is signing.

#### **16.13 Counterparts**

The Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same Agreement, and a facsimile signature shall be deemed an original signature for purposes of executing the Agreement.

#### **16.14 No French Translation**

The Parties acknowledge that they have required and consented that the Agreement and all related documents be prepared in English; les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.

#### **16.15 Notice**

Any notice, instruction, motion for court approval or motion for directions or court orders sought in connection with the Agreement or any other report or document to be given by any of the Parties to any of the other Parties shall be in writing and delivered personally, by facsimile or e-mail during normal business hours, or sent by registered or certified mail, or courier postage paid as follows:

##### **For the Plaintiff:**

##### **BERGER MONTAGUE (CANADA) PC**

330 Bay Street, Suite 1302  
Toronto, ON M5H 2S8

##### **Albert Pelletier**

Tel: 647.268.4475  
Email: [apelletier@bm.net](mailto:apelletier@bm.net)

##### **For the Defendant:**

##### **CASSELS BROCK & BLACKWELL LLP**

Suite 3200, Bay Adelaide Centre - North Tower  
40 Temperance Street  
Toronto, ON M5H 0B4

##### **Lara Jackson**

Tel: 416.860.2907  
[ljackson@cassels.com](mailto:ljackson@cassels.com)

##### **Chris Horkins**

Tel: 416.815.4351  
[chorkins@cassels.com](mailto:chorkins@cassels.com)

The Parties have executed this Agreement as of the date on the cover page.

**Daniel Relvas**



\_\_\_\_\_  
Representative Plaintiff

**Auxly Cannabis Group Inc.**

By: 

\_\_\_\_\_  
Name Hugo Alves

Title CEO

Class Counsel has executed this Agreement as of the date on the cover page to signify its consent to hold the Escrow Account on the terms provided in the Agreement and to be bound by the terms of the Agreement.

**Berger Montague (Canada) PC**

By: 

\_\_\_\_\_  
Albert Pelletier

Chief Executive Officer

# **SCHEDULE A**

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE )  
 )  
JUSTICE EDWARD MORGAN ) OF \_\_\_\_\_ DAY THE \_\_\_\_\_ DAY  
 ) OF \_\_\_\_\_, 2023

BETWEEN:

**DANIEL RELVAS**

Plaintiff

– and –

**AUXLY CANNABIS GROUP INC.**

Defendant

Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

(To schedule a Settlement Approval Hearing and other relief)

**THIS MOTION**, made by the Plaintiff, seeking an order: (1) scheduling the hearing to approve the proposed settlement, (2) approving the form, content and method of dissemination of the First Notice and press release; (3) setting the method and deadline for objections, and (4) appointing Class Counsel to manage the Escrow Account and to receive and report on objections, was read this day at the Courthouse located at Osgoode Hall, 130 Queen Street West, Toronto, Ontario.

**ON READING** the motion record, filed,

**AND ON BEING ADVISED** that all parties consent to this Order,

**AND ON BEING ADVISED** that:

- a) the parties have entered into a Settlement Agreement, subject to court approval, a copy of which is attached as **Schedule “A”** to this Order; and
- b) the Defendant consents to this Order.

**NOW THEREFORE, THIS HONOURABLE COURT ORDERS THAT:**

1. For the purposes of this Order, except to the extent that they are modified in this Order, the definitions set out in the Settlement Agreement apply to and are incorporated into this Order.
2. The First Notice, generally in the form attached to the proposed Settlement Agreement, is approved.
3. The press release summarizing the content of the First Notice, generally in the form attached as **Schedule “B”** to this Order, is approved.
4. Class Counsel is appointed to receive objections to the proposed Settlement from putative Class Members.
5. The deadline for objections shall be 5:00pm EST on **[October 20, 2023]**, and shall not be extended unless ordered by the Court (the **“Objections Deadline”**).
6. After the Objections Deadline has ended, and prior to the hearing of the motion to approve the Settlement, Class Counsel shall report to the Court and to the Defendant, the names of those Class Members, if any, who have objected to the Settlement, the number of Eligible

Shares held by each Class Member who objected, and a summary of the information delivered by each Class Member who objected.

7. A hearing will be held on **November ??, 2023** at 10:00 a.m. in the courthouse located at 130 Queen Street West, Toronto, Ontario (the “**Approval Hearing**”), to:

- a) approve the Settlement Agreement;
- b) approve the fee agreement between the plaintiff and Class Counsel and to fix the fees, disbursements and applicable taxes of Class Counsel;
- c) approve a second notice advising Class Members that the Settlement has been approved and describing how Class Members can submit Claim Forms to participate in the distribution of the Settlement Amount and the deadline to do so; and
- d) deal with any related matters.

8. Within ten days of this Order, the putative Class Members shall be given notice of this Order and the Approval Hearing by:

- a) Class Counsel disseminating a press release through Canadian Newswire in English and French, generally in the form attached as Schedule “B” to this Order;
- b) Class Counsel disseminating a German translation of the press release through a German business newswire service;
- c) Class Counsel sending the English press release to the online forums Stockhouse.ca and CEO.ca for posting to any Auxly-related boards or chat rooms;
- d) Class Counsel posting a copy of the English press release to the “Auxly Cannabis Group Inc. Investor’s Group” on Facebook;
- e) Class Counsel emailing the English and French press releases to anyone who registered with Class Counsel to receive updates on the status of the class action, to the extent that Class Counsel has their email address information;
- f) Class Counsel posting the First Notice in English and French on its website at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>; and
- g) Class Counsel enabling its website for multilingual Google translation.

