

# Aphria Securities Class Action Settlement

## SAMPLE CALCULATIONS

### Overview:

Damages for securities misrepresentation under the Ontario *Securities Act* are limited to 5% of the company's (Aphria's) market capitalization prior to the misrepresentation being made. The Plaintiff's expert calculated that 5% of Aphria's applicable market capitalization was approximately \$170 million – meaning that if this matter proceeded through trial, the Court could not order Aphria to pay damages greater than the approximate \$170 million damages limit.

This Distribution Protocol is subject to Court Approval. It aims to distribute the settlement to eligible Class Members in a manner consistent with the damages calculation provisions of Part XXIII.1 of the Ontario *Securities Act*. This involves the following steps:

1. Each Class Member will submit a properly completed Claim Form, with supporting documentation, to the Administrator. Any Class Member who completes this step becomes a "Claimant";
2. Claimants whose Notional Entitlement (that is, their damages as calculated using the formulae below) are greater than zero are "Authorized Claimant[s]";
3. The Administrator will calculate Authorized Claimants' Notional Entitlements according to the Distribution Protocol;
4. Each Authorized Claimant's actual compensation will be based on their *pro rata* share of the Net Settlement Amount available for distribution to all Authorized Claimants which is equivalent to the ratio of their individual Notional Entitlement to the total Notional Entitlements of all Authorized Claimants multiplied by the Net Settlement Amount, as calculated by the Administrator.
5. The Administrator will pay out the compensation in Canadian dollars either by bank transfer or cheque.

### General Assumptions:

- It is assumed that the sum of all Claimants' Notional Entitlements is approximately \$160,000,000.<sup>1</sup> This represents an estimate of the total notional value of approved claims anticipated to be received by the Administrator.

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<sup>1</sup> By way of illustration, assuming an historic take-up rate of 20% of estimated uncapped damages, (described here as the Notional Entitlement), calculated to be approximately \$800 million. The actual amount of an individual Claimant's Notional Entitlement could be higher or lower depending on the actual take-up rate which will affect any calculation of an individual Claimant's *pro rata* entitlement.

- It is assumed that the Net Settlement Amount available for distribution to Authorized Claimants is \$15,000,000.<sup>2</sup> This is an estimate representing the amount available for distribution to Authorized Claimants after deducting applicable legal fees, disbursements, relevant taxes and the statutory levy of the Class Proceedings Fund of the Law Foundation of Ontario.

## I. Simple Example

### **Claimant has one eligible purchase and sale of Aphria shares**

#### **Hypothetical Trades and Holdings:**

- 10,000 shares purchased on February 5, 2018 at \$14.05.
- 10,000 shares sold on December 4, 2018 at \$5.88.

#### **Application of the Distribution Protocol:**

- **10,000 shares purchased on February 5, 2018:** These shares are eligible for Notional Entitlement because they were purchased during the Class Period and held through at least one correction.
- **10,000 shares sold on December 4, 2018:** All 10,000 shares sold are eligible for Notional Entitlement under paragraph 13(e) of the Distribution Protocol.

#### **Damage per Share Formulae:**

For 10,000 shares bought on February 5, 2018 and sold on December 4, 2018, paragraph 13(e) of the Distribution Protocol will apply. The notional entitlement for these shares will be the least of:

- Purchase price minus sale price:  $\$14.05 - \$5.88 = \$8.17$  per share.
- Artificial inflation on purchase date minus artificial inflation on sale date:  $\$2.98 - \$0.00 = \$2.98$  per share.

Since \$2.98 is less than \$8.17, the notional entitlement for 10,000 shares bought on February 5, 2018 and sold on December 4, 2018 will be \$2.98 per share.

The Claimant's Notional Entitlement is equal to the number of shares damaged multiplied by the Notional Entitlement attributed to those shares, as determined above.

Total Notional Entitlement = number of shares × notional entitlement attributed  
to those shares

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<sup>2</sup> This is an estimate representing the total Settlement Amount of CAD\$30 million less legal fees, disbursements, relevant taxes and the statutory levy of the Class Proceedings Fund of the Law Foundation of Ontario

Using the example of 10,000 shares bought on February 5, 2018 and sold on December 4, 2018, this gives us:

$$10,000 \text{ shares} \times \$2.98 \text{ per share} = \$29,800.$$

The Total Notional Entitlement for this Claimant is therefore: \$29,800.

A Claimant's Notional Entitlement is the basis for calculating that Claimant's *pro rata* entitlement of the Net Settlement Amount (defined above).

