CANADA
PROVINCE OF QUÉBEC

DISTRICT OF MONTRÉAL
No.: 500-06-001029-194

SUPERIOR COURT
(Class Action)

ANNE MILLER

-and-

MARTIN DIONNE, residing and domiciled at 3-1320 Boulevard de la Grande Allée, in the City of Boisbriand, District of Terrebonne, Province of Québec, J7G 2T4

Representative Plaintiffs

v.

HEXO CORP.

-and-

SÉBASTIEN ST-LOUIS

-and-

CIBC WORLD MARKETS INC., a legal person incorporated pursuant to the *Business Corporations Act*, R.S.O. 1990, c. B.16, having a principal place of business at 1155 René-Lévesque Blvd W., Suite 1510, in the City of Montréal, Province of Québec, H3B 3Z4

-and-

BMO NESBITT BURNS INC., a legal person incorporated pursuant to the *Bank Act*, S.C. 1991, c. 46, having its principal place of business at 129 Saint-Jacques Street, in the City of Montréal, Province of Québec, H2Y 1L5

Defendants

AMENDED MOTION FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE *QUÉBEC SECURITIES ACT* AND APPLICATION FOR AUTHORIZATION TO INSTITUTE A CLASS ACTION

(Art. 225.4 QSA and Art. 574 CCP)

IN SUPPORT OF THEIR MOTION FOR AUTHORIZATION PURSUANT TO THE *QUÉBEC SECURITIES ACT* AND THEIR APPLICATION FOR AUTHORIZATION TO INSTITUTE A CLASS ACTION, THE REPRESENTATIVE PLAINTIFFS RESPECTFULLY SUBMIT AS FOLLOWS:

I - DEFINITIONS

1. […]

[…]

76. […]

77. In addition to the terms that are defined elsewhere herein and within the *Québec Securities Act*, CQLR c. V-1.1, the following terms have the following meanings:

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

    (b) "**BMO**" means BMO Nesbitt Burns Inc.;

    (c) "**CCP**" means the *Code of Civil Procedure*, CQLR c. C-25.01;

    (d) "**CCQ**" means the *Civil Code of Québec*, CQLR c. CCQ-1991;

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

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

    (g) "**CIBC**" means CIBC World Markets Inc.;

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

        (i) **Primary Market Sub-Class**: All Québec residents who acquired HEXO's securities in an Offering on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019; and

        (ii) **Secondary Market Sub-Class**: All Québec residents who acquired HEXO's securities on the secondary market on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019;

    (i) "**Class Period**" means April 11, 2018 to November 15, 2019, inclusively;

    (j) "**Company**" means HEXO;

(k) "**Core Documents**", each being a "**Core Document**", refers to:

(i) HEXO's Material Change Report dated April 20, 2018 (Exhibit R-10);
(ii) HEXO's MD&A for the quarter ending April 30, 2018 (Exhibit R-11);
(iii) HEXO's financial statements for the quarter ending April 30, 2018 (Exhibit R-12);
(iv) HEXO's MD&A for the quarter and annual ending July 31, 2018 (Exhibit R-15);
(v) HEXO's financial statements for the quarter and annual ending July 31, 2018 (Exhibit R-16);
(vi) HEXO's 2018 AIF (Exhibit R-17);
(vii) HEXO's MD&A for the quarter ending October 31, 2018 (Exhibit R-20);
(viii) HEXO's financial statements for the quarter ending October 31, 2018 (Exhibit R-21);
(ix) Preliminary Prospectus Supplement to the Amended and Restated Short Form Base Shelf Prospectus Dated December 14, 2018, dated January 21, 2019 (Exhibit R-24);
(x) The Prospectuses (Exhibit R-2, *en liasse*);
(xi) HEXO's MD&A for the quarter ending January 31, 2019 (Exhibit R-27);
(xii) HEXO's financial statements for the quarter ending January 31, 2019 (Exhibit R-28);
(xiii) HEXO's MD&A for the quarter ending April 30, 2019 (Exhibit R-32);
(xiv) HEXO's financial statements for the quarter ending April 30, 2019 (Exhibit R-33);
(xv) HEXO's MD&A for the quarter and annual ending July 31, 2019 (Exhibit R-41); and
(xvi) HEXO's 2019 AIF (Exhibit R-47);

(l) "**Corporate Defendants**" means HEXO and St-Louis;

(m) "**Corrective Disclosures**" each being a "**Corrective Disclosure**", means the statements released by HEXO on:

(i) June 13, 2019 (Exhibit R-35);
(ii) October 4, 2019 (Exhibit R-37);
(iii) October 10, 2019 (Exhibit R-40);
(iv) October 28, 2019 (Exhibit R-41); and
(v) November 15, 2019 (Exhibit R-43);

(n) "**Excluded Persons**" means (a) HEXO and its subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, (b) St-Louis, and any member of St-Louis' immediate family, (c) any senior level employee of any insurance company providing directors' and officers' insurance to defend this proceeding, and (d) any licensee employed by the Corporate and Underwriter Defendants' law firms defending this proceeding;

(o) "**FSE**" means the Frankfurt Stock Exchange;

(p) "**HEXO**" means HEXO Corp., a company incorporated under the *Business Corporations Act*, R.S.O. 1990, c. B.16, which, for the period relevant to this proceeding, operated under the name "The Hydropothecary Corporation" until October 9, 2018, and under the name "HEXO" thereafter, as appears from an extract from the Québec Enterprise Register, communicated herewith as **Exhibit R-1**;

(q) "**Impugned Statements**", each being an "**Impugned Statement**", refers to:

(i) The Prospectuses, as defined below (Exhibit R-2, *en liasse*);
(ii) Statements made by the Corporate Defendants on:

(1) April 11, 2018 (Exhibit R-8);
(2) April 20, 2018 (Exhibit R-10, a Core Document);
(3) June 27, 2018 (Exhibits R-11 and R-12, which are Core Documents, and Exhibit R-13);
(4) June 28, 2018 (Exhibit R-14);
(5) October 26, 2018 (Exhibits R-15, R-16 and R-17, which are Core Documents, and Exhibits R-18 and R-19);
(6) December 13, 2018 (Exhibits R-20 and R-21, which are Core Documents, and Exhibit R-22)
(7) January 21, 2019 (Exhibit R-23 and R-24, which is a Core Document);
(8) January 24, 2019 (Exhibit R-2 *en liasse*, a Core Document, and Exhibit R-25);
(9) March 13, 2019 (Exhibit R-26, and R-27 and R-28, which are Core Documents, and R-29)
(10) March 14, 2019 (Exhibits R-30 and R-31);
(11) June 12, 2019 (Exhibits R-32 and R-33, which are Core Documents, and Exhibit R-34);
(12) June 13, 2019 (Exhibit R-35);
(13) October 4, 2019 (Exhibit R-37);
(14) October 10, 2019 (Exhibit R-40); and
(15) October 28, 2019 (Exhibit R-41);

(r) "**MD&A**" refers to HEXO's Management Discussion and Analyses. Management Discussion and Analyses are a narrative explanation of how a company performed during the period covered by the financial statements, and of a company's financial condition and future prospects. The MD&A enables readers to assess material changes in the financial condition and operating results of a company and must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future;

(s) "**Newstrike**" means Newstrike Brands Ltd., a cannabis company which HEXO announced it was acquiring on March 13, 2019 (Exhibit R-26). The transaction was completed on May 24, 2019 (*inter alia*, Exhibit R-41);

(t) "**NI 51-102**" means the CSA's National Instrument 51-102—*Continuous Disclosure Obligations,* as amended;

(u) “**NI 52-109**” means the CSA’s National Instrument 52-109—*Certification of Disclosure in Issuers’ Annual and Interim Filings,* as amended;

(v) “**NI 52-110**” means the CSA’s National Instrument NI 52-110—*Audit Committees*, as amended;

(w) “**NYSE**” means the New York Stock Exchange;

(x) "**Offerings**", each being an "**Offering**", means the offerings of the Company's securities during the Class Period including, but not limited to, an offering by way of a Prospectus, Short Form Base Shelf Prospectus, Pricing Supplement to a Short Form Base Shelf Prospectus or any document issued by HEXO through which it effects a distribution of its securities as defined in the QSA or other Securities Legislation;

(y) “**OTC**” means the over-the-counter market for securities in the United States;

(z) “**Plaintiffs**” and/or **“Representative Plaintiffs”** means Martin Dionne and Anne Miller;

(aa) “**Prospectuses**” means the Company’s amended and restated short form base shelf prospectus dated December 14, 2018, and corresponding prospectus supplement dated January 24, 2019, and the documents incorporated by reference thereto, pertaining to the Company’s offering of common shares that closed on January 30, 2019, communicated herewith as **Exhibit R-2**, *en liasse*;

(bb) “**Q1**”, “**Q2**”, “**Q3**”, and “**Q4**” means the three-month interim period ended October 31, January 31, April 30, and July 31, respectively;

(cc) “**Québec Supply Agreement**” means the agreement between HEXO and the Province of Québec, first announced by HEXO on April 11, 2018, which HEXO represented, *inter alia*, as constituting a guarantee that it would be paid for 20,000 kilograms of cannabis product by the Québec government in the first year after cannabis legalization (i.e. by October 17, 2019);

(dd) **"QSA"** means the *Québec Securities Act*, CQLR C V-1.1;

(ee) **“QER”** means the Québec Enterprise Register;

(ff) “**SAQ**” means the *Société des alcools du Québec*. SAQ will be used interchangeably with SQDC herein;

(gg) "**Securities Legislation**" means, collectively, the QSA; the Securities Act, RSO 1990, c S.5, as amended; the Securities Act, RSA 2000, c S-4, as amended; the Securities Act, RSBC 1996, c 418, as amended; the Securities Act, CCSM c S50, as amended; the Securities Act, SNB 2004, c S-5.5, as amended; the Securities Act, RSNL 1990, c S-13, as amended; the Securities Act, SNWT 2008, c 10, as amended; the Securities Act, RSNS 1989, c 418, as amended; the Securities Act, S Nu 2008, c 12, as amended; the Securities Act, RSPEI 1988, c S-3.1, as amended; the Securities Act, 1988, SS 1988-89, c S-42.2, as amended; and the Securities Act, SY 2007, c 16, as amended;

(hh) "**SEDAR**" means the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval;

(ii) "**SPO**" means HEXO's secondary public offering of equity securities on January 30, 2019, at $6.50 per share, which was distributed pursuant to a prospectus dated January 24, 2019, as appears from a copy of this prospectus, included in Exhibit R-2, *en liasse*;

(jj) "**SQDC**" means the *Société québécoise du cannabis*, a subsidiary of the SAQ;

(kk) "**St-Louis**" means Sébastien St-Louis, who is HEXO's co-founder and was the Company's CEO at all times during the Class Period;

(ll) "**TSX**" means the Toronto Stock Exchange; and

(mm) "**TSX-V**" means the TSX Venture Exchange;

(nn) "**Underwriter Defendants**" means BMO and CIBC;

II - INTRODUCTION

A. Overview of Proposed Class Action

78. This action stems from Defendants' misrepresentations, and failure to make timely disclosures of material facts, which directly caused investors in Québec, and throughout the world, to suffer monetary damages;

79. HEXO is a Canadian cannabis producer that has been positioning itself to capitalize on the lucrative business opportunities that were expected to arise from the legalization of cannabis products in Canada and, in particular, Québec;

80. It is a publicly-traded corporation that lists its securities on the TSX, NYSE, FSE, and on derivative exchanges. Its securities also traded on the OTC market in the United States for at least part of the Class Period;

81. In order to encourage investors to purchase HEXO securities, Defendants made statements, and/or approved the release of core and non-core documents, containing misrepresentations and omissions of material facts regarding HEXO's business, operations, and expected revenue;

82. When these misrepresentations came to light in Corrective Disclosures, the value and price of the Class Members' securities plummeted, and the Class Members suffered a loss for which they are entitled to be compensated;

83. Defendants' misrepresentations and omissions relate to two main themes;

<u>The Québec Supply Agreement</u>

84. First, on April 11, 2018, at the commencement of the proposed Class Period, HEXO released a statement announcing that it had reached a five-year binding agreement with the SAQ, pursuant to which a subsidiary of the SAQ, the future SQDC, would purchase 20,000 kilograms of cannabis during the first year following cannabis legalization;

85. The purchase of 20,000 kilograms by the SQDC was represented as guaranteed by a “take or pay” feature in the agreement, meaning that the SQDC was obligated to “pay” for the entire 20,000 kg, regardless of whether it needed to “take” the entire amount;

86. This statement and subsequent releases misrepresented that the sale of 20,000 kilograms of cannabis in year one, and the significant revenues associated therewith, were guaranteed;

87. They also contain misrepresentations because they omitted to disclose material facts, including:

   (a) the material terms of supplying the SQDC with 20,000kg of cannabis during the first year;

   (b) the circumstances under which the SQDC could terminate the agreement; and

   (c) that HEXO would not enforce the alleged “take or pay feature” of the agreement, if any;

88. These misrepresentations and omissions were reiterated by Defendants on numerous occasions during the Class Period. For example, the Corporate Defendants touted HEXO's status as Québec's preferred supplier and that Hexo expected to generate $1 billion in revenue from the Québec Supply Agreement;

89. The Corporate Defendants reiterated time and time again that the sale of 20,000 kg of product in year one was a certainty;

90. The Québec Supply Agreement was material to HEXO’s business and operations, because, among other things, the Québec market was the most significant for HEXO in terms of revenue, accounting at times for 91% of the Company’s adult-use sales;

91. As expected, the misrepresentations and omissions relating to this agreement had the effect of artificially inflating the value and price of HEXO’s securities;

92. For instance, following HEXO’s announcement of the Québec Supply Agreement on April 11, 2018, the value and price of its common shares increased by 13.24% on the TSX in one day;

93. The Class suffered a significant loss when HEXO confirmed, over a year later, that it would not, in fact, sell 20,000 kilograms of cannabis to the SQDC in year one;

94. More specifically, this Corrective Disclosure had the foreseeable effect of materially reducing the value and price of HEXO's securities, amounting to a loss of roughly 66% from its closing price on the day before the first partial Corrective Disclosure;

<u>The Newstrike Acquisition and the Derived Additional Revenue Generation</u>

95. Second, on March 13, 2019, HEXO announced that:

(a) it was acquiring cannabis producer Newstrike, which allegedly had a fully licensed production facility in Niagara, Ontario; and

(b) as a result of this acquisition, and of the Québec Supply Agreement, the Company would:

(i) double its net revenue for Q4 2019 to approximately $26 million; and
(ii) achieve a net revenue of greater than $400 million for fiscal 2020 (i.e. August 1, 2019 to July 31, 2020);

96. These statements and subsequent releases omitted the material fact that Newstrike did not, in fact, have a fully licensed production facility in Niagara, Ontario, and that conducting operations in certain portions of this facility would be illegal;

97. These misrepresentations and omissions artificially inflated the value and price of HEXO's securities, which dropped drastically upon release of the Corrective Disclosures;

B. The Parties

1) The Representative Plaintiffs and the Class Sought to be Represented

98. The proposed Class is defined at paragraph 1 h) hereinabove;

99. Martin Dionne resides in Boisbriand, Québec. During the Class Period, he acquired HEXO securities, including shares and call options, and suffered a loss by holding some of those securities until after the final Corrective Disclosure, as appears from a copy of Martin Dionne's trading statements, communicated herewith *en liasse* as **Exhibit R-3**;