9. Within twenty-one (21) days of the last publication and dissemination of the First Notice, Class Counsel shall file an affidavit with the Court confirming compliance with that portion of this Order.

10. At the Approval Hearing, the Court will consider objections to the Settlement Agreement if the objections are received in written form before the Objections Deadline by sending an email to Class Counsel.

11. Written objections must include the following:

- a) the person's full name, current mailing address, fax number, telephone number and email address, as may be available;
- b) the number of shares purchased during and held at the close of the Class Period;
- c) a brief statement of the nature of and the reasons for the objection; and
- d) whether the person or a representative intends to appear at the Approval Hearing in person or by counsel, and if by counsel, the name, address, telephone number, fax number and email address of counsel.

12. Within thirty (30) days after the Objections Deadline, Class Counsel shall report to the Court, by affidavit, with a copy to counsel for the Defendant, the name of each person who objected to the Settlement and copies of any materials filed in connection with those objections.

13. Class Counsel is appointed, until further order of the Court, to manage the Escrow Account in accordance with sections 4.1, 4.2, 5.1, 5.2 and 5.3 of the Settlement Agreement, and shall account to the Court and to the Defendant for all payments it makes from the Escrow Account in accordance with section 4.1(2) of the Settlement Agreement.

14. The costs relating to the implementation of this Order, including the costs associated with the publication of the First Notice and press release, and the fees, disbursements and taxes relating



thereto, shall be paid firstly from the Administration Expenses Contribution Amount and thereafter by Class Counsel as such costs are incurred out of the Escrow Account, and such costs shall be Non-Refundable Expenses, as defined in section 4 of the Settlement Agreement.

15. The Parties and the Contributing Parties may apply to this Court for directions in respect of the implementation of this Order.

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THE HONOURABLE JUSTICE EDWARD MORGAN

# **SCHEDULE B**

# NOTICE OF THE PROPOSED SETTLEMENT OF THE AUXLY CANNABIS GROUP INC. SECURITIES CLASS ACTION

## READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR RIGHTS

**This Notice is directed to all persons and entities, excluding certain persons associated with the Defendant, wherever they may reside or be domiciled, who purchased or otherwise acquired Auxly Cannabis Group Inc. (“Auxly”) common shares in the secondary market, on or after November 12, 2018, and held some or all of those securities until after the close of trading on February 6, 2019 (“Class Members” and the “Class”).**

### PURPOSE OF THIS NOTICE

A class action brought on behalf of Class Members has been settled, subject to approval from the Court. This Notice provides Class Members with information about the Settlement and their rights to participate in the Court proceedings considering whether to approve the Settlement (including each putative Class Member’s right to attend the hearing to approve the Settlement, or to object to the Settlement (“Approval Hearing”)).

### THE ACTION

On March 19, 2019, a proposed class action was commenced on behalf of investors who purchased Auxly common shares in the secondary market during the Class Period, against Auxly in the Ontario Superior Court: *Daniel Relvas v. Auxly Cannabis Group Inc.* CV-19-00617136-00CP (the " Action"). The Plaintiff in the Action alleges that the Defendant made misrepresentations during the Class Period related to Auxly’s business, operations and finances by omitting from its Q3 2018 Management Discussion & Analysis dated November 12, 2018, material facts regarding the status of its project with FSD Pharma Inc. to build-out 220,000 square feet of cannabis cultivation space in Cobourg, Ontario. Auxly denies all such allegations.

The parties have reached a proposed settlement of the Action, without an admission of liability on the part of the Defendant, subject to approval by the Court. The terms of the proposed settlement are set out below.

### THE TERMS OF THE PROPOSED SETTLEMENT

Auxly’s insurers will pay CAD \$4 million (the “Settlement Amount”), in full and final settlement of all claims against it in the Action. The Settlement Amount, less the lawyers’ fees and disbursements, administration expenses, and taxes (the “Net Settlement Amount”), if approved by the Court, will be distributed to the Class in accordance with a court-approved Plan of Allocation. The proposed Settlement Agreement and Plan of Allocation may be viewed at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>.

If the Settlement is approved, a further notice will be published which will include instructions on how Class Members can file Claim Forms to participate in the distribution of the Net Settlement Amount and the deadline for doing so.

The Settlement provides that if it is approved by the Court, the claims of all Class Members which were asserted or which could have been asserted in the Action, will be fully and finally released and the Action will be dismissed.

## THE APPROVAL HEARING

The Court will be asked to approve the proposed Settlement and the lawyers' fees, disbursements, expenses and taxes at a hearing to be held on **November ?? 2023 at 10:00 a.m.** at the courthouse located at **130 Queen Street West, Toronto, Ontario**. If the Approval Hearing is held remotely, the meeting link will be posted at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>.

Class Members who do not oppose the proposed Settlement are not required to appear at the hearing or take any other action at this time to indicate their desire to participate in the proposed settlement. Class Members who oppose the proposed Settlement may have their opposition heard by filing an Objection (see "Objections" below). Class Members who consider it desirable or necessary to seek the advice and guidance of their own lawyers may do so at their own expense.

Class Members may attend the Approval Hearing whether or not they deliver an objection. The Court may permit Class Members to participate in the Approval Hearing whether or not they deliver an objection. Class Members who wish for a lawyer to speak on their behalf at the Approval Hearing may retain one to do so at their own expense.

