



Ontario  
Securities  
Commission

Commission des  
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de l'Ontario

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**FILE NO.: 2019-34**

**IN THE MATTER OF  
CANADA CANNABIS CORPORATION, CANADIAN CANNABIS CORPORATION,  
BENJAMIN WARD, SILVIO SERRANO and PETER STRANG**

**SETTLEMENT AGREEMENT  
(Canada Cannabis Corporation, Canadian Cannabis Corporation and Benjamin Ward)**

**PART I – INTRODUCTION**

1. This proceeding involves misconduct in the burgeoning cannabis sector.
2. On January 20, 2014, Benjamin Ward, Peter Strang, Silvio Serrano and others formed a cannabis cultivation and distribution company known as Canada Cannabis Corporation which subsequently, through a reverse take-over, became Canadian Cannabis Corporation (the two corporations are collectively referred to as CCC). Ward was Chief Executive Officer and director of CCC. Both Strang and Serrano were Vice Presidents and either directors or *de facto* directors of CCC. CCC raised approximately \$3.2 million and USD 8.8 million from approximately 125 investors, approximately 60 of which are located in Ontario, by selling shares and debentures of CCC.<sup>1</sup> Ward, Strang and Serrano represented to investors that their funds would be used to develop and operate CCC.
3. CCC loaned approximately \$3 million to a company called Growlite Canada, owned by Serrano (the **Growlite Loan**). As set out below, investors were misled about material facts as to how the Growlite Loan would be funded and used. Growlite Canada did not make any interest payments or repay any of the principal. The Growlite Loan was eventually written off. By the fall of 2016, Ward, Strang and Serrano had resigned from CCC, leaving behind a company depleted of all investor funds without ever having engaged in the cultivation or distribution of cannabis.

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<sup>1</sup> All figures are in Canadian dollars unless otherwise stated.

4. Investors are interested in investing in the cannabis sector. They often believe that they can earn a quick and profitable return from their investment in this industry. These investments, however, can be highly speculative, and the cost of an investment in a cannabis company may be based on the expectation of its future success rather than its current performance. All issuers and their management, including those in the cannabis industry, must accurately and truthfully disclose how invested funds will be used.

## **PART II - JOINT SETTLEMENT RECOMMENDATION**

5. A Notice of Hearing was issued and a Statement of Allegations was published in respect of a proceeding against the Respondents (the **Proceeding**) on September 13, 2019.

6. The parties will jointly file a request that the Capital Markets Tribunal (the **Tribunal**) issue a Notice of Hearing to announce that it will hold a hearing (the **Settlement Hearing**) to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, RSO 1990, c S.5 (the **Act**), it is in the public interest for the Tribunal to make certain orders against CCC and Ward (the **Settling Respondents**).

7. The Settling Respondents consent to the making of an order (the **Order**) substantially in the form attached as Schedule “A” to this agreement (the **Settlement Agreement**) based on the facts set out in this Settlement Agreement. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, the Settling Respondents agree with the facts set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

## **PART III - AGREED FACTS**

8. Canada Cannabis Corporation is an Ontario corporation incorporated on January 20, 2014, with its office in Oakville, Ontario. As of May 2014, it is a wholly-owned subsidiary of Canadian Cannabis Corporation.

9. Canadian Cannabis Corporation is a Delaware corporation with offices in Oakville, Ontario. As a corporate entity, Canadian Cannabis Corporation resulted from a series of merger transactions that concluded on May 21, 2014.

10. During the relevant time, Ward was a resident of Ontario. At all relevant times, he was a director and officer of CCC.

***CCC's Investment In Growlite Canada***

11. Growlite Canada was a company solely owned by Serrano. Beginning November 1, 2013, Growlite Canada held the exclusive distribution rights for Canada to sell and distribute horticultural lighting and related accessories manufactured by Growlite USA.

12. On or about February 2, 2014, Ward, Strang and Serrano came to an oral agreement (described in CCC's minutes as a "handshake" agreement) to invest \$4 million of CCC investor funds in Growlite Canada (the **Growlite Transaction**). Of that amount, \$1 million would be used to purchase a 45% interest in Growlite Canada and \$3 million would be used to finance the Growlite Loan. The oral "handshake" agreement was to be formalized by a written agreement. There was no independent valuation performed of Growlite Canada to support the purchase price or the amount of CCC's investment.

13. Before the written Growlite Loan agreement was signed, between February 5, 2014 and March 28, 2014, \$4 million of investor funds was transferred from CCC to Growlite Canada for both the investment in and the Growlite Loan.