100. Anne Miller resides in Montréal, Québec. She purchased 3,900 HEXO common shares on the TSX, and suffered a loss by holding those shares until after the first Corrective Disclosure, as appears from Anne Miller's trading statements, communicated herewith *en liasse* as **Exhibit R-4**;

101. The Representative Plaintiffs suffered monetary damages as the direct, immediate, and foreseeable result of Defendants' misrepresentations and omissions;

102. They seek authorization to bring an action pursuant to s. 225.4 QSA, and, if necessary, pursuant to the corresponding provisions in the Securities Legislation, as well as the status of representatives of the Class to institute a class action pursuant to s. 574 of the CCP;

2) The Corporate Defendants

103. HEXO is a company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, which maintains its headquarters in Gatineau, Québec. It is a licensed producer and distributor of medical and recreational cannabis, the whole as appears from an extract of the QER, Exhibit R-1;

104. At all material times, HEXO's securities traded on either the TSX, NYSE, FSE, OTC, or on derivative exchanges;

105. Sébastien St-Louis, who is the Company's co-founder, was, at all relevant times, HEXO's CEO, as appears *inter alia* from an extract from HEXO's website, communicated herewith as **Exhibit R-5**;

106. St-Louis made statements, or caused documents to be released, containing misrepresentations and omissions, and certified that HEXO had effective internal controls over financial reporting, and that HEXO's Core Documents released during the Class Period were free of misrepresentations;

3) The Underwriter Defendants

107. BMO is a dealer that acted as HEXO's co-lead underwriter for its SPO and was allocated to sell, at least, 2,310,000 shares at $6.50 per share to Canadian-based investors, as appears from a copy of the Underwriting Agreement dated January 24, 2019, communicated herewith as **Exhibit R-6**;

108. BMO certified that the SPO prospectus did not contain any misrepresentations, as appears from a copy of the underwriters' counsel consent letter dated January 24, 2019, communicated herewith as **Exhibit R-7**;

109. CIBC is a dealer that acted as HEXO's co-lead underwriter for its SPO and was allocated to sell, at least, 2,695,154 shares at $6.50 per share to the Canadian-based investors, as appears from the January 24, 2019 Underwriting Agreement, Exhibit R-6;

110. CIBC certified that the SPO prospectus did not contain any misrepresentation as appears from Exhibit R-7;

III - FACTS GIVING RISE TO THE PRESENT ACTION

A. The Impugned Statements

111. On **April 11, 2018**, HEXO released a statement that it signed a 5-year preferred supplier agreement with the SQDC, and represented, in relevant part, that:

   (a) HEXO will supply a total volume estimate of 200,000kg of cannabis products during the five-year contract;

   (b) HEXO will supply 20,000kg of cannabis products during the first year of the agreement; and

(c) The SQDC has the right to terminate the agreement in certain circumstances;

as appears from a copy of HEXO's April 11, 2018 news release, communicated herewith as **Exhibit R-8**;

112. The same day, the value and price of HEXO's securities skyrocketed. For instance, the price of HEXO's common shares on the TSX increased by 13.24%, as appears from HEXO's share price history for April 11, 2018, communicated herewith as **Exhibit R-9**;

113. On **April 20, 2018**, HEXO released a Material Change Report confirming the April 11, 2018 statement. This Core Document was approved by Ed Chaplin, CFO of HEXO, as appears from a copy of the April 20, 2018 Material Change Report, communicated herewith as **Exhibit R-10**;

114. The April 11 and 20, 2018 statements contained misrepresentations because they represented the sale of 20,000 kg of cannabis during the first year as guaranteed. They also omitted material facts about the Québec Supply Agreement, including:

(a) the material terms of supplying the SQDC with 20,000kg of cannabis during the first year;

(b) the circumstances under which the SQDC could terminate the agreement; and

(c) that HEXO would not enforce the alleged "take or pay feature" of the agreement, if any;

(These misrepresentations and omissions are hereinafter collectively referred to as "**the Québec Supply Agreement Misrepresentations**");

115. On **June 27, 2018**, HEXO released its MD&A and financial statements for the quarter ending April 30, 2018, which Defendant St- Louis certified contained no misrepresentation and provided a fair representation of all material facts. A copy of HEXO's April 30, 2018 MD&A and financial statements, and of St-Louis' certification of interim filings dated June 27, 2018, are communicated herewith, respectively, as **Exhibits R-11, R-12, and R-13**;

116. These statements also contained the Québec Supply Agreement Misrepresentations;

117. In its April 30, 2018 MD&A, HEXO even described the Québec Supply Agreement as one contributing factor to its alleged "strong **business certainty** through Year 1 post-legalization" [emphasis added] (Exhibit R-11, p. 14);

118. HEXO reiterated these misrepresentations and omissions again on **June 28, 2018** in a news release entitled "Hydropothecary reports fiscal 2018 third quarter results", communicated herewith as **Exhibit R-14**;

119. On **October 26, 2018**, HEXO released its MD&A and financial statements for the quarter and annual ending July 31, 2018, as well as its 2018 AIF and annual report, a copy of which is communicated herewith respectively as **Exhibits R-15, R-16, R-17, and R-18**. Defendant St-Louis certified that the Core Documents contained no misrepresentations and provided a fair representation of all material facts, as appears from a copy of his certification of interim filings dated October 26, 2018, **Exhibit R-19**;

120. Once again, these statements contained the Québec Supply Agreement Misrepresentations;

121. For example, HEXO's 2018 AIF, Exhibit R-17, stated at page 9 that:

> We currently possess the single largest and longest national forward supply amount among all licensed producers, based upon the announced provincial supply agreements. In Quebec alone, **we will supply** 20,000 kg in the first year of legalized adult-use cannabis and **up to** approximately 200,000 kg over the first five years of legalized adult-use cannabis
>
> [Emphasis added]

122. On **December 13, 2018**, HEXO released its MD&A and financial statements for the quarter ending October 31, 2018, which Defendant St-Louis certified contained no misrepresentations and provided a fair representation of all material facts, as appears respectively from **Exhibits R-20**, **R-21**, and **R-22**;

123. These statements contained the same misrepresentations and omissions as the April 11 and 20, 2018, the June 27 and 28, 2018 and the October 26, 2018 statements discussed above;

124. On **January 21, 2019**, HEXO released a "Corporate Presentation" entitled "The Future of Cannabis", to market its upcoming public offering of common shares to potential investors, as appears from a copy of HEXO's Corporate Presentation, communicated herewith as **Exhibit R-23**;

125. At page 15 of this document, the Corporate Defendants represented that:

(a) HEXO had secured the single largest forward supply contract among licensed producers in Canada; and

(b) The SQDC was subject to a "take or pay feature" for year one on 20,000kg with an estimated 30% market share in Québec for the first three years;

thereby reiterating the Québec Supply Agreement Misrepresentations;

126. On the same day, HEXO posted its "Preliminary Prospectus Supplement to the Amended and Restated Short Form Base Shelf Prospectus Dated December 14, 2018" on SEDAR, a copy of which is communicated herewith as **Exhibit R-24**. This document contained the same Québec Supply Agreement Misrepresentations;

127. On **January 24, 2019**, HEXO released a prospectus supplement to the amended and restated short form base shelf prospectus dated December 14, 2018, Exhibit R-2, *en liasse*, in connection with the distribution of 8,855,000 shares at $6.50 each, which was certified by Defendants as not containing any misrepresentation, as appears from HEXO's and the Underwriter Defendants' consent letters, respectively communicated herewith as **Exhibit R-25** (issuer), and Exhibit R-7 (underwriters);

128. This prospectus stated that:

(a) It incorporated by reference the AIF for the year ended July 31, 2018, the audited consolidated financial statements for the year ended July 31, 2018, the MD&As for the period ended July 31, 2018 and October 31, 2018, and other documents;

(b) Under the Québec Supply Agreement, HEXO "**will supply**" 20,000 kg of cannabis products in the first year of the agreement, which is subject to a **"take-or-pay"** feature for that year;

(c) "**Other than the agreement with the SQDC, pursuant to which the SQDC has agreed to purchase 20,000kg of HEXO's products for the first year of the agreement, the agreements with the SQDC, the OCRC and the BCLDB do not contain purchase commitments or otherwise obligate the purchaser to buy a minimum of fixed volume of products from HEXO**"; and

(d) The Company's success was contingent, in part, upon ongoing compliance with regulatory requirements and obtaining all regulatory approvals for the production and sale of its products and the failure to obtain regulatory approvals could have a material adverse effect on business, financial conditions, and results from operations;

[Emphasis added]

as appears from a copy of the January 24, 2019 prospectus supplement, included in Exhibit R-2, *en liasse*;

129. Again, this statement contained the Québec Supply Agreement Misrepresentations;

130. On **March 13, 2019**, HEXO released a statement that its Board of Directors had unanimously approved to enter into a definitive agreement to acquire all of the issued outstanding common shares of Newstrike in an all-share transaction valued at approximately $263 million, as appears from a copy of HEXO's March 13, 2019 news release, communicated herewith as **Exhibit R-26**;

131. This statement represented that:

(a) HEXO would add 470,000 sq. ft. in production space;

(b) Newstrike's licensed indoor facility would provide HEXO with access to diversified growing techniques and position HEXO for flexibility for informational exports as global cannabis markets continue to open;

(c) The combined company resulting from the acquisition would realize estimated annual synergies of $10 million, which would allow HEXO to operate more efficiently; and

(d) As a result of the acquisition, HEXO was committing to achieving over $400 million in net revenue in the one-year period ended July 31, 2020;

132. This statement contained misrepresentations, because it omitted material facts including that Newstrike's Niagara production facility was not fully licensed;

133. Also, on March 13, 2019, HEXO released its MD&A and financial statements for the quarter ending January 31, 2019, which Defendant St-Louis certified contained no misrepresentations and provided a fair representation of all material facts, as appears, respectively, from **Exhibits R-27**, **R-28**, and **R-29**. The represented material facts were:

(a) "In Québec alone, [HEXO] will supply 20,000kg in the first year of legalized adult-use cannabis and up to approximately 200,000kg over the first five years of legalized adult-use cannabis" (HEXO's Jan. 31, 2019 MD&A, Exhibit R-27, p. 2);

(b) "[HEXO] will supply the SQDC with 20,000kg of products in the first year" (Exhibit R-27, p. 4);

(c) "Other than the agreement with the SQDC, pursuant to which the SQDC has agreed to purchase 20,000kg of HEXO's products for the first year of the agreement, the agreements with the SQDC, the OCRC and the BCLDB do not contain purchase commitments or otherwise obligate the purchaser to buy a minimum of fixed volume of products from HEXO" (Exhibit R-27, p. 28);

(d) "The acquisition of Newstrike will provide HEXO access to 4 cutting-edge production campuses totaling close to 1.8 million sq. ft." (Exhibit R-27, p.12);

(e) "Newstike's licensed indoor facility will provide HEXO with access to diversified growing techniques" (Exhibit R-27, p.12);

(f) The acquisition of Newstrike is expected to result in annual synergies of $10 million, allowing HEXO to operate more efficiently (Exhibit R-27, p.12); and

(g) Net revenue from adult-use sales (which accounts for 91% of total revenue) in Q2 2019 was $12.205 million and net revenues from adult-use sales for Q4 2019 are expected to approximately double those of Q2 2019 (i.e. representing that net revenue from just adult-use sales for May 1, 2019 to July 31, 2019 would be approximately $24.41 million) (Exhibit R-27, p. 16-17);

134. In addition to reiterating the Québec Supply Agreement Misrepresentations, this statement misrepresented that the Newstrike's Niagara production facility would be appropriately licensed;

135. On **March 14, 2019**, during HEXO's Q2 2019 earnings call, St-Louis repeated the above-mentioned misrepresentations concerning the Newstrike facility, and added further details regarding licensing:

> "**Question - Tamy Chen**: Just first question on Newstrike, are you able to give us an update in terms of where the company is with respect to the ramp of their greenhouse in Niagara, where are they currently at? Any color there would be helpful.
>
> **Answer - Sebastien G. St-Louis**: Yes. So of the total 450,000 square feet that we're adding, there is 250,000 feet that are licensed operational, and

we're looking forward to bringing in the HEXO team in there to ramp up the yields. We believe that coupled with the great infrastructure Newstrike has put in place, putting in HEXO's management and production processes will greatly increase yields there.

Question - Tamy Chen: And the other 200,000 square feet, that's still under construction?

Answer - Sebastien G. St-Louis: That's correct. So well underway, the walls are all up, the glass is on, <u>but there will be a licensing</u> -- there is an expected licensing delay on that. But of course, we're putting our regulatory team, which as we've proven time and time again, one of the best in the business, so we don't anticipate any major issues."

[Underlining added]

as appears from a transcript of HEXO's Q2 2019 earnings call of March 14, 2019, communicated herewith as **Exhibit R-30**;

136. HEXO was just as bullish in its March 14, 2019 news release entitled "HEXO reports over $16.2 million in total gross revenue in the second quarter of fiscal 2019", communicated herewith as **Exhibit R-31**;

137. On **June 12, 2019**, HEXO released its MD&A and financial statements for the quarter ending April 30, 2019, which Defendant St-Louis certified contained no misrepresentations and provided a fair representation of all material facts, as appears, respectively, from **Exhibits R-32**, **R-33**, and **R-34**. The represented material facts were:

(a) HEXO had achieved net revenue of $12.956 million in the quarter (Exhibit R-32, p.17);

(b) HEXO remained on track to double net revenue in Q4 fiscal 2019 (i.e. representing in mid-June that the company would achieve roughly $26 million in net revenue in the quarter extending from May 1, 2019 to July 31, 2019) (Exhibit R-32, p.19);

(c) HEXO remained on track to achieve $400 million in net revenue in fiscal 2020 (Exhibit R-32, p.19);

(d) Under the Québec Supply Agreement, HEXO will supply 20,000 kg in the first year of legalized adult-use cannabis (Exhibit R-32, p. 2);

(e) The Québec Supply Agreement is estimated to be worth $1 billion in potential revenue to the Company (Exhibit R-32, p. 2); and

(f) The acquisition of Newstrike is estimated to result in annual savings of millions of dollars in operational synergies, allowing HEXO to operate efficiently (Exhibit R-32, p. 13);

138. This statement again contained the Québec Supply Agreement Misrepresentations;

139. This statement also omitted to disclose that Newstrike's Niagara production facility lacked required licenses;

140. On **June 13, 2019**, before trading commenced for the day on the TSX, HEXO conducted an earnings call to discuss its results for Q3 2019, ending April 30, 2019. Despite the fact that this conference call took place with only a few weeks left in Q4 2019, which ended as at July 31, 2019, Defendant St-Louis, on behalf of the Company, once again represented that:

(a) Q4 2019 revenues would double relative to Q3 2019 (partially due to the acquisition of Newstrike, whose financials would be consolidated into HEXO's for Q4 2019), and that St-Louis was certain "[w]e're going to reach the target … If you ever hear me say something and not deliver, you have to call me out. And in reverse, I would tell you today, nobody has ever called me out on anything because HEXO has always delivered what we said we would. We're delivering a double this quarter";

(b) The Company was on track to achieve and remained focused on achieving net revenues in fiscal 2020 (August 1, 2019 to July 31, 2020) of over $400 million, and expected that net revenues would increase linearly every quarter in 2020 to achieve that number; and