## OBJECTIONS

At the Approval Hearing, the Court will consider any objections to the proposed Settlement by the Class Members if the objections are submitted in writing, by prepaid mail or email to Berger Montague (Canada) PC, 330 Bay Street, Suite 1302, Toronto, Ontario, M5H 2S8, Email: [info@bergermontague.ca](mailto:info@bergermontague.ca), Attention: Auxly Class Action.

A written objection can be submitted in English or French and must include the following information:

- (a) the objector's full name, current mailing address, telephone number and email address (as may be available);
- (b) the number of shares purchased during, and held at the close of, the Class Period;
- (c) a brief statement of the nature of and reasons for the objection; and
- (d) whether the objector intends to appear at the hearing in person or by counsel, and, if by counsel, the name, address, telephone number and email address of counsel.

**OBJECTIONS MUST BE RECEIVED ON OR BEFORE **OCTOBER 20, 2023** AT 5:00PM E.S.T.**

## LAWYERS' FEES, DISBURSEMENTS AND TAXES

The lawyers for the Class Members will ask the Court to approve legal fees in the amount of thirty (30) percent of CAD \$4 million, plus disbursements, plus taxes. This fee request is consistent with the retainer agreement entered into between Class Counsel and the representative Plaintiff. As is customary in such cases, Class Counsel conducted the Action on a contingent-fee basis. Class Counsel has not been paid as the matter has proceeded (other than through a costs award), has paid all of the expenses of conducting the litigation, and has borne all of the risk of adverse cost awards.

The approval of the Settlement is not contingent on the approval of the Class Counsel Fees requested. The Settlement may still be approved even if the requested Class Counsel Fees are not approved.

## QUESTIONS

Questions for the Class Members' lawyers may be directed to:

Berger Montague (Canada) PC  
330 Bay Street, Suite 1302  
Toronto, ON M5H 2S8  
Tel: 647.598.8772 ext 2  
Email: [info@bergermontague.ca](mailto:info@bergermontague.ca)

## INTERPRETATION

If there is a conflict between the provisions of this Notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

**This notice has been approved by the Court. Questions about matters in this notice should NOT be directed to the Court.**

# **SCHEDULE C**

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

**DANIEL RELVAS**

Plaintiff

– and –

**AUXLY CANNABIS GROUP INC.**

Defendant

Proceeding under the *Class Proceedings Act, 1992*

**PLAN OF NOTICE**

1. The First Notice shall be disseminated as follows:
  - a) Class Counsel shall disseminate a press release through Canadian Newswire in English and French in a form acceptable to counsel for Auxly, advising of the proposed settlement, the date, time and place of the hearing to approve the settlement, and the right of any class member to object to the settlement and the procedure for doing so;
  - b) Class Counsel shall disseminate a German translation of the press release through a German business newswire service;
  - c) Class Counsel shall send the English press release to the online forums Stockhouse.ca and CEO.ca for posting to any Auxly-related boards or chat rooms;
  - d) Class Counsel shall post a copy of the English press release to the “Auxly Cannabis Group Inc. Investor’s Group” on Facebook;
  - e) Class Counsel shall send the English and French press releases by email to anyone who registered with Class Counsel to receive updates on the status of the class action, to the extent that Class Counsel has their email address information;
  - f) Class Counsel shall post the First Notice in English and French on its website at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>; and
  - g) Class Counsel shall enable its website for multilingual Google translation.

2. The Second Notice shall be disseminated as follows:
- a) Class Counsel shall disseminate a press release through Canadian Newswire in English and French in a form acceptable to counsel for Auxly advising of the settlement approval, of the Claims Bar Deadline and how to file a Claim Form;
  - b) Class Counsel shall disseminate a German translation of the press release through a German business newswire service;
  - c) Class Counsel shall send the English press release to the online forums Stockhouse.ca and CEO.ca for posting to any Auxly-related boards or chat rooms;
  - d) Class Counsel shall post a copy of the English press release to the “Auxly Cannabis Group Inc. Investor’s Group” on Facebook;
  - e) Class Counsel shall send the English and French press releases by email to anyone who registered with Class Counsel to receive updates on the status of the class action, to the extent that Class Counsel has their email address information;
  - f) Class Counsel shall post the Second Notice in English and French on its website at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>;
  - g) Class Counsel shall enable its website for multilingual Google translation; and
  - h) The Administrator will ask Auxly, pursuant to section 13.3(1) of the Settlement Agreement, to “use reasonable best efforts to cause its transfer agent and proximate intermediary to assist with distribution of the Second Notice”.



# **SCHEDULE D**

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE )  
 ) \_\_\_\_\_ DAY THE \_\_\_\_ DAY  
JUSTICE EDWARD MORGAN ) OF \_\_\_\_\_, 2023

BETWEEN:

**DANIEL RELVAS**

Plaintiff

– and –

**AUXLY CANNABIS GROUP INC.**

Defendant

Proceeding under the *Class Proceedings Act, 1992*

**ORDER**

(Settlement Approval)

**THIS MOTION**, made by the Plaintiff for (1) an order approving the settlement pursuant to s. 29 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6 (“CPA”) and, (2) approving the Notice, Claim Form, and Plan of Allocation in respect of the Settlement, was heard this day by the Honourable Justice Morgan at the courthouse located at 130 Queen Street West, Toronto, Ontario.

**ON READING** the following:

- a) the notice of motion;
- b) the Settlement Agreement; and

- c) the affidavits of:
  - (i) Andrew Morganti sworn **DATE**; and
  - (ii) Daniel Relvas sworn **DATE**.