14. The Growlite Loan agreement was signed by Ward (on behalf of CCC) and Serrano (on behalf of Growlite Canada) effective March 31, 2014. The Growlite Loan was not secured. The interest rate on the Growlite Loan was 2% to be paid quarterly.

15. Between February 5, 2014 and August 29, 2016, funds were directed away from the business of Growlite Canada and to the benefit of Serrano and Strang, their families or companies controlled by them as follows:

- (a) Serrano or companies controlled by him: \$1,500,000 and USD 224,000;
- (b) Strang or companies controlled by him: \$520,000;
- (c) Serrano's brother, or companies controlled by him: \$215,000;
- (d) Serrano's father, or companies controlled by him: \$45,000;

- (e) a criminal defence lawyer who represented Serrano's father: \$48,500; and
- (f) Serrano's cousin, or companies controlled by him: \$62,500.

16. CCC did not sign a security agreement for the Growlite Loan until May 2015, after the time investor funds from the Growlite Loan had begun to be redirected. CCC did not recover any amount of the Growlite Loan.

17. CCC wrote off the Growlite Loan in April 2016. Growlite Canada did not make any of the required interest payments and did not repay any of the principal amount.

### *CCC's Misrepresentations to Investors*

18. CCC solicited investment through private placements of shares and a private placement of debentures (the **Private Placements**). Between January 20, 2014 and August 29, 2016, CCC raised approximately \$3.2 million and USD 8.8 million from approximately 125 investors, of which approximately 60 were located in Ontario.

19. In connection with promoting the Private Placements, CCC provided prospective investors with an investor brief dated January 16, 2014 (the **Investor Brief**), an Offering Memorandum dated May 16, 2014 (the **OM**) and an investor slide deck dated January 2015 (the **Slide Deck**).

20. The Investor Brief, the OM and the Slide Deck constituted offering memoranda under Ontario securities law.

21. The Investor Brief included the following misstatements:

- (a) The Investor Brief included a statement that Investor Brief states that "CCC has purchased 45% of [Growlite]." This was misleading. CCC had not yet made any investment in or loan to Growlite Canada. Prospective investors would not have understood from this statement that their capital was needed to make this investment.
- (b) The Investor Brief states that Growlite "sales in the first month of business totalled 2,000 units." This was false. Growlite Canada's Daily Sales Summary shows that in its first month of business (November 2013), Growlite Canada had made one sale to

one customer of 732 units. In its second month of business (December 2013), Growlite Canada made no sales. In its third month of business (January 2014, when the Investor Brief was written), Growlite made one sale to one customer of an estimated fewer than 100 units.

- (c) The Investor Brief twice identifies Ward as “Benjamin Ward, PhD.” This was untrue. Ward does not have a PhD.

22. In addition, the Investor Brief was misleading in that it failed to state that CCC had not obtained an independent valuation of Growlite Canada before agreeing to invest \$4 million.

23. The OM included a statement as follows:

“GrowLite Canada produces and distributes a proprietary lighting system developed and patented by Aubrey Bradley, an innovator in the horticultural lighting industry. GrowLite Canada holds patents for its vertical horticultural lamp system, increasing efficiency and reducing costs over comparable systems. The Company invested CAD \$4 Million (approximately \$3.97 million) into GrowLite Canada to acquire a 45% ownership interest in the company from Silvio Serrano, an officer and founder of CCC, who owns the remaining 55% ownership interest in GrowLite. A quarter of the CCC’s investment in GrowLite Canada was purchased for cash, with the remainder in the form of a loan extended by CCC to GrowLite Canada. Certain of CCC’s officers are also officers of GrowLite Canada.”

24. The OM was misleading in that it failed to state that CCC had not independently valued Growlite Canada before agreeing on the purchase price for the Growlite Transaction, that the Growlite Loan came with no express conditions on how it could be used, that CCC did not take reasonable steps to ensure it could oversee or monitor the Growlite Loan, and that the Growlite Loan money had been or would be spent on matters unrelated to Growlite Canada business, including personal expenses of Strang, Serrano and their families.

25. The Slide Deck included the following statements:

- (a) “On March 31, 2014, CCC acquired a 45% equity interest in Growlite Canada for \$4M.”
- (b) Growlite Canada has “\$2M in sales to date; Management anticipated orders of \$11M in 2015”.

26. This was untrue in that Growlite Canada did not have \$2 million in sales to January 2015, and misleading in that Management’s anticipation of orders of \$11 million in 2015 was not reasonable.