(c) The Québec Supply Agreement was "take or pay" for the first year's amount of 20,000 kg [implying that the revenue for the first year was guaranteed];

as appears from a transcript of HEXO's June 13, 2019 earnings call, communicated herewith as **Exhibit R-35**;

B. The Corrective Disclosures

Corrective Disclosure 1

141. In addition to the above-noted misrepresentations made on the **June 13, 2019** earnings call, Exhibit R-35, this call was also a partial corrective disclosure of prior misrepresentations made by Defendants with regards to the guaranteed-nature of the Québec Supply Agreement;

142. The Corporate Defendants admitted during this call that Québec had only purchased approximately 5,500 kg of cannabis product under the Québec Supply Agreement, but was obligated to purchase another 14,500 kg prior to October of 2019 (i.e. in the next three months). The Corporate Defendants revealed, for the very first time, that there was a lot of risk that Québec may not purchase 20,000kg prior to October 31, 2019, and that it could get extended to year-end;

143. During this call, St-Louis stated that the Québec Supply Agreement "is a take-or-pay contract, but we value our relationship with the SQDC more than the few million dollars in revenue we could get this quarter", leading to believe, for the first time, that HEXO may not immediately enforce the contract. At the very least, St-Louis indicated that HEXO could wait a quarter before acting on the agreement;

144. The market's reaction to this partial Corrective Disclosure that the Company may not require Québec to immediately purchase the entire 20,000 kg even though it had represented for over a year that this sale, and the associated revenue, was a certainty,

was immediate and pronounced. All HEXO securities were materially negatively affected by the correction. For example, that very same day, the Company's stock price went from $8.53 per share to $7.81 per share on the TSX, equating to a loss of 8.44%;

145. In the ten trading days following the Corrective Disclosure of June 13, 2019, the Company lost nearly a quarter of its value, closing at $6.62 per share (or down 22.4%) on the TSX on June 26, 2019, as appears from HEXO's share price history for the period between June 12, 2019 and June 26, 2019, communicated herewith as **Exhibit R-36**;

Corrective Disclosure 2

146. On **October 4, 2019**, after the close of trading on the TSX, HEXO announced the abrupt and immediate resignation of its then-Chief Financial Officer, Michael Monahan, just a few months into the job, as appears from HEXO's press release entitled "Hexo Corp. Announces Resignation of Chief Financial Officer" dated October 4, 2019, communicated herewith as **Exhibit R-37**;

147. Analysts responded immediately to the departure. Bank of America analyst Chistopher Carey reportedly double downgraded his "buy" recommendation to "underperform" just a few days later, and commented that "[p]ut simply, a departure that is so abrupt, from a person with CFO experience at other public companies, is concerning, and in our view will leave investors guessing "what don't we know?" for some time", as appears from an October 7, 2019 article entitled "Hexo CFO's Resignation Prompts Double Downgrade at BofA", a copy of which is communicated herewith as **Exhibit R-38**;

148. As had Corrective Disclosure 1, this Corrective Disclosure 2 signaled to the market that HEXO may fail to meet its revenue targets;

149. On this news, the value and price of all HEXO securities were materially negatively affected. For instance, HEXO's stock price on the TSX fell $0.24 per share or 6.64%, as appears from HEXO's share price history for the month of October 2019, communicated herewith as **Exhibit R-39**;

Corrective Disclosure 3

150. Days later, on **October 10, 2019** (which was roughly two-and-a-half months after the end of HEXO's 2019 fiscal year on July 31, 2019), before trading had commenced for the day on the TSX, the Company released a news release providing preliminary fourth quarter revenue results and withdrawing its fiscal 2020 revenue guidance, a copy of which is communicated herewith as **Exhibit R-40**;

151. In this Corrective Disclosure, the Company revealed that:

(a) HEXO was withdrawing its previously issued financial outlook of more than $400 million in net revenue for fiscal 2020;

(b) Net revenue for Q4 2019 would be "approximately $14.5 to $16.5 million", which was more than 40% lower than the roughly $26 million in net revenue for Q4 2019 that the Company had projected as late as June 13, 2019, with only weeks then remaining in Q4 2019; and

(c) Q4 2019 revenue was below the Company's expectations and guidance primarily due to lower than expected product sell through (which refers, in part, to shortfalls in Québec);

152. The above partial correction also revealed to the market that despite HEXO's Class Period representations to the contrary, the Company did not in fact have effective financial reporting controls because, *inter alia*:

(a) Even nearly three-months after the end of Q4 2019, the Company could not definitively provide net revenue for Q4 2019 and rather provided a range; and

(b) The Company clearly was unable to accurately account for expected future revenue, having missed Q4 revenue projections by more than 40% and having to completely eliminate guidance for fiscal 2020;

153. Once again, the market's reaction to this partial Corrective Disclosure was swift and significant for all HEXO securities. For instance, the Company immediately lost 23.0% of its value, going from a closing price of $4.88 per share to $3.76 per share on the TSX in just a few hours;

154. In the ten trading days following the Corrective Disclosure of October 10, 2019, the Company lost $1.37 per share (or 28.1%) of its value on the TSX, closing at $3.51 on October 23, 2019, as appears from HEXO's share price history for the period between October 9, 2019 and October 23, 2019, included in Exhibit R-39;

<u>Corrective Disclosure 4</u>

155. On **October 28, 2019**, after trading had ended on the TSX for the day, HEXO released its MD&A for its 2019 fiscal year period ended July 31, 2019, a copy of which is communicated herewith as **Exhibit R-41**;

156. In this 2019 annual MD&A, the Company disclosed that:

(a) Despite more than seven months of touting how the acquisition of Newstrike would result in HEXO realizing annual synergies of $10 million, HEXO was suspending cultivation at the Niagara facility acquired from Newstrike, because this cultivation space was not required at this time given the current market conditions in Canada (Exhibit R-41, p. 17);

(b) The Company also suspended cultivation in 200,000 sq. ft. at the Company's main facility in Gatineau, despite repeatedly citing the purportedly guaranteed volume under the first year of the Québec Supply Agreement as justification for HEXO's rapid (and costly) expansion of its production facilities in fiscal 2018 (Exhibit R-41, p. 17);

(c) Newstrike had contributed net revenues of $2.77 million, and resulted in a net loss of $13.7 million to the Company's consolidated results for the fiscal year ended since the date of the Newstrike acquisition, despite the Company boasting that the acquisition would result in the realization of synergies and increased efficiency (Exhibit R-41, p. 37);

(d) Net revenue for Q4 2019 was only $15.424 million, missing the approximately $26 million in net revenue that the Company had announced for Q4 2019 by roughly 41%. (Only weeks before the quarter ended, Defendants had reiterated that they would meet their Q4 2019 $26 million target) (Exhibit R-41, p. 24);

(e) HEXO had only sold, and been paid for, roughly half of the amount 'guaranteed' under the Québec Supply Agreement (i.e. 10,000 kg of the 20,000 kg) (Exhibit R-41, p. 14);

(f) The Company would not enforce the “take or pay” feature of the Québec Supply Agreement, and require the SQDC to purchase the entire 20,000 kg, because it believed that it would be “short sighted” to do so, even though it had represented that the amount and corresponding revenue were a certainty for over a year (Exhibit R-41, p. 14); and

(g) The Company now expected net revenue for Q1 2020 (which ended two days after this disclosure was made) to be between $14 million and $18 million, meaning that even if net revenue doubled every quarter in 2020, fiscal 2020 net revenue would only be $270 million, which is 32% lower than the projected $400 million in net revenue for fiscal 2020, which the Company had reaffirmed just a few weeks prior;

157. The market’s reaction to this Corrective Disclosure was again immediate and pronounced. All HEXO securities were materially negatively affected by this Corrective Disclosure. For example, that very same day, the Company’s stock price dropped a further 3.0% on the TSX;

158. HEXO’s closing price of $2.94 per share on the TSX on October 29, 2019 amounted to a loss of roughly 66% relative to its closing price of $8.53 per share on June 12, 2019, which was the last day prior to the first Corrective Disclosure;

159. In the ten trading days following the Corrective Disclosure of October 28, 2019, the Company lost another $0.22 per share (or 7.3%) of its value on the TSX, closing at $2.81 on November 11, 2019, as appears from HEXO’s share price history for the period between October 28, 2019 and November 11, 2019, communicated herewith as **Exhibit R-42**;

<u>Corrective Disclosure 5</u>

160. On **November 15, 2019**, after the close of trading on the TSX, the Corporate Defendants released a statement admitting that Block B of its Newstrike Niagara facility was not adequately licensed, and had been operated illegally;

161. The Corporate Defendants further announced that this part of the facility was no longer operational, and that they had ceased cultivation and production operations there three and a half months earlier:

> “On ***<u>July 30, 2019</u>***, shortly after the Newstrike Brand Ltd. acquisition closed, HEXO discovered that cannabis was being grown in Block B, which was **not**

adequately licensed. HEXO management immediately **ceased cultivation and production** activities in the **unlicensed space**."

[Emphasis added]

as appears from a copy of HEXO's news release dated November 15, 2019 entitled "HEXO Corp provides additional transparency on licensing", communicated herewith as **Exhibit R-43**;

162. For at least there and a half months, the Corporate Defendants hid their prior misrepresentations and omissions from the public and its investors. This news release constitutes an admission of their intentional misrepresentations and omissions in relation to the Newstrike facility since, at least, July 2019;

163. Notwithstanding the foregoing admission, at all material times since March 13, 2019, HEXO knew or should have known the Newstrike facility was not appropriately licensed and could not fully operate legally;

164. All HEXO securities were materially negatively affected by this final Corrective Disclosure. For instance, on November 18, 2019, the next trading day after November 15, 2019, HEXO's stock dropped an additional 10.21% on the TSX, as appears from HEXO's share price history for the period between November 15 and 18, 2019, communicated herewith as **Exhibit R-44**;

C. St-Louis

165. At all material times during the Class Period, St-Louis signed certificates of interim and annual filings attesting to the accuracy of the MD&As and financial statements, Exhibits R-13, R-19, R-22, R-29, and R-34;

166. Accordingly, at all relevant times, St-Louis certified that:

(a) he had reviewed the filings;

(b) based on his knowledge, having exercised reasonable diligence, the filings did not contain any untrue statements of material facts or omitted to state a material fact required to be stated or that was necessary to make a non-misleading statement in light of the circumstances under which it was made;

(c) the filings fairly represented, in all material respects, the financial condition, performance, and cash flows of HEXO;

(d) he had designed, or caused to be designed under his supervision, internal financial controls to provide reasonable assurance that all material information relating to HEXO was made known to him and that information required to be disclosed by HEXO in its filings or any other document submitted under a securities legislation was recorded, processed, summarized, and reported; and

(e) he had evaluated, or caused to be evaluated under his supervision, the effectiveness of HEXO's disclosure of information at the financial year-end, and that HEXO had disclosed its conclusions regarding the effectiveness in its annual MD&A;

167. St-Louis oversaw the preparation and reporting of all filings, other financial documents, and disclosures to the public and knew or ought to have known of the alleged misrepresentations;

168. Notably, St-Louis authorized, permitted or consented to the release and publication of the Impugned Statements, during the Class Period, which contained misrepresentations;

D. The Underwriter Defendants

169. The Underwriter Defendants, *inter alia*, certified the Prospectuses, R-2 *en liasse*. They falsely stated that the Prospectuses, together with the documents incorporated by reference therein, constituted full, true and plain disclosure of all material facts relating to the securities offered by way of those Prospectuses;

170. Each underwriter had obligations under the law to conduct all required due diligence in connection with each Offering. The Underwriter Defendants failed in their obligations and allowed, acquiesced and approved Offerings made on the basis of disclosure documents which misstate material facts, do not follow applicable accounting standards and do not respect the QSA or other applicable Securities Legislation;

E. The Relationship between the Misrepresentations and the Price and Value of HEXO's Securities

171. Defendants had a duty of care based on their special relationship with investors of the Company, who relied on Defendants for accurate information about the Company's business, operations, and revenue;

172. The price and value of HEXO's securities were directly affected each time that Defendants disclosed (or omitted to fully and timely disclose) material facts about HEXO's business, finances, and operations, including the performance and synergies of HEXO's acquisitions, accounting policies, cash on hand, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of HEXO's issued and outstanding shares;

173. At all material times, Defendants were aware of the effect of HEXO's disclosures about its business, finances, and operations, including the performance and synergies of HEXO's acquisitions, cash on hand, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of HEXO's issued and outstanding securities, on the price of the Company's publicly-traded securities;

174. Defendants intended and took advantage of the fact that the members of the Class, including the Plaintiffs, would rely upon these disclosures, which they did to their detriment;

175. The disclosure documents referred to herein were filed with SEDAR and/or posted to HEXO's website or other websites, and thereby became immediately available to and were reproduced for inspection for the benefit of the Plaintiffs and the other members of

the Class, the public, financial analysts and the financial press through the internet and financial publications;

176. The price at which HEXO's securities traded on the TSX, FSE, NYSE, OTC and derivative exchanges, and the price at which primary market securities were acquired, incorporated the information contained in the disclosure documents referred to herein, including information about the performance and synergies of HEXO's acquisitions, cash on hand, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, and compensation of insiders and management;

IV - RIGHTS OF ACTION

177. The Representative Plaintiffs assert three rights of action against Defendants:

(a) A statutory right of action for misrepresentation in a secondary market (s. 225.4 et seq. QSA);

(b) A statutory right of action for misrepresentation in a primary market (s. 217 et seq. QSA); and

(c) A civil liability action (s. 1457 CCQ);

A. Statutory Right of Action for Misrepresentation in a Secondary Market Claim

178. Defendants' statements and omissions were materially false and misleading since they failed to disclose material adverse information and misrepresented the truth about HEXO's business, operations, and revenues. Further, HEXO failed to make timely disclosures of material facts;

179. As a result of these misrepresentations, the Representative Plaintiffs assert a right of action under s. 225.8 et seq. of the QSA and, if necessary, the concordant provisions of other Securities Legislation, on behalf of all Class Members against Defendants;

180. HEXO is registered to do business in Québec;

181. HEXO is a reporting issuer in Québec under s. 68 of the QSA, as appears from an extract from the *Autorité des Marchés Financiers*' Reporting Issuers List, communicated herewith as **Exhibit R-45**;

182. HEXO's securities were issued from Québec, and distributed in Québec and throughout the world;

183. The secondary market claim against Defendants is asserted in respect of all Impugned Statements which contained the misrepresentations alleged herein;

184. Defendants knew that the Impugned Statements would be reviewed by analysts, capital markets and the general public who would rely on these documents to make informed financial decisions;

185. The monetary damages suffered by the Representative Plaintiffs and Class Members are a direct result of Defendants' misrepresentations, which artificially-inflated the price of HEXO's securities;

186. Defendants knowingly authorized, permitted or acquiesced to the dissemination of false and misleading information, thus violating the QSA and concordant provisions of other Securities Legislation;

187. St-Louis was an officer and director of HEXO during the release and publication of the Impugned Statements and, as such, was privy to HEXO's internal budgets, plans, projections, and reports, as well as the Company's finances, operations, prospects, and all documents filed in accordance with the applicable Securities Legislation;

188. At all relevant times during the Class Period, St-Louis authorized, permitted or acquiesced to the release and publication of the Impugned Statements, which he knew or ought to have known contained false and misleading information;