### **Pro Rata Entitlement:**

The *Pro Rata* Entitlement is determined as follows:

Claimant's *Pro Rata* Entitlement = *Pro Rata* Percentage  $\times$  Net Settlement Amount.

$$\text{Pro Rata Percentage} = \frac{\text{Claimant's Notional Entitlement}}{\text{Sum of All Claimants' Notional Entitlements}}$$

$$\text{Pro Rata Percentage} = \frac{29,800}{160,000,000} = 0.01863\%.$$

$$\text{Claimant's Pro Rata Entitlement} = 0.01863\% \times \$15,000,000 = \$2,844.$$

**Claimant's Total Estimated Compensation: \$2,844.**

Note: Authorized Claimants whose *Pro-Rata* Entitlement is less than \$10.00 will not receive any payment. Those amounts will be allocated *Pro Rata* to other Authorized Claimants.

## II. Complex Example

### Claimant has multiple purchases and sales of Aphria shares

#### Hypothetical Trading and Holdings:

- 40,000 shares purchased on February 5, 2018 at \$14.05.
- 20,000 shares sold on April 9, 2018 at \$9.70.
- 30,000 shares purchased on July 19, 2018 at \$10.73.
- 45,000 shares sold on December 4, 2018 at \$5.88.
- 5,000 shares still held as of May 4, 2021.

#### Application of the Distribution Protocol:

- **20,000 shares sold on April 9, 2018:** These shares are matched with the 40,000 shares purchased on February 5, 2018 under FIFO. Paragraph 13(d) applies as they were acquired before the opening of trading on March 23, 2018, and sold after April 6, 2018, but before December 3, 2018. The Notional Entitlement per share is the least of:
  - Purchase price minus sale price:  $\$14.05 - \$9.70 = \$4.35$ .
  - Purchase price minus 10-Day VWAP:  $\$14.05 - \$11.42 = \$2.63$ .
  - Artificial inflation on purchase date minus artificial inflation on sale date:  $\$2.98 - \$2.15 = \$0.83$ .

#### Total Notional Entitlement for these 20,000 shares:

$$20,000 \times \$0.83 = \$16,600.$$

- **20,000 shares sold on December 4, 2018:** These shares are matched with the remaining 20,000 shares purchased on February 5, 2018. Paragraph 13(e) applies because they were sold after December 3, 2018 but before December 14, 2018. The Notional Entitlement per share is the lesser of:
  - Purchase price minus sale price:  $\$14.05 - \$5.88 = \$8.17$ .
  - Artificial inflation on purchase date minus artificial inflation on sale date:  $\$2.98 - \$0.00 = \$2.98$ .

#### Total Notional Entitlement for these 20,000 shares:

$$20,000 \times \$2.98 = \$59,600.$$

- **25,000 shares sold on December 4, 2018:** These shares are matched with 25,000 of the 30,000 shares purchased on July 19, 2018. Paragraph 13(e) applies because they were sold after December 3, 2018 but before December 14, 2018. The Notional Entitlement per share is the lesser of:
  - Purchase price minus sale price:  $\$10.73 - \$5.88 = \$4.85$ .

- Artificial inflation on purchase date minus artificial inflation on sale date: \$3.85 - \$0.00 = \$3.85.

**Total Notional Entitlement for these 25,000 shares:**

$$25,000 \times \$3.85 = \$96,250.$$

- **5,000 shares still held as of May 4, 2021:** These shares are matched with the remaining 5,000 shares purchased on July 19, 2018. Paragraph 13(g) applies as they were held as of the Deemed Disposition Date. The Notional Entitlement per share is the least of:

- Acquisition price minus Deemed Disposition Price: \$10.73 - \$16.65 = -\$5.92 (set to 0).
- Acquisition price minus 10-Day VWAP: \$10.73 - \$6.99 = \$3.74.
- Artificial inflation on purchase date: \$3.85.

**Total Notional Entitlement for these 5,000 shares:**

$$5,000 \times \$0 = \$0.$$

**Notional Entitlement Calculation:**

Step 1: \$ 16,600 (April 9, 2018 shares).

Step 2: \$59,600 + \$96,250 = \$155,850 (December 4, 2018 shares).

Step 3: \$ 0 (Held shares as of May 4, 2021).

Total Notional Entitlement = \$ 172,450.

***Pro Rata* Entitlement:**

$$\text{Pro Rata Percentage} = \frac{172,450}{160,000,000} = 0.10778\%.$$

$$\text{Claimant's Pro Rata Entitlement} = 0.10778\% \times \$15,000,000 = \$16,167.$$

**Claimant's Total Estimated Compensation: \$16,167.**