**AND ON HEARING** the submissions of counsel for the Parties in the Action;

**AND ON BEING ADVISED** that:

- a) the Parties consent to these orders;
- b) Class Counsel consents to being appointed Administrator;
- c) **PERSON** consents to being appointed Referee; and
- d) as of the deadline for objections to the proposed settlement, **NO objections** have been received;

**AND** without any admission of liability on the part of any of the Defendant, who denies liability;

1. **THIS COURT ORDERS AND DECLARES** that for the purposes of this Order, the definitions in the Settlement Agreement apply to and are incorporated into this Order and that the following definitions also apply:

- a) “Claims Bar Deadline” means 5:00 p.m. eastern standard time on **DATE**;
- b) “Class Counsel” means Berger Montague (Canada) PC; and
- c) “Settlement Agreement” means the settlement agreement made as of July 11, 2023 (without schedules) attached hereto as **Schedule 1**.

2. **THIS COURT ORDERS AND ADJUDGES** that the Settlement is fair and reasonable and in the best interests of the Plaintiff and Class Members and is approved pursuant to section 29 of the *CPA*.

3. **THIS COURT ORDERS AND ADJUDGES** that in the event of a conflict between this Order and the Settlement Agreement, this Order shall prevail.
4. **THIS COURT ORDERS AND ADJUDGES** that all provisions of the Settlement Agreement (including the Recitals and Definitions) form part of this Order and are binding upon the Defendant, the Plaintiff and all Class Members, including persons that are minors or mentally incapable, in accordance with the terms thereof, and that compliance with the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure*, is hereby waived.
5. **THIS COURT ORDERS** that:
  - a) the Settlement Agreement, without schedules, attached as **Schedule 1** to this Order, is approved and shall be implemented in accordance with its terms;
  - b) the Second Notice, generally in the form attached as **Schedule 2** to this Order, is approved;
  - c) the Plan of Notice, generally in the form attached as **Schedule 3** to this Order, is approved;
  - d) the Plan of Allocation, generally in the form attached as **Schedule 4** to this Order, is approved; and
  - e) the Claim Form, generally in the form attached as **Schedule 5** to this Order, is approved.
6. **THIS COURT ORDERS** that Class Counsel is appointed as Administrator, until further order of the court, on the terms and conditions and with the powers, duties and responsibilities set out in the Settlement Agreement and Plan of Allocation.
7. **THIS COURT ORDERS** that the Administrator shall be paid from the Escrow Account a fee in an amount to be approved by the court.
8. **THIS COURT ORDERS** that the Administrator may implement a procedure permitting brokers to make claims on behalf of their clients if they are authorized to do so.

9. **THIS COURT ORDERS** that **PERSON** is appointed as Referee, until further order of the court, on the terms and conditions and with the powers, duties and responsibilities set out in the Settlement Agreement and Plan of Allocation.

10. **THIS COURT ORDERS** that the Class Members shall be given notice of the approval of the Settlement Agreement, the Plan of Allocation, and the Claims Bar Deadline substantially in the form of the Second Notice published and disseminated in accordance with the Plan of Notice, and shall constitute good and sufficient service upon Class Members of notice of this Order and approval of the Settlement.

11. **THIS COURT ORDERS** the payment of a \$5,000 honorarium to the representative plaintiff, Daniel Relvas, from the Settlement Funds.

12. **THIS COURT ORDERS AND DECLARES** that the notice to Class Members described in paragraph 10 satisfies the requirements of section 17(6) of the *CPA*.

13. **THIS COURT ORDERS** that forthwith after publication and distribution of the Second Notice in accordance with the Plan of Notice, Class Counsel shall file with the court an affidavit confirming its compliance with its obligations concerning the publication and distribution of the Second Notice as required by the Plan of Notice.

14. **THIS COURT ORDERS AND DECLARES** that this Order is binding upon each Class Member, including those persons who are minors or mentally incapable, and the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure* are dispensed with.

15. **THIS COURT ORDERS AND DECLARES** that, upon the Effective Date, the Releasers shall release and discharge, and shall be conclusively deemed to have fully, finally and forever released and discharged the Releasees from the Released Claim.

16. **THIS COURT ORDERS** that the Releasors shall not now or hereafter institute, continue, maintain or assert, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other person (including on behalf of any Opt-Out Party), any action, suit, cause of action, claim or demand against any Releasee or any other person (including but not limited to the auditors) who may claim contribution or indemnity from any Releasee in respect of any Released Claim or any matter related thereto.

17. **THIS COURT ORDERS** that to participate in this Settlement, a Class Member must file a Claim Form with the Administrator on or before the Claims Bar Deadline unless the Administrator acting reasonably and in the best interests of Class Members extends the deadline for all Class Members.

18. **THIS COURT ORDERS** that the Plaintiff, Class Counsel (whether in its own capacity or its capacity as Administrator), and the Referee may apply to the court for directions in respect of the implementation and/or the administration of the Plan of Allocation or relating to any other matter.

19. **THIS COURT ORDERS** that no person may bring any action or take any proceedings against the Plaintiff, Defendant, Administrator, the Referee, or their employees, agents, partners, lawyers, associates, representatives, successors or assigns for any matter in any way relating to the administration of the Plan of Allocation or the implementation of this Order except with leave of the court.