189. The Underwriter Defendants also knew or should have known of the misrepresentations and omissions contained in documentation which they certified was accurate;

B. Statutory Right of Action for Misrepresentation in a Primary Market Claim

190. On January 30, 2019, HEXO made an offering of 8,855,000 shares at $6.50 each, which was distributed pursuant to a prospectus dated January 24, 2019, included in Exhibit R-2, *en liasse*, as appears from a copy of HEXO's news release dated January 30, 2019 entitled "HEXO Corp. closes C$57.5 million public offering of common shares", communicated herewith as **Exhibit R-46**;

191. On behalf of all members of the Primary Market Sub-Class deriving from this SPO, the Representative Plaintiffs assert, as against all Defendants, the right of action found in sections 217 et seq. of the QSA, and, if necessary, the concordant provisions of other Securities Legislation;

C. Civil Liability Right of Action

192. The Representative Plaintiffs assert a civil right of action under art. 1457 of the *CCQ*, on behalf of themselves and all Class Members, against Defendants for breach of their duty of care, prudence and diligence owed to all Class Members;

193. HEXO's acts particularized herein were authorized, ordered and effected by Defendant St-Louis, as well as other officers, agents, employees and representatives who were engaged in the management, direction, control and transaction of HEXO's business, finances, and operations and are, therefore, acts and omissions for which HEXO is vicariously and solidarily liable;

194. The Underwriter Defendants failed to exercise reasonable diligence in certifying several Impugned Statements, which Class Members relied upon in their decision to purchase HEXO securities. The dealers' fault directly caused Class Members to suffer damages, for which the Underwriter Defendants are solidarily liable with the Corporate Defendants;

195. Defendants did not fulfill the legal obligations warranted by their relationship with the Class Members as required by law;

196. The Representative Plaintiffs and Class Members relied on Defendants' Impugned Statements;

197. The Representative Plaintiffs would not have acquired HEXO's securities or would not have acquired them at inflated prices had they been aware of Defendants' misrepresentations and omissions. The same is true of the Class as HEXO's misrepresentations and omissions of fact were material;

198. The Representative Plaintiffs and Class Members acquired HEXO's securities at artificially-inflated prices during the Class Period, held those securities until after Corrective Disclosures and suffered damages as a direct and immediate result of the drop in the price of HEXO's securities, which was caused by Defendants' misrepresentations and omissions;

D. No Safe Harbor

199. The statutory defence provided for by s. 225.22 and 225.23 of the *QSA* regarding forward-looking information in a document does not apply to any false and misleading statements alleged in the present claim since these statements related to then-existing facts and conditions;

200. Should the false and misleading statements fall within the scope of forward-looking information, the statutory defence nonetheless does not apply since these statements were not identified as being forward-looking statements when they were made;

V - THE CRITERIA OF ARTICLE 575 CCP

A. The Facts Alleged Appear to Justify the Conclusions Sought (art. 575 (2) *CCP*)

201. The Impugned Statements published on SEDAR contain misrepresentations of material fact;

202. At all relevant times during the Class Period, Defendants misrepresented material facts and breached their obligation to make timely disclosure and accurately inform the public of HEXO's current and future prospects in accordance with the QSA, Securities Legislation, financial reporting standards, and the CCQ;

203. Defendants breached their duties and legal obligations towards the Class Members;

204. St-Louis prepared or oversaw the preparation of the Impugned Statements, and authorized their release;

205. The Representative Plaintiffs and Class Members bought HEXO's securities at artificially-inflated prices and suffered damages following the publication of the Corrective Disclosures;

206. The faults committed by Defendants were the direct and immediate cause of the Representative Plaintiffs and Class Members' damages;

207. In light of the above, Defendants are solidarily liable to the Representative Plaintiffs and Class Members;

B. The Class Members' Claims Raise Identical, Similar or Related Issues of Law or Fact (art. 575 (1) *CCP*)

208. The QSA, the Securities Legislation, national instruments including NI 51-102, NI 52-109, NI 52-110, all informed Defendants of their obligations;

209. Defendants also owed the Class Members the obligations imposed under the CCQ;

210. Defendants breached their obligations by making the alleged misrepresentations particularized herein and, as such, committed faults against the Class Members;

211. St-Louis oversaw the preparation of all filings and news releases, including the Impugned Statements, and knew or ought to have known of the alleged misrepresentations;

212. Consequently, not only is HEXO directly liable towards the Class Members for its own faults, but it is also liable for the faults committed by St-Louis or any other officer, director, partner or employee;

213. The Underwriter Defendants also failed to comply with their obligation of diligence, and caused Plaintiffs' and Class Members' damages. They are solidarily liable with the Corporate Defendants;

214. In light of Defendants' misrepresentations, HEXO securities traded at artificially-inflated prices and did not reflect their true value at all relevant times during the Class Period;

215. Once the misrepresentations were corrected, the price of HEXO's securities plummeted causing significant damages to the Representative Plaintiffs and Class Members;

216. The Representative Plaintiffs ask this Honorable Court to certify the following questions of fact and law to be dealt with collectively, with respect to the Class:

a) During the Class Period, did the Defendants publish documents or make statements that contained misrepresentations within the meaning of the QSA and, if necessary, other Securities Legislation?

b) If so, which document or statement contains which misrepresentation?

c) Were the misrepresentations intentional?

d) Are any of the Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?

e) If so, which Defendant is liable and to whom? and

f) What are the damages sustained by the Class Members?

C. The Composition of the Class Makes It Difficult or Impracticable to Apply the Rules for Mandates to Take Part in Judicial Proceedings on Behalf of Others or for Consolidation of Proceedings (art. 575 (3) *CCP*)

217. During the Class Period, HEXO's securities traded actively on the TSX as well as on other exchanges around the world such as on the NYSE, FSE, OTC, and derivative exchanges;

218. In its 2019 AIF, for the period ending July 31, 2019, HEXO indicated that it had a total of 256,018,560 common shares, and millions of options and subscription warrants, issued and outstanding, as appears from pages 52-53 of HEXO's 2019 AIF, a copy of which is communicated herewith as **Exhibit R-47**;

219. There are thousands of investors that are members of the putative Class in Québec such that it would be difficult or impracticable to apply the rules for mandates to take part in judicial proceedings;

D. The Class Member Appointed as the Representative Plaintiffs is in a Position to Properly Represent the Class Members (art. 575 (4) *CCP*)

220. Martine Dionne and Anne Miller are Québec residents with investment experience;

221. As a result of Defendants' misrepresentations, the Representative Plaintiffs purchased HEXO securities during the Class Period, and held them until after Corrective Disclosures, as appears from their respective trading statements, Exhibits R-3 *en liasse* and R-4 *en liasse*;

222. After the misrepresentations were revealed by the Corrective Disclosures, the value of the Representative Plaintiffs' securities plummeted and Plaintiffs suffered damages as a result;

223. The Representative Plaintiffs both contacted attorneys to discuss the best means of asserting their rights and the nature of a potential action, and have mandated those attorneys to investigate and bring this action forward;

224. The Representative Plaintiffs share common interests with the Class Members and have instituted the present claim in good faith;

225. The Representative Plaintiffs have the resources, knowledge, time, and dedication required to act as the representative plaintiffs of the Class and to advance the case on behalf of the Class;

226. The Representative Plaintiffs have no conflict of interest with other Class Members and are represented by counsel that are experienced at litigating securityholders' claims in class actions against multinational corporations that list their securities on multiple exchanges.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO

AUTHORIZE the Class as:

"**Class**" and "**Class Members**" are comprised of the following, other than the "**Excluded Persons**":

a) **Primary Market Sub-Class**: All Québec residents who acquired HEXO's securities in an Offering on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019; and

b) **Secondary Market Sub-Class**: All Québec residents who acquired HEXO's securities on the secondary market on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019;

DECLARE that the following persons are excluded from the Class ("Excluded Persons"): (a) HEXO and its subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, (b) St-Louis, and any member of St-Louis' immediate family, (c) any senior level employee of any insurance company providing directors' and officers' insurance to defend this proceeding, and (d) any licensee employed by the Corporate and Underwriter Defendants' law firms defending this proceeding;

NAME Martin Dionne and Anne Miller as Class Representatives;

DECLARE that the following questions of fact and law are to be dealt with collectively:

a) During the Class Period, did the Defendants publish documents or make statements that contained misrepresentations within the meaning of the *Québec Securities Act* ("QSA") and, if necessary, other Securities Legislation?

b) If so, which document or statement contains which misrepresentation?

c) Were the misrepresentations intentional?

d) Are any of the Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?

e) If so, which Defendant is liable and to whom? and

f) What are the damages sustained by the Class Members?

AUTHORIZE the class action proceedings to seek the following conclusions:

GRANT this class action on behalf of the Class;

GRANT the Representative Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and under article 1457 of the *Civil Code of Québec*;

CONDEMN Defendants to solidarily pay to the Representative Plaintiffs and Class Members compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Québec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

AUTHORIZE these class action proceedings under section 225.4 of the QSA;

APPROVE the notice to the members of the Class in the form to be submitted to the Court;

ORDER the publication of the notice to the Class no later than thirty (30) days after the date of the judgment authorizing the class proceedings;

ORDER that the deadline for a member of the Class to exclude himself or itself from the class action proceedings shall be sixty (60) days from the publication of the notice to the members of the Class.

THE WHOLE WITH COSTS including all costs related to the publication of the notices to class members and all costs of expertise.

MONTREAL, this 10th day of March, 2020

(S) Faguy & Co.

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Our File: 10239-001

Schedule A: Chronology of Relevant Disclosures
Schedule B: Draft Originating Application

SCHEDULE A: CHRONOLOGY OF RELEVANT DISCLOSURES

- **February 14, 2018**. "Hydropthecary signs letter of intent to supply Québec market," "Hydropothecary will supply 20,000 kg of cannabis for the first year of the adult-use of recreational cannabis." "The final terms are subject to negotiation and execution of a definitive supply agreement."

- **March 2, 2018**. On February 14, 2018, the Company announced a letter of intent (LOI) with Société des alcools du Québec (SAQ), for the supply of cannabis for the Québec market. Hydropothecary will supply 20,000 kg of cannabis products in the first year of adult-use recreational cannabis. Final terms are subject to the negotiations and execution of a definitive supply agreement.

- **March 28, 2018**. "Letter of intent signed with the SAQ for the supply of 20,000 kg of cannabis in year one following legalization."

- **April 11, 2018**. "Hyrdopothecary signs 5-year preferred supplier agreement with SAQ, for an estimated volume of 200,000kg." "Under the agreement, Hydro will supply 20,000 kg of products in the first year of the agreement…"

- **April 20, 2018**. Material Change Report. "Hyrdopothecary signs 5-year preferred supplier agreement with SAQ, for an estimated volume of 200,000kg." "Under the agreement, Hydro will supply 20,000 kg of products in the first year of the agreement…"

- **June 27, 2018**. MD&A. The SQDC Supply Agreement. "We will supply 20,000 kg of cannabis products in the first year of adult-use recreational cannabis and expect…"

- **October 26, 2018**. MD&A. "We hold the single largest forward supply contract among licensed producers, based upon announced agreement for year one legalization, with 20,000 kg to be supplied to Québec in the first year." "The additional facilities and associated production capacity have positioned the Company to meet the SQDC first-year demand of 20,000 kg."

- **November 9, 2018**, **December 13, 2018** (MD&A), and **December 20, 2018** (Prospectus); same language.

- **January 21, 2019**. Prospectus. "Under the agreement, Hydro will supply 20,000 kg of products in the first year of the agreement, **which is subject to a take-or-pay feature for that year**. **The Company estimates that this represents an approximate 35% market share of the province's adult-use sales in the first year of legalization based on the**

volumes disclosed by other publicly traded cannabis companies who have also entered into SQDC supply agreements." (**New language**)

- **March 13, 2019**. MD&A. Same language plus, "We believe all of this positions us to become one of the top two companies in Canada serving the legal adult-use market." Plus Newstrike acquisition. Fully licensed. Annual synergies of $10M. 2020 financial outlook $400M. Revenues doubled between Q2 and Q4.

- **March 14, 2019**. Q2 2019 Earnings Call. "There will be a licensing [at the Newstrike facility]."

- **June 12, 2019**. "The strategic value of our SQDC relationship cannot be understated… We will supply the SQDC with 20,000 kg of product in the first year,… Based on the current publicly disclosed agreements signed between the SQDC and seven other licensed producers, we have obtained the highest year one volume, representing approximately 30+% market share within Québec, and we are aiming to remain the largest supplier."

  "The Niagara facility is currently undergoing a retrofit which is expected to be completed during early summary of 2019. Once complete, the retrofit will approximately 215,000 sq. ft. of additional space and will bring the total Niagara campus to approximately 455,000 sq. ft. of cultivation, production, packaging, shipping and administrative space. Management expect the additional retrofitted space to increase dried cannabis annual output at the Niagara facility to approximately 40,000 kg."

- **June 13, 2019**. Q3 2019 earnings call. Q4 revenue will double relative to Q3. On track to achieve $400M in 2020. The Québec Supply Agreement is take or pay, but SQDC is below target, and "we value our relationship with the SQDC more than the few million dollars in revenue we could get this quarter".

- **October 4, 2019** News Release. CFO resignation.

- **October 10, 2019** News Release. $400M 2020 financial outlook withdrawn. Revenue not doubled between Q2 and Q4 or Q3 and Q4.

- **October 28, 2019**. Financial Statements. The language above has disappeared.

- **October 28, 2019**. AIF. "Under the agreement, the Company was slated to supply 20,000 kg of product in the first year of the agreement and expect to supply 35,000 kg in the second year… **The volumes for the final 2 years of the agreement will be established**

based on the sales generated in the first 3 years… During the first year of the agreement, HEXO supplied approximately 10,000 kg under the agreement.

“**The SAQ is not required to purchase a minimum volume of cannabis under this agreement other than in the first year. The SQDC originally contracted approximately 60 tons for purchase in the first year from all licensed producers. Initial sell-through was expected to be a little less than half of that amount, however, as retail store roll-out in Québec has been slow to develop… During this start-up phase, HEXO sold 10,250 kg, achieving approximately 33% market share based on volume**.” (New language)

HEXO will not enforce take-or-pay feature.

Cultivation suspended at Newstrike Niagara facility. $10M synergies with Newstrike not achieved. Q4 revenue 41% below estimate.

- **November 15, 2019**. News Release. Since July 30, 2019, HEXO knows that Newstrike is not appropriately licensed. Illegal cultivation and production operations have now ceased.

SCHEDULE B: DRAFT ORIGINATING APPLICATION

CANADA
PROVINCE OF QUÉBEC

DISTRICT OF MONTRÉAL
No.: 500-06-001029-194

SUPERIOR COURT
(Class Action)

ANNE MILLER, residing and domiciled at 4078 Ch. Gage, in the City of Montréal, District of Québec, Province of Québec, H3Y 1R5

-and-

MARTIN DIONNE, residing and domiciled at 3-1320 Boulevard de la Grande Allée, in the City of Boisbriand, District of Terrebonne, Province of Québec, J7G 2T4

Representative Plaintiffs

v.

HEXO CORP., a legal person incorporated pursuant to the *Business Corporations Act*, R.S.O. 1990, c. B.16, having its elected domicile at 120 Ch. De la Rive, in the City of Gatineau, Province of Québec, J8M 1V2

-and-

SÉBASTIEN ST-LOUIS, having a place of business at 120 Ch. De la Rive, in the City of Gatineau, Province of Québec, J8M 1V2

-and-

CIBC WORLD MARKETS INC., a legal person incorporated pursuant to the *Business Corporations Act*, R.S.O. 1990, c. B.16, having a principal place of business at 1155 René-Lévesque Blvd W., Suite 1510, in the City of Montréal, Province of Québec, H3B 3Z4

-and-

BMO NESBITT BURNS INC., a legal person incorporated pursuant to the *Bank Act*, S.C. 1991, c. 46, having its principal place of business at

129 Saint-Jacques Street, in the City of Montréal,
Province of Québec, H2Y 1L5

Defendants

(DRAFT) ORIGINATING APPLICATION
(Articles 583 et seq. *CCP* and art. 225.4 *QSA*)

TO THE HONORABLE CHANTAL TREMBLAY OF THE SUPERIOR COURT OF QUEBEC, ACTING AS CASE MANAGEMENT JUDGE, IN SUPPORT OF THEIR ORIGINATING APPLICATION, THE REPRESENTATIVE PLAINTIFFS RESPECTFULLY SUBMIT AS FOLLOWS:

PREAMBLE

1. On •, this class action was authorized by the Honorable Chantal Tremblay, S.C.J., against the Defendants on behalf of the members of the class defined below, other than the "Excluded Persons":

    - **Primary Market Sub-Class**: All Québec residents who acquired HEXO's securities in an Offering on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019; and

    - **Secondary Market Sub-Class**: All Québec residents who acquired HEXO's securities on the secondary market on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019;

2. Anne Miller and Martin Dionne were ascribed the status of representatives of the persons included in the classes described above;

3. The issues to be dealt with collectively were ordered to be:

    c) During the Class Period, did the Defendants publish documents or make statements that contained misrepresentations within the meaning of the *Québec Securities Act* ("QSA") and, if necessary, other Securities Legislation?

    d) If so, which document or statement contains which misrepresentation?

    e) Were the misrepresentations intentional?

    f) Are any of the Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?

g) If so, which Defendant is liable and to whom? and

h) What are the damages sustained by the Class Members?

4. The conclusions sought by the class action were identified as follows:

GRANT this class action on behalf of the Class;

GRANT the Representative Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and under article 1457 of the *Civil Code of Québec*;

CONDEMN Defendants to solidarily pay to the Representative Plaintiffs and Class Members compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Québec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

VI - DEFINITIONS

5. In addition to the terms that are defined elsewhere herein and within the *Québec Securities Act*, CQLR c. V-1.1, the following terms have the following meanings:

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

(pp) "**BMO**" means BMO Nesbitt Burns Inc.;

(qq) "**CCP**" means the *Code of Civil Procedure*, CQLR c. C-25.01;

(rr) "**CCQ**" means the *Civil Code of Québec*, CQLR c. CCQ-1991;

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

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

(uu) "**CIBC**" means CIBC World Markets Inc.;

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

(i) **Primary Market Sub-Class**: All Québec residents who acquired HEXO's securities in an Offering on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019; and

(ii) **Secondary Market Sub-Class**: All Québec residents who acquired HEXO's securities on the secondary market on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019;

(ww) "**Class Period**" means April 11, 2018 to November 15, 2019, inclusively;

(xx) "**Company**" means HEXO;

(yy) "**Core Documents**", each being a "**Core Document**", refers to:

(i) HEXO's Material Change Report dated April 20, 2018 (Exhibit P-10);
(ii) HEXO's MD&A for the quarter ending April 30, 2018 (Exhibit P-11);
(iii) HEXO's financial statements for the quarter ending April 30, 2018 (Exhibit P-12);
(iv) HEXO's MD&A for the quarter and annual ending July 31, 2018 (Exhibit P-15);
(v) HEXO's financial statements for the quarter and annual ending July 31, 2018 (Exhibit P-16);
(vi) HEXO's 2018 AIF (Exhibit P-17);
(vii) HEXO's MD&A for the quarter ending October 31, 2018 (Exhibit P-20);
(viii) HEXO's financial statements for the quarter ending October 31, 2018 (Exhibit P-21);
(ix) Preliminary Prospectus Supplement to the Amended and Restated Short Form Base Shelf Prospectus Dated December 14, 2018, dated January 21, 2019 (Exhibit P-24);
(x) The Prospectuses (Exhibit P-2, *en liasse*);
(xi) HEXO's MD&A for the quarter ending January 31, 2019 (Exhibit P-27);
(xii) HEXO's financial statements for the quarter ending January 31, 2019 (Exhibit P-28);
(xiii) HEXO's MD&A for the quarter ending April 30, 2019 (Exhibit P-32);
(xiv) HEXO's financial statements for the quarter ending April 30, 2019 (Exhibit P-33);
(xv) HEXO's MD&A for the quarter and annual ending July 31, 2019 (Exhibit P-41); and
(xvi) HEXO's 2019 AIF (Exhibit P-47);

(zz) "**Corporate Defendants**" means HEXO and St-Louis;

(aaa) "**Corrective Disclosures**" each being a "**Corrective Disclosure**", means the statements released by HEXO on:

(i) June 13, 2019 (Exhibit P-35);
(ii) October 4, 2019 (Exhibit P-37);
(iii) October 10, 2019 (Exhibit P-40);
(iv) October 28, 2019 (Exhibit P-41); and
(v) November 15, 2019 (Exhibit P-43);

(bbb) "**Excluded Persons**" means (a) HEXO and its subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, (b) St-Louis, and any member of St-Louis' immediate family, (c) any senior level employee of any insurance company providing directors' and officers' insurance to defend this proceeding, and (d) any licensee employed by the Corporate and Underwriter Defendants' law firms defending this proceeding;

(ccc) "**FSE**" means the Frankfurt Stock Exchange;

(ddd) "**HEXO**" means HEXO Corp., a company incorporated under the *Business Corporations Act*, R.S.O. 1990, c. B.16, which, for the period relevant to this proceeding, operated under the name "The Hydropothecary Corporation" until October 9, 2018, and under the name "HEXO" thereafter, as appears from an extract from the Québec Enterprise Register, communicated herewith as **Exhibit P-1**;

(eee) "**Impugned Statements**", each being an "**Impugned Statement**", refers to:

(i) The Prospectuses, as defined below (Exhibit P-2, *en liasse*);
(ii) Statements made by the Corporate Defendants on:

(1) April 11, 2018 (Exhibit P-8);
(2) April 20, 2018 (Exhibit P-10, a Core Document);
(3) June 27, 2018 (Exhibits P-11 and P-12, which are Core Documents, and Exhibit P-13);
(4) June 28, 2018 (Exhibit P-14);
(5) October 26, 2018 (Exhibits P-15, P-16 and P-17, which are Core Documents, and Exhibits P-18 and P-19);
(6) December 13, 2018 (Exhibits P-20 and P-21, which are Core Documents, and Exhibit P-22)
(7) January 21, 2019 (Exhibit P-23 and P-24, which is a Core Document);
(8) January 24, 2019 (Exhibit P-2 *en liasse*, a Core Document, and Exhibit P-25);
(9) March 13, 2019 (Exhibit P-26, and P-27 and P-28, which are Core Documents, and P-29)
(10) March 14, 2019 (Exhibits P-30 and P-31);
(11) June 12, 2019 (Exhibits P-32 and P-33, which are Core Documents, and Exhibit P-34);
(12) June 13, 2019 (Exhibit P-35);
(13) October 4, 2019 (Exhibit P-37);
(14) October 10, 2019 (Exhibit P-40); and
(15) October 28, 2019 (Exhibit P-41);

(fff) "**MD&A**" refers to HEXO's Management Discussion and Analyses. Management Discussion and Analyses are a narrative explanation of how a company performed during the period covered by the financial statements, and of a company's financial condition and future prospects. The MD&A enables readers to assess material changes in the financial condition and operating results of a company and must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future;

(ggg) "**Newstrike**" means Newstrike Brands Ltd., a cannabis company which HEXO announced it was acquiring on March 13, 2019 (Exhibit P-26). The transaction was completed on May 24, 2019 (*inter alia*, Exhibit P-41);

(hhh) "**NI 51-102**" means the CSA's National Instrument 51-102—*Continuous Disclosure Obligations,* as amended;

(iii) "**NI 52-109**" means the CSA's National Instrument 52-109—*Certification of Disclosure in Issuers' Annual and Interim Filings,* as amended;

(jjj) "**NI 52-110**" means the CSA's National Instrument NI 52-110—*Audit Committees*, as amended;

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

(lll) "**Offerings**", each being an "**Offering**", means the offerings of the Company's securities during the Class Period including, but not limited to, an offering by way of a Prospectus, Short Form Base Shelf Prospectus, Pricing Supplement to a Short Form Base Shelf Prospectus or any document issued by HEXO through which it effects a distribution of its securities as defined in the QSA or other Securities Legislation;

(mmm) "**OTC**" means the oveP-the-counter market for securities in the United States;

(nnn) "**Plaintiffs**" and/or **"Representative Plaintiffs"** means Martin Dionne and Anne Miller;

(ooo) "**Prospectuses**" means the Company's amended and restated short form base shelf prospectus dated December 14, 2018, and corresponding prospectus supplement dated January 24, 2019, and the documents incorporated by reference thereto, pertaining to the Company's offering of common shares that closed on January 30, 2019, communicated herewith as **Exhibit P-2**, *en liasse*;

(ppp) "**Q1**", "**Q2**", "**Q3**", and "**Q4**" means the three-month interim period ended October 31, January 31, April 30, and July 31, respectively;

(qqq) "**Québec Supply Agreement**" means the agreement between HEXO and the Province of Québec, first announced by HEXO on April 11, 2018, which HEXO represented, *inter alia*, as constituting a guarantee that it would be paid for 20,000 kilograms of cannabis product by the Québec government in the first year after cannabis legalization (i.e. by October 17, 2019);

(rrr) "**QSA**" means the *Québec Securities Act*, CQLR C V-1.1;

(sss) **"QER"** means the Québec Enterprise Register;

(ttt) "**SAQ**" means the *Société des alcools du Québec*. SAQ will be used interchangeably with SQDC herein;

(uuu) "**Securities Legislation**" means, collectively, the QSA; the Securities Act, RSO 1990, c S.5, as amended; the Securities Act, RSA 2000, c S-4, as amended; the Securities Act, RSBC 1996, c 418, as amended; the Securities Act, CCSM c S50, as amended; the Securities Act, SNB 2004, c S-5.5, as amended; the Securities Act, RSNL 1990, c S-13, as amended; the Securities Act, SNWT 2008, c 10, as amended; the Securities Act, RSNS 1989, c 418, as amended; the Securities Act, S Nu 2008, c 12, as amended; the Securities Act, RSPEI 1988, c S-3.1, as amended; the Securities Act, 1988, SS 1988-89, c S-42.2, as amended; and the Securities Act, SY 2007, c 16, as amended;

(vvv) "**SEDAR**" means the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval;

(www) "**SPO**" means HEXO's secondary public offering of equity securities on January 30, 2019, at $6.50 per share, which was distributed pursuant to a prospectus dated January 24, 2019, as appears from a copy of this prospectus, included in Exhibit P-2, *en liasse*;

(xxx) "**SQDC**" means the *Société québécoise du cannabis*, a subsidiary of the SAQ;

(yyy) "**St-Louis**" means Sébastien St-Louis, who is HEXO's co-founder and was the Company's CEO at all times during the Class Period;

(zzz) "**TSX**" means the Toronto Stock Exchange; and

(aaaa) "**TSX-V**" means the TSX Venture Exchange;

(bbbb) "**Underwriter Defendants**" means BMO and CIBC;

VII - INTRODUCTION

E. Overview of Proposed Class Action

6. This action stems from Defendants' misrepresentations, and failure to make timely disclosures of material facts, which directly caused investors in Québec, and throughout the world, to suffer monetary damages;

7. HEXO is a Canadian cannabis producer that has been positioning itself to capitalize on the lucrative business opportunities that were expected to arise from the legalization of cannabis products in Canada and, in particular, Québec;

8. It is a publicly-traded corporation that lists its securities on the TSX, NYSE, FSE, and on derivative exchanges. Its securities also traded on the OTC market in the United States for at least part of the Class Period;

9. In order to encourage investors to purchase HEXO securities, Defendants made statements, and/or approved the release of core and non-core documents, containing

misrepresentations and omissions of material facts regarding HEXO's business, operations, and expected revenue;

10. When these misrepresentations came to light in Corrective Disclosures, the value and price of the Class Members' securities plummeted, and the Class Members suffered a loss for which they are entitled to be compensated;

11. Defendants' misrepresentations and omissions relate to two main themes;

The Québec Supply Agreement

12. First, on April 11, 2018, at the commencement of the proposed Class Period, HEXO released a statement announcing that it had reached a five-year binding agreement with the SAQ, pursuant to which a subsidiary of the SAQ, the future SQDC, would purchase 20,000 kilograms of cannabis during the first year following cannabis legalization;

13. The purchase of 20,000 kilograms by the SQDC was represented as guaranteed by a "take or pay" feature in the agreement, meaning that the SQDC was obligated to "pay" for the entire 20,000 kg, regardless of whether it needed to "take" the entire amount;

14. This statement and subsequent releases misrepresented that the sale of 20,000 kilograms of cannabis in year one, and the significant revenues associated therewith, were guaranteed;

15. They also contain misrepresentations because they omitted to disclose material facts, including:

    (a) the material terms of supplying the SQDC with 20,000kg of cannabis during the first year;

    (b) the circumstances under which the SQDC could terminate the agreement; and

    (c) that HEXO would not enforce the alleged "take or pay feature" of the agreement, if any;

16. These misrepresentations and omissions were reiterated by Defendants on numerous occasions during the Class Period. For example, the Corporate Defendants touted HEXO's status as Québec's preferred supplier and that Hexo expected to generate $1 billion in revenue from the Québec Supply Agreement;

17. The Corporate Defendants reiterated time and time again that the sale of 20,000 kg of product in year one was a certainty;

18. The Québec Supply Agreement was material to HEXO's business and operations, because, among other things, the Québec market was the most significant for HEXO in terms of revenue, accounting at times for 91% of the Company's adult-use sales;

19. As expected, the misrepresentations and omissions relating to this agreement had the effect of artificially inflating the value and price of HEXO's securities;

20. For instance, following HEXO's announcement of the Québec Supply Agreement on April 11, 2018, the value and price of its common shares increased by 13.24% on the TSX in one day;

21. The Class suffered a significant loss when HEXO confirmed, over a year later, that it would not, in fact, sell 20,000 kilograms of cannabis to the SQDC in year one;

22. More specifically, this Corrective Disclosure had the foreseeable effect of materially reducing the value and price of HEXO's securities, amounting to a loss of roughly 66% from its closing price on the day before the first partial Corrective Disclosure;

<u>The Newstrike Acquisition and the Derived Additional Revenue Generation</u>

23. Second, on March 13, 2019, HEXO announced that:

(c) it was acquiring cannabis producer Newstrike, which allegedly had a fully licensed production facility in Niagara, Ontario; and

(d) as a result of this acquisition, and of the Québec Supply Agreement, the Company would:

(i) double its net revenue for Q4 2019 to approximately $26 million; and
(ii) achieve a net revenue of greater than $400 million for fiscal 2020 (i.e. August 1, 2019 to July 31, 2020);