20. **THIS COURT ORDERS** that upon the Effective Date, the Action shall be dismissed against the Defendant with prejudice and without costs.

21. **THIS COURT ORDERS AND DECLARES** that all persons and entities provided with notice of this motion shall be bound by the declarations made in, and the terms of, this Order.

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THE HONOURABLE JUSTICE EDWARD MORGAN

# **SCHEDULE E**



# **NOTICE OF SETTLEMENT APPROVAL AUXLY CANNABIS GROUP INC. SECURITIES CLASS ACTION**

**Read this notice carefully as it may affect your rights**

**This Notice is directed to all persons and entities, excluding certain persons associated with the Defendant, wherever they may reside or be domiciled, who purchased or otherwise acquired Auxly Cannabis Group Inc. (“Auxly”) common shares in the secondary market, on or after November 12, 2018, and held some or all of those securities until after the close of trading on February 6, 2019 (“Class Members” and the “Class”).**

## **PURPOSE OF THIS NOTICE**

A class action brought on behalf of Class Members has been settled. The Settlement has been approved by the Ontario Superior Court of Justice. This Notice provides Class Members with information about how to submit a Claim Form to the Administrator in order to participate in the distribution of the Net Settlement Amount.

## **THE ACTION**

On March 19, 2019, a proposed class action was commenced on behalf of investors who purchased Auxly common shares in the secondary market during the Class Period, against Auxly in the Ontario Superior Court: *Daniel Relvas v. Auxly Cannabis Group Inc.* CV-19-00617136-00CP (the "Action"). The Plaintiff in the Action alleges that the Defendant made misrepresentations during the Class Period related to Auxly’s business, operations and finances by omitting from its Q2 2018 Management Discussion & Analysis, material facts regarding the status of its project with FSD Pharma Inc. to build-out 220,000 square feet of cannabis cultivation space in Cobourg, Ontario. The Defendant denies all such allegations.

The settlement of the Action, without an admission of liability on the part of the Defendant, was approved by The Honourable Justice Edward Morgan on **DATE**. This notice provides a summary of the settlement.

## **SUMMARY OF THE SETTLEMENT TERMS**

Auxly’s insurers will pay CAD \$4 million (the “Settlement Amount”), in full and final settlement of all claims against Auxly in the Action. Class Counsel Fees, including out-of-pocket expenses and taxes, were fixed by the Court as a first charge on the Settlement Amount in the amount of thirty (30) percent of CAD \$4 million, plus disbursements, plus taxes. The settlement for the Class, less the Class Counsel Fees and disbursements, administrator’s expenses, and taxes, will be distributed to the Class in accordance with the Court-approved Plan of Allocation. The Settlement Agreement and Plan of Allocation may be viewed at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>.

## **HOW TO MAKE A CLAIM FOR COMPENSATION:**

### **CLAIMS FOR COMPENSATION MUST BE RECEIVED BY **DATE****

Each Class Member must submit a completed Claim Form on or before **DATE** in order to participate in the settlement. The Claim Form can be accessed or downloaded at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/> or obtained by calling the Administrator at 647.598.8772 extension 6. If you do not submit a completed Claim Form by **DATE**, you will not receive any part of the Net Settlement Amount.

The Court appointed Berger Montague (Canada) PC as the Administrator of the settlement to, among other things: (i) receive and process Claim Forms; (ii) decide eligibility for compensation; and (iii) distribute the net Settlement Amount to eligible Class Members. The Claim Form should be submitted to the Administrator by using the secure Online Claims System at <https://bergermontague.ca/cases/auxly-cannabis-group-inc/>. You may submit a paper Claim Form only if you do not have internet access. The paper Claim Form may be sent by mail or courier to:

Auxly Administrator  
330 Bay Street, Suite 1302  
Toronto, ON M5H 2S8  
Email: [info@bergermontague.ca](mailto:info@bergermontague.ca)

## **QUESTIONS**

Questions for the Class Members' lawyers may be directed to:

Berger Montague (Canada) PC  
330 Bay Street, Suite 1302  
Toronto, ON M5H 2S8  
Tel: 647.598.8772 ext 2  
Email: [info@bergermontague.ca](mailto:info@bergermontague.ca)

## **INTERPRETATION**

If there is a conflict between the provisions of this Notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

**This notice has been approved by the Court. Questions about matters in this notice should NOT be directed to the Court.**

# **SCHEDULE F**

# PLAN OF ALLOCATION AND DISTRIBUTION PROTOCOL

## THE DEFINED TERMS

1. The definitions set out in the settlement agreement reached between the Plaintiff Daniel Relvas and Defendant Auxly Cannabis Group Inc. made as of July 11, 2023 (the “**Agreement**”), except as modified or defined herein, apply to and are incorporated into this Plan of Allocation:
  - (a) “**Administrator**” means Berger Montague (Canada) PC;
  - (b) “**Administration Expenses Contribution Amount**” means CAD \$50,000;
  - (c) “**Authorized Claim**” means a properly submitted claim for damages from the Compensation Fund, which has been approved by the Administrator or Referee;
  - (d) “**Authorized Claimant**” means a Class Member who: (i) submitted a properly completed Claim Form identifying his/her/its total Qualified Shares, and all required Supporting Documentation to the Administrator on or before the Claims Bar Deadline; and (ii) is eligible to receive a Distribution from the Compensation Fund based on the number of Shares accepted as Qualified Shares by the Administrator;
  - (e) “**Auxly**” means Auxly Cannabis Group Inc., and, as the context may require, includes its subsidiaries and affiliates;
  - (f) “**Claim Form**” means the online form or forms to be approved by the Court, which, when completed and submitted in a timely manner to the Administrator by email or through the Website, enables a Class Member to apply for compensation pursuant to the Agreement and this Plan of Allocation;