24. These statements and subsequent releases omitted the material fact that Newstrike did not, in fact, have a fully licensed production facility in Niagara, Ontario, and that conducting operations in certain portions of this facility would be illegal;

25. These misrepresentations and omissions artificially inflated the value and price of HEXO's securities, which dropped drastically upon release of the Corrective Disclosures;

F. The Parties

4) The Representative Plaintiffs and the Class Sought to be Represented

26. The proposed Class is defined at paragraph 1 h) hereinabove;

27. Martin Dionne resides in Boisbriand, Québec. During the Class Period, he acquired HEXO securities, including shares and call options, and suffered a loss by holding some of those securities until after the final Corrective Disclosure, as appears from a copy of Martin Dionne's trading statements, communicated herewith *en liasse* as **Exhibit P-3**;

28. Anne Miller resides in Montréal, Québec. She purchased 3,900 HEXO common shares on the TSX, and suffered a loss by holding those shares until after the first Corrective Disclosure, as appears from Anne Miller's trading statements, communicated herewith *en liasse* as **Exhibit P-4**;

29. The Representative Plaintiffs suffered monetary damages as the direct, immediate, and foreseeable result of Defendants' misrepresentations and omissions;

30. They seek authorization to bring an action pursuant to s. 225.4 QSA, and, if necessary, pursuant to the corresponding provisions in the Securities Legislation, as well as the status of representatives of the Class to institute a class action pursuant to s. 574 of the CCP;

5) The Corporate Defendants

31. HEXO is a company incorporated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, which maintains its headquarters in Gatineau, Québec. It is a licensed producer and distributor of medical and recreational cannabis, the whole as appears from an extract of the QER, Exhibit P-1;

32. At all material times, HEXO's securities traded on either the TSX, NYSE, FSE, OTC, or on derivative exchanges;

33. Sébastien St-Louis, who is the Company's co-founder, was, at all relevant times, HEXO's CEO, as appears *inter alia* from an extract from HEXO's website, communicated herewith as **Exhibit P-5**;

34. St-Louis made statements, or caused documents to be released, containing misrepresentations and omissions, and certified that HEXO had effective internal controls over financial reporting, and that HEXO's Core Documents released during the Class Period were free of misrepresentations;

6) The Underwriter Defendants

35. BMO is a dealer that acted as HEXO's co-lead underwriter for its SPO and was allocated to sell, at least, 2,310,000 shares at $6.50 per share to Canadian-based investors, as appears from a copy of the Underwriting Agreement dated January 24, 2019, communicated herewith as **Exhibit P-6**;

36. BMO certified that the SPO prospectus did not contain any misrepresentations, as appears from a copy of the underwriters' counsel consent letter dated January 24, 2019, communicated herewith as **Exhibit P-7**;

37. CIBC is a dealer that acted as HEXO's co-lead underwriter for its SPO and was allocated to sell, at least, 2,695,154 shares at $6.50 per share to the Canadian-based investors, as appears from the January 24, 2019 Underwriting Agreement, Exhibit P-6;

38. CIBC certified that the SPO prospectus did not contain any misrepresentation as appears from Exhibit P-7;

VIII - FACTS GIVING RISE TO THE PRESENT ACTION

G. The Impugned Statements

39. On **April 11, 2018**, HEXO released a statement that it signed a 5-year preferred supplier agreement with the SQDC, and represented, in relevant part, that:

(e) HEXO will supply a total volume estimate of 200,000kg of cannabis products during the five-year contract;

(f) HEXO will supply 20,000kg of cannabis products during the first year of the agreement; and

(g) The SQDC has the right to terminate the agreement in certain circumstances;

as appears from a copy of HEXO's April 11, 2018 news release, communicated herewith as **Exhibit P-8**;

40. The same day, the value and price of HEXO's securities skyrocketed. For instance, the price of HEXO's common shares on the TSX increased by 13.24%, as appears from HEXO's share price history for April 11, 2018, communicated herewith as **Exhibit P-9**;

41. On **April 20, 2018**, HEXO released a Material Change Report confirming the April 11, 2018 statement. This Core Document was approved by Ed Chaplin, CFO of HEXO, as appears from a copy of the April 20, 2018 Material Change Report, communicated herewith as **Exhibit P-10**;

42. The April 11 and 20, 2018 statements contained misrepresentations because they represented the sale of 20,000 kg of cannabis during the first year as guaranteed. They also omitted material facts about the Québec Supply Agreement, including:

(d) the material terms of supplying the SQDC with 20,000kg of cannabis during the first year;

(e) the circumstances under which the SQDC could terminate the agreement; and

(f) that HEXO would not enforce the alleged "take or pay feature" of the agreement, if any;

(These misrepresentations and omissions are hereinafter collectively referred to as "**the Québec Supply Agreement Misrepresentations**");

43. On **June 27, 2018**, HEXO released its MD&A and financial statements for the quarter ending April 30, 2018, which Defendant St- Louis certified contained no misrepresentation and provided a fair representation of all material facts. A copy of HEXO's April 30, 2018 MD&A and financial statements, and of St-Louis' certification of interim filings dated June 27, 2018, are communicated herewith, respectively, as **Exhibits P-11, P-12, and P-13**;

44. These statements also contained the Québec Supply Agreement Misrepresentations;

45. In its April 30, 2018 MD&A, HEXO even described the Québec Supply Agreement as one contributing factor to its alleged "strong **<u>business certainty</u>** through Year 1 post-legalization" [emphasis added] (Exhibit P-11, p. 14);

46. HEXO reiterated these misrepresentations and omissions again on **June 28, 2018** in a news release entitled "Hydropothecary reports fiscal 2018 third quarter results", communicated herewith as **Exhibit P-14**;

47. On **October 26, 2018**, HEXO released its MD&A and financial statements for the quarter and annual ending July 31, 2018, as well as its 2018 AIF and annual report, a copy of which is communicated herewith respectively as **Exhibits P-15, P-16, P-17, and P-18**. Defendant St-Louis certified that the Core Documents contained no misrepresentations and provided a fair representation of all material facts, as appears from a copy of his certification of interim filings dated October 26, 2018, **Exhibit P-19**;

48. Once again, these statements contained the Québec Supply Agreement Misrepresentations;

49. For example, HEXO's 2018 AIF, Exhibit P-17, stated at page 9 that:

> We currently possess the single largest and longest national forward supply amount among all licensed producers, based upon the announced provincial supply agreements. In Quebec alone, **we will supply** 20,000 kg in the first year of legalized adult-use cannabis and **up to** approximately 200,000 kg over the first five years of legalized adult-use cannabis
>
> [Emphasis added]

50. On **December 13, 2018**, HEXO released its MD&A and financial statements for the quarter ending October 31, 2018, which Defendant St-Louis certified contained no misrepresentations and provided a fair representation of all material facts, as appears respectively from **Exhibits P-20**, **P-21**, and **P-22**;

51. These statements contained the same misrepresentations and omissions as the April 11 and 20, 2018, the June 27 and 28, 2018 and the October 26, 2018 statements discussed above;

52. On **January 21, 2019**, HEXO released a "Corporate Presentation" entitled "The Future of Cannabis", to market its upcoming public offering of common shares to potential investors, as appears from a copy of HEXO's Corporate Presentation, communicated herewith as **Exhibit P-23**;

53. At page 15 of this document, the Corporate Defendants represented that:

    (c) HEXO had secured the single largest forward supply contract among licensed producers in Canada; and

    (d) The SQDC was subject to a "take or pay feature" for year one on 20,000kg with an estimated 30% market share in Québec for the first three years;

    thereby reiterating the Québec Supply Agreement Misrepresentations;

54. On the same day, HEXO posted its "Preliminary Prospectus Supplement to the Amended and Restated Short Form Base Shelf Prospectus Dated December 14, 2018" on SEDAR, a copy of which is communicated herewith as **Exhibit P-24**. This document contained the same Québec Supply Agreement Misrepresentations;

55. On **January 24, 2019**, HEXO released a prospectus supplement to the amended and restated short form base shelf prospectus dated December 14, 2018, Exhibit P-2, *en liasse*, in connection with the distribution of 8,855,000 shares at $6.50 each, which was

certified by Defendants as not containing any misrepresentation, as appears from HEXO's and the Underwriter Defendants' consent letters, respectively communicated herewith as **Exhibit P-25** (issuer), and Exhibit P-7 (underwriters);

56. This prospectus stated that:

(e) It incorporated by reference the AIF for the year ended July 31, 2018, the audited consolidated financial statements for the year ended July 31, 2018, the MD&As for the period ended July 31, 2018 and October 31, 2018, and other documents;

(f) Under the Québec Supply Agreement, HEXO "**will supply**" 20,000 kg of cannabis products in the first year of the agreement, which is subject to a **"take-oP-pay"** feature for that year;

(g) "**Other than the agreement with the SQDC, pursuant to which the SQDC has agreed to purchase 20,000kg of HEXO's products for the first year of the agreement, the agreements with the SQDC, the OCRC and the BCLDB do not contain purchase commitments or otherwise obligate the purchaser to buy a minimum of fixed volume of products from HEXO**"; and

(h) The Company's success was contingent, in part, upon ongoing compliance with regulatory requirements and obtaining all regulatory approvals for the production and sale of its products and the failure to obtain regulatory approvals could have a material adverse effect on business, financial conditions, and results from operations;

[Emphasis added]

as appears from a copy of the January 24, 2019 prospectus supplement, included in Exhibit P-2, *en liasse*;

57. Again, this statement contained the Québec Supply Agreement Misrepresentations;

58. On **March 13, 2019**, HEXO released a statement that its Board of Directors had unanimously approved to enter into a definitive agreement to acquire all of the issued outstanding common shares of Newstrike in an all-share transaction valued at approximately $263 million, as appears from a copy of HEXO's March 13, 2019 news release, communicated herewith as **Exhibit P-26**;

59. This statement represented that:

(e) HEXO would add 470,000 sq. ft. in production space;

(f) Newstrike's licensed indoor facility would provide HEXO with access to diversified growing techniques and position HEXO for flexibility for informational exports as global cannabis markets continue to open;

(g) The combined company resulting from the acquisition would realize estimated annual synergies of $10 million, which would allow HEXO to operate more efficiently; and

(h) As a result of the acquisition, HEXO was committing to achieving over $400 million in net revenue in the one-year period ended July 31, 2020;

60. This statement contained misrepresentations, because it omitted material facts including that Newstrike's Niagara production facility was not fully licensed;

61. Also, on March 13, 2019, HEXO released its MD&A and financial statements for the quarter ending January 31, 2019, which Defendant St-Louis certified contained no misrepresentations and provided a fair representation of all material facts, as appears, respectively, from **Exhibits P-27**, **P-28**, and **P-29**. The represented material facts were:

(h) "In Québec alone, [HEXO] will supply 20,000kg in the first year of legalized adult-use cannabis and up to approximately 200,000kg over the first five years of legalized adult-use cannabis" (HEXO's Jan. 31, 2019 MD&A, Exhibit P-27, p. 2);

(i) "[HEXO] will supply the SQDC with 20,000kg of products in the first year" (Exhibit P-27, p. 4);

(j) "Other than the agreement with the SQDC, pursuant to which the SQDC has agreed to purchase 20,000kg of HEXO's products for the first year of the agreement, the agreements with the SQDC, the OCRC and the BCLDB do not contain purchase commitments or otherwise obligate the purchaser to buy a minimum of fixed volume of products from HEXO" (Exhibit P-27, p. 28);

(k) "The acquisition of Newstrike will provide HEXO access to 4 cutting-edge production campuses totaling close to 1.8 million sq. ft." (Exhibit P-27, p.12);

(l) "Newstike's licensed indoor facility will provide HEXO with access to diversified growing techniques" (Exhibit P-27, p.12);

(m) The acquisition of Newstrike is expected to result in annual synergies of $10 million, allowing HEXO to operate more efficiently (Exhibit P-27, p.12); and

(n) Net revenue from adult-use sales (which accounts for 91% of total revenue) in Q2 2019 was $12.205 million and net revenues from adult-use sales for Q4 2019 are expected to approximately double those of Q2 2019 (i.e. representing that net revenue from just adult-use sales for May 1, 2019 to July 31, 2019 would be approximately $24.41 million) (Exhibit P-27, p. 16-17);

62. In addition to reiterating the Québec Supply Agreement Misrepresentations, this statement misrepresented that the Newstrike's Niagara production facility would be appropriately licensed;

63. On **March 14, 2019**, during HEXO's Q2 2019 earnings call, St-Louis repeated the above-mentioned misrepresentations concerning the Newstrike facility, and added further details regarding licensing:

> "**Question - Tamy Chen**: Just first question on Newstrike, are you able to give us an update in terms of where the company is with respect to the ramp of their greenhouse in Niagara, where are they currently at? Any color there would be helpful.

Answer - Sebastien G. St-Louis: Yes. So of the total 450,000 square feet that we're adding, there is 250,000 feet that are licensed operational, and we're looking forward to bringing in the HEXO team in there to ramp up the yields. We believe that coupled with the great infrastructure Newstrike has put in place, putting in HEXO's management and production processes will greatly increase yields there.

Question - Tamy Chen: And the other 200,000 square feet, that's still under construction?

Answer - Sebastien G. St-Louis: That's correct. So well underway, the walls are all up, the glass is on, <u>but there will be a licensing</u> -- there is an expected licensing delay on that. But of course, we're putting our regulatory team, which as we've proven time and time again, one of the best in the business, so we don't anticipate any major issues."