- (g) **“Claimant”** means a Class Member who submits a properly completed Claim Form and all required Supporting Documentation to the Administrator on or before the Claims Bar Deadline;
- (h) **“Claims Bar Deadline”** means ninety (90) days after Class Counsel disseminate notice of the anticipated order approving the Agreement, and the Claim Form is functional on the Website;
- (i) **“Class Counsel”** means Berger Montague (Canada) PC (formerly Morganti & Co., P.C.);
- (j) **“Class Counsel Fees”** means an amount equal to 30% of the Settlement Amount plus the relevant H.S.T. and reimbursement of their Disbursements associated with prosecuting this class proceeding;
- (k) **“Class Member”** means all persons and entities, other than Excluded Persons, who during the Class Period acquired Shares in the secondary market on or after November 12, 2018, and held some or all of such Shares as of the close of trading on February 6, 2019;
- (l) **“Class Period”** means the period from November 12, 2018 to and including February 6, 2019;
- (m) **“Compensation Fund”** means the Settlement Amount less Class Counsel Fees, Administration Expenses and the Honorarium;
- (n) **“Court”** means the Ontario Superior Court of Justice;
- (o) **“Damages Per Share”** or **“DPS”** means the result of dividing the Compensation Fund by the aggregate amount of all Authorized Claimants’ Qualified Shares (the goal being that each Authorized Claimant is to receive a

*pro rata* share of the Compensation Fund based on the number of Qualified Shares they held);

- (p) “**Database**” means the web-based database in which the Administrator stores information received from the Claimants and/or acquired through the claims process;
- (q) “**Distribution**” means payment to Authorized Claimants in accordance with this Plan of Allocation, the Agreement and any order of the Court;
- (r) “**Distribution List**” means a list containing the name and address of each Authorized Claimant, and the calculation of each Authorized Claimant’s *pro rata* share of the Compensation Fund;
- (s) “**Escrow Account**” means the trust account holding the Compensation Fund and used by the Administrator to make the Distribution in accordance with this Plan of Allocation;
- (t) “**Excluded Persons**” means any executive level employee and their family members of Auxly or FSD Pharma Inc.;
- (u) “**February 7, 2019 News Release**” means the statement released by Auxly on February 7, 2019 before market open;
- (v) “**Honorarium**” means a one-time payment of \$5,000 from the Compensation Fund to the representative plaintiff, Daniel Relvas, subject to the approval of the Court;
- (w) “**Pro Rata Distribution**” means the Distribution to each Authorized Claimant in respect of their Qualified Shares;

- (x) “**Qualified Shares**” means Shares purchased or acquired during the Class Period and held until after the close of trading on February 6, 2019;
- (y) “**Referee**” means a licensee from Spark LLP;
- (z) “**Reference**” means the procedure by which a Claimant who disagrees with the Administrator’s decision relating to their eligibility for compensation, the determination of the number of Qualified Shares, may appeal the Administrator’s decision and have it reviewed by the Referee;
- (aa) “**Settlement Amount**” means CAD \$4,000,000, inclusive of the Administration Expenses, Class Counsel Fees, interest, taxes and any other costs or expenses related to the Action or the Settlement;
- (bb) “**Shares**” means common shares of Auxly that are or were listed for trading;
- (cc) “**Supporting Documentation**” means true copies of bank or brokerage statement(s) that reflects how many of the Shares were purchased during the Class Period and held until after the release of the February 7, 2019 News Release;
- (dd) “**Website**” means the website [bergermontague.ca/cases/auxly-cannabis-group-inc/](http://bergermontague.ca/cases/auxly-cannabis-group-inc/)

## **THE OVERVIEW**

2. This Plan of Allocation sets out the procedure for Class Members to apply for a Distribution from the Compensation Fund; the guidelines for determination of a Class Member’s eligibility to become an Authorized Claimant; and, if appropriate, the manner of allocation and Distribution to each Authorized Claimant of their

proportionate and allocable share of the Compensation Fund calculated on the basis of the calculations set forth herein.

### **CALCULATION OF THE *PRO RATA* DISTRIBUTION**

3. The *Pro Rata* Distribution for each Authorized Claimant will be calculated by the Administrator after the close, and within ninety (90) days of the Claims Bar Deadline by multiplying each Authorized Claimant's Qualified Shares by the Damages Per Share.

### **GENERAL PRINCIPLES OF THE ADMINISTRATION OF THE SETTLEMENT**

4. The administration process to be established shall:
  - (a) implement and conform to the Plan of Allocation;
  - (b) employ secure, paperless, web-based systems with electronic registration and record keeping, wherever practical, for Claimants to submit their Claim Form and to upload their Supporting Documentation;
  - (c) allow Claim Forms to be submitted in English and French; and
  - (d) make available a website with multilingual functionality for Class Members to download Claim Forms and to receive updates and information in regards to notice, claims procedure, definitions, Court documents and contact information.