[Underlining added]

as appears from a transcript of HEXO's Q2 2019 earnings call of March 14, 2019, communicated herewith as **Exhibit P-30**;

64. HEXO was just as bullish in its March 14, 2019 news release entitled "HEXO reports over $16.2 million in total gross revenue in the second quarter of fiscal 2019", communicated herewith as **Exhibit P-31**;

65. On **June 12, 2019**, HEXO released its MD&A and financial statements for the quarter ending April 30, 2019, which Defendant St-Louis certified contained no misrepresentations and provided a fair representation of all material facts, as appears, respectively, from **Exhibits P-32**, **P-33**, and **P-34**. The represented material facts were:

(g) HEXO had achieved net revenue of $12.956 million in the quarter (Exhibit P-32, p.17);

(h) HEXO remained on track to double net revenue in Q4 fiscal 2019 (i.e. representing in mid-June that the company would achieve roughly $26 million in net revenue in the quarter extending from May 1, 2019 to July 31, 2019) (Exhibit P-32, p.19);

(i) HEXO remained on track to achieve $400 million in net revenue in fiscal 2020 (Exhibit P-32, p.19);

(j) Under the Québec Supply Agreement, HEXO will supply 20,000 kg in the first year of legalized adult-use cannabis (Exhibit P-32, p. 2);

(k) The Québec Supply Agreement is estimated to be worth $1 billion in potential revenue to the Company (Exhibit P-32, p. 2); and

(l) The acquisition of Newstrike is estimated to result in annual savings of millions of dollars in operational synergies, allowing HEXO to operate efficiently (Exhibit P-32, p. 13);

66. This statement again contained the Québec Supply Agreement Misrepresentations;

67. This statement also omitted to disclose that Newstrike's Niagara production facility lacked required licenses;

68. On **June 13, 2019**, before trading commenced for the day on the TSX, HEXO conducted an earnings call to discuss its results for Q3 2019, ending April 30, 2019. Despite the fact that this conference call took place with only a few weeks left in Q4 2019, which ended as at July 31, 2019, Defendant St-Louis, on behalf of the Company, once again represented that:

(d) Q4 2019 revenues would double relative to Q3 2019 (partially due to the acquisition of Newstrike, whose financials would be consolidated into HEXO's for Q4 2019), and that St-Louis was certain "[w]e're going to reach the target … If you ever hear me say something and not deliver, you have to call me out. And in reverse, I would tell you today, nobody has ever called me out on anything because HEXO has always delivered what we said we would. We're delivering a double this quarter";

(e) The Company was on track to achieve and remained focused on achieving net revenues in fiscal 2020 (August 1, 2019 to July 31, 2020) of over $400 million, and expected that net revenues would increase linearly every quarter in 2020 to achieve that number; and

(f) The Québec Supply Agreement was "take or pay" for the first year's amount of 20,000 kg [implying that the revenue for the first year was guaranteed];

as appears from a transcript of HEXO's June 13, 2019 earnings call, communicated herewith as **Exhibit P-35**;

H. The Corrective Disclosures

Corrective Disclosure 1

69. In addition to the above-noted misrepresentations made on the **June 13, 2019** earnings call, Exhibit P-35, this call was also a partial corrective disclosure of prior misrepresentations made by Defendants with regards to the guaranteed-nature of the Québec Supply Agreement;

70. The Corporate Defendants admitted during this call that Québec had only purchased approximately 5,500 kg of cannabis product under the Québec Supply Agreement, but was obligated to purchase another 14,500 kg prior to October of 2019 (i.e. in the next three months). The Corporate Defendants revealed, for the very first time, that there was a lot of risk that Québec may not purchase 20,000kg prior to October 31, 2019, and that it could get extended to yeaP-end;

71. During this call, St-Louis stated that the Québec Supply Agreement "is a take-oP-pay contract, but we value our relationship with the SQDC more than the few million dollars in revenue we could get this quarter", leading to believe, for the first time, that HEXO may not immediately enforce the contract. At the very least, St-Louis indicated that HEXO could wait a quarter before acting on the agreement;

72. The market's reaction to this partial Corrective Disclosure that the Company may not require Québec to immediately purchase the entire 20,000 kg even though it had represented for over a year that this sale, and the associated revenue, was a certainty, was immediate and pronounced. All HEXO securities were materially negatively affected by the correction. For example, that very same day, the Company's stock price went from $8.53 per share to $7.81 per share on the TSX, equating to a loss of 8.44%;

73. In the ten trading days following the Corrective Disclosure of June 13, 2019, the Company lost nearly a quarter of its value, closing at $6.62 per share (or down 22.4%) on the TSX on June 26, 2019, as appears from HEXO's share price history for the period between June 12, 2019 and June 26, 2019, communicated herewith as **Exhibit P-36**;

Corrective Disclosure 2

74. On **October 4, 2019**, after the close of trading on the TSX, HEXO announced the abrupt and immediate resignation of its then-Chief Financial Officer, Michael Monahan, just a few months into the job, as appears from HEXO's press release entitled "Hexo Corp. Announces Resignation of Chief Financial Officer" dated October 4, 2019, communicated herewith as **Exhibit P-37**;

75. Analysts responded immediately to the departure. Bank of America analyst Chistopher Carey reportedly double downgraded his "buy" recommendation to "underperform" just a few days later, and commented that "[p]ut simply, a departure that is so abrupt, from a person with CFO experience at other public companies, is concerning, and in our view will leave investors guessing "what don't we know?" for some time", as appears from an October 7, 2019 article entitled "Hexo CFO's Resignation Prompts Double Downgrade at BofA", a copy of which is communicated herewith as **Exhibit P-38**;

76. As had Corrective Disclosure 1, this Corrective Disclosure 2 signaled to the market that HEXO may fail to meet its revenue targets;

77. On this news, the value and price of all HEXO securities were materially negatively affected. For instance, HEXO's stock price on the TSX fell $0.24 per share or 6.64%, as appears from HEXO's share price history for the month of October 2019, communicated herewith as **Exhibit P-39**;

Corrective Disclosure 3

78. Days later, on **October 10, 2019** (which was roughly two-and-a-half months after the end of HEXO's 2019 fiscal year on July 31, 2019), before trading had commenced for the day on the TSX, the Company released a news release providing preliminary fourth quarter revenue results and withdrawing its fiscal 2020 revenue guidance, a copy of which is communicated herewith as **Exhibit P-40**;

79. In this Corrective Disclosure, the Company revealed that:

    (d) HEXO was withdrawing its previously issued financial outlook of more than $400 million in net revenue for fiscal 2020;

(e) Net revenue for Q4 2019 would be “approximately $14.5 to $16.5 million”, which was more than 40% lower than the roughly $26 million in net revenue for Q4 2019 that the Company had projected as late as June 13, 2019, with only weeks then remaining in Q4 2019; and

(f) Q4 2019 revenue was below the Company’s expectations and guidance primarily due to lower than expected product sell through (which refers, in part, to shortfalls in Québec);

80. The above partial correction also revealed to the market that despite HEXO’s Class Period representations to the contrary, the Company did not in fact have effective financial reporting controls because, *inter alia*:

(c) Even nearly three-months after the end of Q4 2019, the Company could not definitively provide net revenue for Q4 2019 and rather provided a range; and

(d) The Company clearly was unable to accurately account for expected future revenue, having missed Q4 revenue projections by more than 40% and having to completely eliminate guidance for fiscal 2020;

81. Once again, the market’s reaction to this partial Corrective Disclosure was swift and significant for all HEXO securities. For instance, the Company immediately lost 23.0% of its value, going from a closing price of $4.88 per share to $3.76 per share on the TSX in just a few hours;

82. In the ten trading days following the Corrective Disclosure of October 10, 2019, the Company lost $1.37 per share (or 28.1%) of its value on the TSX, closing at $3.51 on October 23, 2019, as appears from HEXO’s share price history for the period between October 9, 2019 and October 23, 2019, included in Exhibit P-39;

Corrective Disclosure 4

83. On **October 28, 2019**, after trading had ended on the TSX for the day, HEXO released its MD&A for its 2019 fiscal year period ended July 31, 2019, a copy of which is communicated herewith as **Exhibit P-41**;

84. In this 2019 annual MD&A, the Company disclosed that:

(h) Despite more than seven months of touting how the acquisition of Newstrike would result in HEXO realizing annual synergies of $10 million, HEXO was suspending cultivation at the Niagara facility acquired from Newstrike, because this cultivation space was not required at this time given the current market conditions in Canada (Exhibit P-41, p. 17);

(i) The Company also suspended cultivation in 200,000 sq. ft. at the Company’s main facility in Gatineau, despite repeatedly citing the purportedly guaranteed volume under the first year of the Québec Supply Agreement as justification for HEXO’s rapid (and costly) expansion of its production facilities in fiscal 2018 (Exhibit P-41, p. 17);

(j) Newstrike had contributed net revenues of $2.77 million, and resulted in a net loss of $13.7 million to the Company's consolidated results for the fiscal year ended since the date of the Newstrike acquisition, despite the Company boasting that the acquisition would result in the realization of synergies and increased efficiency (Exhibit P-41, p. 37);

(k) Net revenue for Q4 2019 was only $15.424 million, missing the approximately $26 million in net revenue that the Company had announced for Q4 2019 by roughly 41%. (Only weeks before the quarter ended, Defendants had reiterated that they would meet their Q4 2019 $26 million target) (Exhibit P-41, p. 24);

(l) HEXO had only sold, and been paid for, roughly half of the amount 'guaranteed' under the Québec Supply Agreement (i.e. 10,000 kg of the 20,000 kg) (Exhibit P-41, p. 14);

(m) The Company would not enforce the "take or pay" feature of the Québec Supply Agreement, and require the SQDC to purchase the entire 20,000 kg, because it believed that it would be "short sighted" to do so, even though it had represented that the amount and corresponding revenue were a certainty for over a year (Exhibit P-41, p. 14); and

(n) The Company now expected net revenue for Q1 2020 (which ended two days after this disclosure was made) to be between $14 million and $18 million, meaning that even if net revenue doubled every quarter in 2020, fiscal 2020 net revenue would only be $270 million, which is 32% lower than the projected $400 million in net revenue for fiscal 2020, which the Company had reaffirmed just a few weeks prior;

85. The market's reaction to this Corrective Disclosure was again immediate and pronounced. All HEXO securities were materially negatively affected by this Corrective Disclosure. For example, that very same day, the Company's stock price dropped a further 3.0% on the TSX;

86. HEXO's closing price of $2.94 per share on the TSX on October 29, 2019 amounted to a loss of roughly 66% relative to its closing price of $8.53 per share on June 12, 2019, which was the last day prior to the first Corrective Disclosure;

87. In the ten trading days following the Corrective Disclosure of October 28, 2019, the Company lost another $0.22 per share (or 7.3%) of its value on the TSX, closing at $2.81 on November 11, 2019, as appears from HEXO's share price history for the period between October 28, 2019 and November 11, 2019, communicated herewith as **Exhibit P-42**;

Corrective Disclosure 5

88. On **November 15, 2019**, after the close of trading on the TSX, the Corporate Defendants released a statement admitting that Block B of its Newstrike Niagara facility was not adequately licensed, and had been operated illegally;

89. The Corporate Defendants further announced that this part of the facility was no longer operational, and that they had ceased cultivation and production operations there three and a half months earlier:

> "On ***July 30, 2019***, shortly after the Newstrike Brand Ltd. acquisition closed, HEXO discovered that cannabis was being grown in Block B, which was **not adequately licensed**. HEXO management immediately **ceased cultivation and production** activities in the **unlicensed space**."
>
> [Emphasis added]

as appears from a copy of HEXO's news release dated November 15, 2019 entitled "HEXO Corp provides additional transparency on licensing", communicated herewith as **Exhibit P-43**;

90. For at least there and a half months, the Corporate Defendants hid their prior misrepresentations and omissions from the public and its investors. This news release constitutes an admission of their intentional misrepresentations and omissions in relation to the Newstrike facility since, at least, July 2019;

91. Notwithstanding the foregoing admission, at all material times since March 13, 2019, HEXO knew or should have known the Newstrike facility was not appropriately licensed and could not fully operate legally;

92. All HEXO securities were materially negatively affected by this final Corrective Disclosure. For instance, on November 18, 2019, the next trading day after November 15, 2019, HEXO's stock dropped an additional 10.21% on the TSX, as appears from HEXO's share price history for the period between November 15 and 18, 2019, communicated herewith as **Exhibit P-44**;

I. St-Louis

93. At all material times during the Class Period, St-Louis signed certificates of interim and annual filings attesting to the accuracy of the MD&As and financial statements, Exhibits P-13, P-19, P-22, P-29, and P-34;

94. Accordingly, at all relevant times, St-Louis certified that:

    (f) he had reviewed the filings;

    (g) based on his knowledge, having exercised reasonable diligence, the filings did not contain any untrue statements of material facts or omitted to state a material fact required to be stated or that was necessary to make a non-misleading statement in light of the circumstances under which it was made;

    (h) the filings fairly represented, in all material respects, the financial condition, performance, and cash flows of HEXO;

    (i) he had designed, or caused to be designed under his supervision, internal financial controls to provide reasonable assurance that all material information relating to HEXO was made known to him and that information required to be disclosed by HEXO in its filings or any other document submitted under a securities legislation was recorded, processed, summarized, and reported; and

(j) he had evaluated, or caused to be evaluated under his supervision, the effectiveness of HEXO's disclosure of information at the financial yeaP-end, and that HEXO had disclosed its conclusions regarding the effectiveness in its annual MD&A;

95. St-Louis oversaw the preparation and reporting of all filings, other financial documents, and disclosures to the public and knew or ought to have known of the alleged misrepresentations;

96. Notably, St-Louis authorized, permitted or consented to the release and publication of the Impugned Statements, during the Class Period, which contained misrepresentations;

J. The Underwriter Defendants

97. The Underwriter Defendants, *inter alia*, certified the Prospectuses, P-2 *en liasse*. They falsely stated that the Prospectuses, together with the documents incorporated by reference therein, constituted full, true and plain disclosure of all material facts relating to the securities offered by way of those Prospectuses;

98. Each underwriter had obligations under the law to conduct all required due diligence in connection with each Offering. The Underwriter Defendants failed in their obligations and allowed, acquiesced and approved Offerings made on the basis of disclosure documents which misstate material facts, do not follow applicable accounting standards and do not respect the QSA or other applicable Securities Legislation;

K. The Relationship between the Misrepresentations and the Price and Value of HEXO's Securities

99. Defendants had a duty of care based on their special relationship with investors of the Company, who relied on Defendants for accurate information about the Company's business, operations, and revenue;

100. The price and value of HEXO's securities were directly affected each time that Defendants disclosed (or omitted to fully and timely disclose) material facts about HEXO's business, finances, and operations, including the performance and synergies of HEXO's acquisitions, accounting policies, cash on hand, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of HEXO's issued and outstanding shares;

101. At all material times, Defendants were aware of the effect of HEXO's disclosures about its business, finances, and operations, including the performance and synergies of HEXO's acquisitions, cash on hand, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of HEXO's issued and outstanding securities, on the price of the Company's publicly-traded securities;

102. Defendants intended and took advantage of the fact that the members of the Class, including the Plaintiffs, would rely upon these disclosures, which they did to their detriment;

103. The disclosure documents referred to herein were filed with SEDAR and/or posted to HEXO's website or other websites, and thereby became immediately available to and were reproduced for inspection for the benefit of the Plaintiffs and the other members of the Class, the public, financial analysts and the financial press through the internet and financial publications;

104. The price at which HEXO's securities traded on the TSX, FSE, NYSE, OTC and derivative exchanges, and the price at which primary market securities were acquired, incorporated the information contained in the disclosure documents referred to herein, including information about the performance and synergies of HEXO's acquisitions, cash on hand, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, and compensation of insiders and management;

IX - RIGHTS OF ACTION

105. The Representative Plaintiffs assert three rights of action against Defendants:

(d) A statutory right of action for misrepresentation in a secondary market (s. 225.4 et seq. QSA);

(e) A statutory right of action for misrepresentation in a primary market (s. 217 et seq. QSA); and

(f) A civil liability action (s. 1457 CCQ);

L. Statutory Right of Action for Misrepresentation in a Secondary Market Claim

106. Defendants' statements and omissions were materially false and misleading since they failed to disclose material adverse information and misrepresented the truth about HEXO's business, operations, and revenues. Further, HEXO failed to make timely disclosures of material facts;

107. As a result of these misrepresentations, the Representative Plaintiffs assert a right of action under s. 225.8 et seq. of the QSA and, if necessary, the concordant provisions of other Securities Legislation, on behalf of all Class Members against Defendants;

108. HEXO is registered to do business in Québec;

109. HEXO is a reporting issuer in Québec under s. 68 of the QSA, as appears from an extract from the *Autorité des Marchés Financiers*' Reporting Issuers List, communicated herewith as **Exhibit P-45**;

110. HEXO's securities were issued from Québec, and distributed in Québec and throughout the world;

111. The secondary market claim against Defendants is asserted in respect of all Impugned Statements which contained the misrepresentations alleged herein;

112. Defendants knew that the Impugned Statements would be reviewed by analysts, capital markets and the general public who would rely on these documents to make informed financial decisions;