### **THE ADMINISTRATOR**

5. The Administrator shall have such powers and rights reasonably necessary to discharge its duties and obligations to implement and administer the Escrow Account and the Plan of Allocation in accordance with their terms, subject to the direction of the Court, including:



- (a) the power to contact Claimants or their representatives to obtain more information about a claim and/or to audit claims;
- (b) if a Claimant fails to provide the Administrator the Supporting Documentation in an organized manner to allow the Administrator to readily discern the amount of the Claim and the adjudication of the Claim Form, the Administrator may exercise the right to reject the Claim Form in its entirety and said Claimant may seek guidance from the Referee; and
- (c) where a Claim Form contains minor omissions or errors, the Administrator may correct such omissions or errors if the information necessary to correct the omission or error is readily available to the Administrator.

#### **THE ADMINISTRATOR'S DUTIES AND RESPONSIBILITIES**

- 6. The Administrator shall administer the Plan of Allocation pursuant to the guidelines set out herein under the oversight and direction of the Court and shall act as trustee in respect of the monies, being the net amount between the Settlement Amount minus Class Counsel Fees, held within the Escrow Account upon receipt from Class Counsel.
- 7. The Administrator shall, wherever practical, develop, implement and operate an administration system utilizing web-based technology and other electronic systems for the following:
  - (a) Class notification;
  - (b) claim filing and document collection (Claimants must submit their Claims Forms and Supporting Documentation to the Administrator by email, direct mail, or uploading into the Website);

- (c) claim evaluation, analysis, and Reference procedures;
  - (d) distribution analysis and making Distributions;
  - (e) *cy près* award distribution, if any, and reporting to Class Counsel and the Court;
  - (f) Administration Expense payments; and
  - (g) cash management, audit control and reporting thereon.
8. The Administrator's duties and responsibilities shall include the following:
- (a) investing the monies in the Escrow Account in accordance with the Agreement;
  - (b) preparing any protocols required for submission to and approval of the Court;
  - (c) providing the software solutions and other resources necessary for a claims processing system to function in a commercially reasonable manner;
  - (d) administering the claims administration process, which shall require Claimants to provide all applicable information and Supporting Documentation as required alongside their Claim Forms, in accordance with this Plan of Allocation;
  - (e) developing, implementing and operating procedures for receiving, processing, evaluating, and decision-making in respect of the claims of Claimants, including making all necessary inquiries to determine the validity of such claims;
  - (f) if practicable, providing any Claimant whose Claim Form is not properly completed or does not include some of the required Supporting Documentation, an opportunity to remedy within 30-days of written notice of the deficiency as stipulated in the Agreement;
  - (g) in order to remedy any deficiency in the completion of a Claim Form, the Administrator may request and require that additional information be submitted by a Claimant who submits a Claim Form. Such Claimant shall have until the later of

thirty (30) days from the date of the request from the Administrator or the Claims Bar Deadline to rectify the deficiency. Any person who does not respond to such a request for information within such period shall be forever barred from receiving any payments pursuant to the Settlement, subject to any order of the Court, but will in all other respects be subject to, and bound by, the provisions of the Agreement and the releases contained therein;

- (h) the Administrator will not accept nor process any Claim Form that is not accompanied by the required Supporting Documentation;
- (i) making timely assessments of eligibility for compensation and providing prompt notice thereof;
- (j) paying all taxes accruing on the interest earned in the Escrow Account and adding that interest (net of taxes) to the Compensation Fund;
- (k) making Distributions from the Compensation Fund in a timely fashion;
- (l) using its best efforts to ensure that its personnel provide timely, helpful and supportive assistance to Claimants in completing the claims application process and in responding to inquiries respecting claims;
- (m) preparing for, attending and defending its decisions at all References;
- (n) distributing and reporting on any *cy près* awards;
- (o) making payments of Administration Expenses;
- (p) maintaining a Database with all information necessary to permit the Court to evaluate the progress of the administration, as may, from time to time, be required;

- (q) reporting to the Court respecting claims received and administered, and Administration Expenses; and
  - (r) preparing such financial statements, reports and records as directed by the Court.
9. The Administrator shall disseminate the Court-approved Second Notice substantially in conformity with the Court-approved Plan of Notice to provide notice of the outcome of the Second Motion.
  10. The Administrator shall cause the information in the Database to be secured and inaccessible to unauthorized persons;
  11. Once a Claim Form and required Supporting Documentation is received by the Administrator, the Administrator shall:
    - (a) verify the number of Qualified Shares;
    - (b) decide whether the Claimant is eligible to participate in the Distribution;
    - (c) calculate the Damages Per Share; and
    - (d) calculate each Authorized Claimant's *Pro Rata* Distribution.
  12. Once the Administrator determines that a Claimant is an Authorized Claimant, the respective number of his, her or its Qualified Shares, and the *Pro Rata* Distribution from the Compensation Fund, the Administrator shall advise the Claimant of the Administrator's decision.
  13. The Administrator may deal with Claimants in a manner that is not through an electronic medium, as and when it determines that such a step is feasible and/or necessary. However, in all cases the information acquired concerning Claimants shall be entered into the Database.

14. A decision of the Administrator in respect of a claim and any Claimant's entitlement to participate in or receive a share of the Distribution, subject to the Claimant's right to elect to refer the decision to the Referee for review, will be final and binding upon the Claimant and the Administrator.

#### **THE REFEREE**

15. The Referee shall have such powers and rights as are reasonably necessary to discharge his or her duties and obligations.
16. The Referee shall establish and employ a summary procedure to review any disputes arising from a decision of the Administrator, and may enter into such mediation and arbitration proceedings as the Referee may deem necessary.
17. All decisions of the Referee shall be in writing and shall be final and conclusive and there shall be no appeal therefrom whatsoever.

#### **THE PROCEDURE FOR REFERENCE**

18. If a Claimant disagrees with the Administrator's decision relating to eligibility to share in the Distribution, or the determination of the number of Qualified Shares, a Claimant may elect a Reference by the Referee by delivering a written election for review to the Administrator within fifteen (15) days of receipt of the Administrator's decision.
19. The election for a Reference must set out the basis for the disagreement with the Administrator's decision and attach all documents relevant to the review which have not previously been delivered to the Administrator. This election for a Reference must

be accompanied by a certified cheque or money order, payable to the Administrator, in the amount of \$150.

20. Upon receipt of an election for a Reference, the Administrator shall provide the Referee with online access to a copy of:
  - (a) the election for a Reference and accompanying documents;
  - (b) the Administrator's decision on eligibility and the number of Qualified Shares;  
and
  - (c) the Claim Form and Supporting Documentation.
21. The Referee will carry out the Reference in an inexpensive, summary manner. The Referee will provide all necessary procedural directions and the review will be in writing unless the Referee provides otherwise.
22. The Administrator shall participate in the process established by the Referee to the extent directed by the Referee.
23. The Referee shall deliver a written decision to the Claimant and the Administrator. If the Referee disturbs the Administrator's decision relating to eligibility to share in the Distribution, the number of Qualified Shares, the Administrator shall return the \$150 deposit to the Claimant. If the Referee does not disturb the Administrator's decision, the Administrator shall add the \$150 to the Compensation Fund.
24. The Referee shall bill his fees from the Compensation Fund on an as-needed hourly basis at a rate of \$400 per hour, not to exceed \$20,000.

#### **ADMINISTRATION EXPENSES**

25. The Administrator shall pay the fees, disbursements, taxes, levies, and other costs of:

- (a) the Administrator;
- (b) the Referee; and
- (c) such other persons at the direction of the Court,

firstly from the Administration Expenses Contribution Amount, and thereafter from the Settlement Amount in accordance with the provisions of this Agreement, the Second Order and any other orders of the Court.

26. The costs of giving the notices required pursuant to the Second Order and the Plan of Allocation are not to be paid by the Administrator from its fee.

#### **DISTRIBUTION TO AUTHORIZED CLAIMANTS**

27. As soon as practicable after the completion of the claims submission and election for review process, the Administrator will bring a motion to the Court for authorization to make Distributions from the Compensation Fund. In support of this motion, the Administrator will file the Distribution List with the Court in a manner that protects the privacy of persons on the Distribution List.
28. Distributions will be made in Canadian Dollars.
29. No Distribution shall be made by the Administrator until authorized by the Court.
30. No Distribution shall be made by the Administrator in respect of any amount under \$100, and the name(s) of the Authorized Claimant(s) with claims under this amount shall be excluded from the Distribution List in respect of such claims.
31. The Administrator shall make payments to Authorized Claimants by either bank transfer or by cheque at the address provided by the Authorized Claimant or the last known postal address for the Authorized Claimant. If for any reason an Authorized

Claimant does not deposit the cheque within forty-five (45) days after the date on which the cheque was sent to the Authorized Claimant, the Authorized Claimant shall forfeit the right to their *Pro Rata* Distribution and the funds shall become available for allocation to other Authorized Claimants on a *pro rata* basis in a subsequent Distribution. No cheques will be reissued.

32. The Administrator may make interim Distributions if authorized by the Court.
33. Each Authorized Claimant whose name appears on the Distribution List shall comply with any condition precedent to Distribution that the Court may impose.
34. The Administrator shall make Distributions from the Compensation Fund forthwith after receipt of authorization from the Court to make Distributions to the Authorized Claimants whose names are on the Distribution List.
35. If the Escrow Account is in a positive balance (whether by reason of tax refunds, uncashed cheques or otherwise) after one hundred eighty (180) days from the date of Distributions of the Compensation Fund to the Authorized Claimants, the Administrator shall allocate such balance among Authorized Claimants whose names are on the Distribution List in an equitable fashion up to the limit of each person's actual loss. The Administrator may wait until a CRA T-5 tax slip for investment income is issued by the Schedule One bank in respect of the Escrow Account before making this second distribution. If there is a balance in the Escrow Account after each Authorized Claimant is paid up to his/her/its actual loss, the remaining funds shall be paid *cy près* to a recipient selected by Class Counsel and approved by the Court.



## **RESTRICTION ON CLAIMS**

36. Any Class Member who does not submit a Claim Form and required Supporting Documentation with the Administrator on or before the Claims Bar Deadline, will not be permitted to participate in the Distribution. However, Class Counsel and the Administrator may jointly agree to extend the Claims Bar Deadline if, in their opinion, doing so would not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

## **NO ASSIGNMENT**

37. No amount payable under this Plan of Allocation may be assigned without the written consent of the Administrator.

## **ADMINISTRATOR'S FINAL REPORT TO THE COURT**

38. Upon the conclusion of the administration, or at such other time as the Court directs, the Administrator shall report to the Court on the administration and shall account for all monies it has received, including interest earned from the Compensation Fund being held in a trust account, cost of the administration reflecting each disbursement, for an order directing the Administrator to make the Distribution to Authorized Claimants, to be paid its fees as the Administrator, and to discharge all duties of the Administrator and to direct any remaining monies, including any returned or uncashed Distribution checks, within the Compensation Fund to the approved *cy pres*.