113. The monetary damages suffered by the Representative Plaintiffs and Class Members are a direct result of Defendants' misrepresentations, which artificially-inflated the price of HEXO's securities;

114. Defendants knowingly authorized, permitted or acquiesced to the dissemination of false and misleading information, thus violating the QSA and concordant provisions of other Securities Legislation;

115. St-Louis was an officer and director of HEXO during the release and publication of the Impugned Statements and, as such, was privy to HEXO's internal budgets, plans, projections, and reports, as well as the Company's finances, operations, prospects, and all documents filed in accordance with the applicable Securities Legislation;

116. At all relevant times during the Class Period, St-Louis authorized, permitted or acquiesced to the release and publication of the Impugned Statements, which he knew or ought to have known contained false and misleading information;

117. The Underwriter Defendants also knew or should have known of the misrepresentations and omissions contained in documentation which they certified was accurate;

M. Statutory Right of Action for Misrepresentation in a Primary Market Claim

118. On January 30, 2019, HEXO made an offering of 8,855,000 shares at $6.50 each, which was distributed pursuant to a prospectus dated January 24, 2019, included in Exhibit P-2, *en liasse*, as appears from a copy of HEXO's news release dated January 30, 2019 entitled "HEXO Corp. closes C$57.5 million public offering of common shares", communicated herewith as **Exhibit P-46**;

119. On behalf of all members of the Primary Market Sub-Class deriving from this SPO, the Representative Plaintiffs assert, as against all Defendants, the right of action found in sections 217 et seq. of the QSA, and, if necessary, the concordant provisions of other Securities Legislation;

N. Civil Liability Right of Action

120. The Representative Plaintiffs assert a civil right of action under art. 1457 of the *CCQ*, on behalf of themselves and all Class Members, against Defendants for breach of their duty of care, prudence and diligence owed to all Class Members;

121. HEXO's acts particularized herein were authorized, ordered and effected by Defendant St-Louis, as well as other officers, agents, employees and representatives who were engaged in the management, direction, control and transaction of HEXO's business, finances, and operations and are, therefore, acts and omissions for which HEXO is vicariously and solidarily liable;

122. The Underwriter Defendants failed to exercise reasonable diligence in certifying several Impugned Statements, which Class Members relied upon in their decision to purchase HEXO securities. The dealers' fault directly caused Class Members to suffer damages, for which the Underwriter Defendants are solidarily liable with the Corporate Defendants;

123. Defendants did not fulfill the legal obligations warranted by their relationship with the Class Members as required by law;

124. The Representative Plaintiffs and Class Members relied on Defendants' Impugned Statements;

125. The Representative Plaintiffs would not have acquired HEXO's securities or would not have acquired them at inflated prices had they been aware of Defendants' misrepresentations and omissions. The same is true of the Class as HEXO's misrepresentations and omissions of fact were material;

126. The Representative Plaintiffs and Class Members acquired HEXO's securities at artificially-inflated prices during the Class Period, held those securities until after Corrective Disclosures and suffered damages as a direct and immediate result of the drop in the price of HEXO's securities, which was caused by Defendants' misrepresentations and omissions;

O. No Safe Harbor

127. The statutory defence provided for by s. 225.22 and 225.23 of the *QSA* regarding forward-looking information in a document does not apply to any false and misleading statements alleged in the present claim since these statements related to then-existing facts and conditions;

128. Should the false and misleading statements fall within the scope of forward-looking information, the statutory defence nonetheless does not apply since these statements were not identified as being forward-looking statements when they were made;

FOR THESE REASONS, MAY IT PLEASE THE COURT TO

AUTHORIZE the Class as:

"**Class**" and "**Class Members**" are comprised of the following, other than the "**Excluded Persons**":

a) **Primary Market Sub-Class**: All Québec residents who acquired HEXO's securities in an Offering on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019; and

b) **Secondary Market Sub-Class**: All Québec residents who acquired HEXO's securities on the secondary market on or after April 11, 2018, and held some or all of those securities until after the close of trading on: (1) June 12, 2019; (2) October 4, 2019; (3) October 9, 2019; (4) October 28, 2019; or (5) November 15, 2019;

DECLARE that the following persons are excluded from the Class ("Excluded Persons"): (a) HEXO and its subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, (b) St-Louis, and any member of St-Louis' immediate family, (c) any senior level employee of any insurance company providing directors' and officers' insurance to defend this proceeding, and (d) any licensee employed by the Corporate and Underwriter Defendants' law firms defending this proceeding;

NAME Martin Dionne and Anne Miller as Class Representatives;

DECLARE that the following questions of fact and law are to be dealt with collectively:

a) During the Class Period, did the Defendants publish documents or make statements that contained misrepresentations within the meaning of the *Québec Securities Act* ("QSA") and, if necessary, other Securities Legislation?

b) If so, which document or statement contains which misrepresentation?

c) Were the misrepresentations intentional?

d) Are any of the Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?

e) If so, which Defendant is liable and to whom? and

f) What are the damages sustained by the Class Members?

AUTHORIZE the class action proceedings to seek the following conclusions:

> **GRANT** this class action on behalf of the Class;
>
> **GRANT** the Representative Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and under article 1457 of the *Civil Code of Québec*;
>
> **CONDEMN** Defendants to solidarily pay to the Representative Plaintiffs and Class Members compensatory damages for all monetary losses;
>
> **ORDER** collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;
>
> **THE WHOLE** with interest and additional indemnity provided for in the *Civil Code of Québec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

AUTHORIZE these class action proceedings under section 225.4 of the QSA;

APPROVE the notice to the members of the Class in the form to be submitted to the Court;

ORDER the publication of the notice to the Class no later than thirty (30) days after the date of the judgment authorizing the class proceedings;

ORDER that the deadline for a member of the Class to exclude himself or itself from the class action proceedings shall be sixty (60) days from the publication of the notice to the members of the Class.

THE WHOLE WITH COSTS including all costs related to the publication of the notices to class members and all costs of expertise.

MONTREAL, this day of 2020

FAGUY & CO. BARRISTERS & SOLICITORS INC.
Attorneys for the Representative Plaintiffs
M[e] Shawn K. Faguy (sfaguy@faguyco.com) /
M[e] Elizabeth Meloche (emeloche@faguyco.com)
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Telephone: (514) 285-8100
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Our File: 10239-001

Schedule A: Chronology of Relevant Disclosures

SUMMONS
(Art. 145 and following C.C.P.)

Filing of a judicial application

Take notice that the Representative Plaintiffs have filed this Motion for Authorization in the office of the Superior Court of Québec in the judicial district of Montreal.

Defendant's answer

You must answer the application in writing, personally or through a lawyer, at the courthouse of Montreal situated at 1 Notre-Dame St East, Montreal, Québec, H2Y 1B6, within 15 days of service of the application or, if you have no domicile, residence or establishment in Québec, within 30 days. The answer must be notified to the Representative Plaintiffs' lawyer or, if the Representative Plaintiffs are not represented, to the Representative Plaintiffs.

Failure to answer

If you fail to answer within the time limit of 15 or 30 days, as applicable, a default judgement may be rendered against you without further notice and you may, according to the circumstances, be required to pay the legal costs.

Content of answer

In your answer, you must state your intention to:

- negotiate a settlement;
- propose mediation to resolve the dispute;
- defend the application and, in the cases required by the Code, cooperate with the plaintiffs in preparing the case protocol that is to govern the conduct of the proceeding. The protocol must be filed with the court office in the district specified above within 45 days after service of the summons or, in family matters or if you have no domicile, residence or establishment in Québec, within 3 months after service;
- propose a settlement conference.

The answer to the summons must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

Change of judicial district

You may ask the court to refer the authorization motion to the district of your domicile or residence, or of your elected domicile or the district designated by an agreement with the plaintiffs.

If the application pertains to an employment contract, consumer contract or insurance contract, or to the exercise of a hypothecary right on an immovable serving as your main residence, and if you are the employee, consumer, insured person, beneficiary of the insurance contract or hypothecary debtor, you may ask for a referral to the district of your domicile or residence or the district where the immovable is situated or the loss occurred. The request must be filed with the special clerk of the district of territorial jurisdiction after it has been notified to the other parties and to the office of the court already seized of the authorization motion.

Transfer of application to Small Claims Division

If you qualify to act as a plaintiffs under the rules governing the recovery of small claims, you may also contact the clerk of the court to request that the application be processed according to those rules. If you make this request, the plaintiffs' legal costs will not exceed those prescribed for the recovery of small claims.

Calling to a case management conference

Within 20 days after the case protocol mentioned above is filed, the court may call you to a case management conference to ensure the orderly progress of the proceeding. Failing this, the protocol is presumed to be accepted.

Exhibits supporting the application

In support of the authorization motion, the Representative Plaintiffs intend to use the following exhibits:

Exhibit R-1: Extract from the Québec Enterprise Register relating to HEXO Corp.;

Exhibit R-2: *En liasse* : HEXO's amended and restated short form base shelf prospectus dated December 14, 2018, and corresponding prospectus supplement dated January 24, 2019, and the documents incorporated by reference thereto, pertaining to HEXO's offering of common shares that closed on January 30, 2019;

Exhibit R-3: *En liasse* : Martin Dionne's trading statements;

Exhibit R-4: *En liasse* : Anne Miller's trading statements;

Exhibit R-5: Extract from HEXO's website regarding Sébastien St-Louis;

Exhibit R-6: Underwriting Agreement dated January 24, 2019;

Exhibit R-7: Underwriters' counsel consent letter dated January 24, 2019;

Exhibit R-8: April 11, 2018 HEXO news release announcing the Québec Supply Agreement;

Exhibit R-9: HEXO's share price history on the TSX for April 11, 2018;

Exhibit R-10: April 20, 2018 HEXO Material Change Report;

Exhibit R-11: HEXO's MD&A for the quarter ending April 30, 2018;

Exhibit R-12: HEXO's financial statements for the quarter ending April 30, 2018;

Exhibit R-13: St-Louis' certificate of interim filings dated June 27, 2018;

Exhibit R-14: HEXO news release entitled "Hydropothecary reports fiscal 2018 third quarter results" dated June 28, 2018;

Exhibit R-15: HEXO's MD&A for the quarter and annual ending July 31, 2018;

Exhibit R-16: HEXO's financial statements for the quarter and annual ending July 31, 2018;

Exhibit R-17: HEXO's 2018 AIF;

Exhibit R-18: HEXO's 2018 annual report;

Exhibit R-19: St-Louis' certificate of annual filings dated October 26, 2018;

Exhibit R-20: HEXO's MD&A for the quarter ending October 31, 2018;

Exhibit R-21: HEXO's financial statements for the quarter ending October 31, 2018;

Exhibit R-22: St-Louis' certificate of interim filings dated December 13, 2018;

Exhibit R-23: HEXO "Corporate Presentation" entitled "The Future of Cannabis" dated January 21, 2019;

Exhibit R-24: Preliminary Prospectus Supplement to the Amended and Restated Short Form Base Shelf Prospectus Dated December 14, 2018, dated January 21, 2019;

Exhibit R-25: Issuer's consent letter dated January 24, 2019;

Exhibit R-26: HEXO's March 13, 2019 news release announcing the Newstrike acquisition;

Exhibit R-27: HEXO's MD&A for the quarter ending January 31, 2019;

Exhibit R-28: HEXO's financial statements for the quarter ending January 31, 2019;

Exhibit R-29: St-Louis' certificate of interim filings dated March 13, 2019;

Exhibit R-30: Transcript of HEXO's Q2 2019 earnings call of March 14, 2019;

Exhibit R-31: HEXO March 14, 2019 news release entitled "HEXO reports over $16.2 million in total gross revenue in the second quarter of fiscal 2019";

Exhibit R-32: HEXO's MD&A for the quarter ending April 30, 2019;

Exhibit R-33: HEXO's financial statements for the quarter ending April 30, 2019;

Exhibit R-34: St-Louis' certificate of interim filings dated June 12, 2019;

Exhibit R-35: Transcript of HEXO's Q3 2019 earnings call of June 13, 2019;

Exhibit R-36: HEXO's share price history on the TSX for the period between June 12, 2019 and June 26, 2019;

Exhibit R-37: HEXO's news release entitled "Hexo Corp. Announces Resignation of Chief Financial Officer" dated October 4, 2019;

Exhibit R-38: Press report entitled "Hexo CFO's Resignation Prompts Double Downgrade at BofA" dated October 7, 2019;

Exhibit R-39: HEXO's share price history for the month of October 2019;

Exhibit R-40: HEXO news release entitled "HEXO Corp provides preliminary fourth quarter 2019 revenue results and withdraws fiscal year 2020 outlook" dated October 10, 2019;

Exhibit R-41: HEXO's MD&A for its 2019 fiscal year period ended July 31, 2019;

Exhibit R-42: HEXO's share price history for the period between October 28, 2019 and November 11, 2019;

Exhibit R-43: HEXO news release entitled "HEXO Corp. provides additional transparency on licensing" dated November 15, 2019;

Exhibit R-44: HEXO's share price history on the TSX for the period between November 15 and 18, 2019;

Exhibit R-45: Extract from the *Autorité des Marchés Financiers*' Reporting Issuers List;

Exhibit R-46: HEXO news release entitled "HEXO Corp. closes C$57.5 million public offering of common shares" dated January 30, 2019;

Exhibit R-47: HEXO's 2019 AIF; and

Exhibit R-48: M. Dionne's declaration sworn in support of the *Amended Motion for Authorization to Bring an Action Pursuant to Section 225.4 of the Québec Securities Act and Application for Authorization to Institute a Class Action* dated March 10, 2020.

Notice of presentation of an application

If the application is an application in the course of a proceeding or an application under Book III, V, excepting an application in family matters mentioned in article 409, or VI of the Code, the establishment of a case protocol is not required; however, the application must be accompanied by a notice stating the date and time it is to be presented.

MONTREAL, this 10th day of March 2020

(S) Faguy & Co.

FAGUY & CO. BARRISTERS & SOLICITORS INC.
Attorneys for the Representative Plaintiffs

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Me Elizabeth Meloche (emeloche@faguyco.com)
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Our File: 10239-001

SUPERIOR COURT
(Class Action)
Province of Quebec
District of Montreal
N°: 500-06-001029-194

ANNE MILLER

-and-

MARTIN DIONNE, residing and domiciled at 3-1320 Boulevard de la Grande Allée, in the City of Boisbriand, District of Terrebonne, Province of Québec, J7G 2T4

Representative Plaintiffs

v.

HEXO CORP.

-and-

SÉBASTIEN ST-LOUIS

-and-

CIBC WORLD MARKETS INC., a legal person incorporated pursuant to the *Business Corporations Act*, R.S.O. 1990, c. B.16, having a principal place of business at 1155 René-Lévesque Blvd W., Suite 1510, in the City of Montréal, Province of Québec, H3B 3Z4

-and-

BMO NESBITT BURNS INC., a legal person incorporated pursuant to the *Bank Act*, S.C. 1991, c. 46, having its principal place of business at 129 Saint-Jacques Street, in the City of Montréal, Province of Québec, H2Y 1L5

Defendants

AMENDED MOTION FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE *QUÉBEC SECURITIES ACT* AND APPLICATION FOR AUTHORIZATION TO INSTITUTE A CLASS ACTION

FAGUY & CO.
BARRISTERS & SOLICITORS INC.

Me Elizabeth Meloche
emeloche@faguyco.com

Our file : 10239-001

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