27. Further, the Slide Deck failed to state that CCC had not independently valued Growlite Canada before agreeing to the Growlite Transaction, that \$3 million of the purchase price was in the form of an unsecured loan, that the Growlite Loan had no express conditions on how it could be used, that CCC did not take reasonable steps to ensure it could oversee or monitor the Growlite Loan, and that the Growlite Loan money had been or would be spent on matters unrelated to Growlite Canada business, including personal expenses of Strang, Serrano and their families.

***CCC’s Position***

28. CCC understands, and the OSC accepts, that this Settlement Agreement is without prejudice to CCC’s right under s. 144.1 of the Act to bring an application to the Tribunal, on notice to the OSC, to vary the Order to effect a transaction that would aid in recovery for CCC’s investors.

***Ward’s Position***

29. Ward did not personally receive any of the money CCC advanced to Growlite Canada.

30. Ward had no prior relationship, experience or association with Growlite Canada prior to the events described above.

31. At the time CCC agreed to the Growlite Transaction, Ward believed the Growlite Transaction was in the best interests of CCC and its investors. Ward admits that he should have done more diligence.

**C. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST**

32. The Settling Respondents acknowledge and admit that, by engaging in the conduct described above:

- (a) CCC made statements in offering memoranda required to be filed or furnished under Ontario securities law that, in a material respect and at the time and in light of the circumstances under which the statements were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statements not misleading, contrary to the prohibition contained in subsection 122(1)(b) of the Act, thereby resulting in a breach of Ontario securities law;
- (b) Ward acquiesced in CCC's breach, and is liable under subsection 129.2 of the Act; and
- (c) The conduct described above is contrary to the public interest.

**PART V - TERMS OF SETTLEMENT**

33. The Settling Respondents agree to the terms of the settlement set forth below.

34. The Settling Respondents consent to the Order substantially in the form attached as Schedule "A", pursuant to which it is ordered that:

- (a) this Settlement Agreement is approved;

***Canada Cannabis Corporation***

- (b) pursuant to paragraph 2 of s. 127(1) of the Act, trading in any securities or derivatives by Canada Cannabis Corporation cease permanently;
- (c) pursuant to paragraph 2.1 of s. 127(1) of the Act, the acquisition of any securities by Canada Cannabis Corporation is prohibited permanently;

- (d) pursuant to paragraph 3 of s. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Canada Cannabis Corporation permanently;
- (e) pursuant to paragraph 8.5 of s. 127(1) of the Act, Canada Cannabis Corporation is prohibited from becoming or acting as a registrant (including an investment fund manager) or promoter permanently;

***Canadian Cannabis Corporation***

- (f) pursuant to paragraph 2 of s. 127(1) of the Act, trading in any securities or derivatives by Canadian Cannabis Corporation cease permanently;
- (g) pursuant to paragraph 2.1 of s. 127(1) of the Act, the acquisition of any securities by Canadian Cannabis Corporation is prohibited permanently;
- (h) pursuant to paragraph 3 of s. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Canadian Cannabis Corporation permanently;
- (i) pursuant to paragraph 8.5 of s. 127(1) of the Act, Canadian Cannabis Corporation is prohibited from becoming or acting as a registrant (including an investment fund manager) or promoter permanently;

***Ward***

- (j) pursuant to paragraph 3 of s. 127(1) of the Act, that any exemptions contained in Ontario securities law do not apply to Ward for six years;
- (k) pursuant to paragraphs 7, 8.1 and 8.3 of s. 127(1) of the Act, Ward resign all positions that he holds as a director or officer of any issuer, registrant, or investment fund manager;
- (l) pursuant to paragraphs 8, 8.2 and 8.4 of s. 127(1) of the Act, Ward be prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager for six years;



- (m) pursuant to paragraph 8.5 of s. 127(1) of the Act, Ward be prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for six years;
- (n) pursuant to paragraphs 1 and 2 of s. 127.1 of the Act, Ward be ordered to pay \$10,000 towards the costs that were incurred by or on behalf of the Commission, with \$1,000 to be paid by certified cheque or bank draft by the date of the settlement hearing and \$1,000 to be paid by the 15<sup>th</sup> day of each month thereafter until the amount of \$10,000 has been paid.

### ***Reciprocal Orders***

35. The Settling Respondents consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 34, other than sub-paragraph 34(n). These sanctions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

36. The Settling Respondents acknowledge that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondents. The Respondents should contact the securities regulator of any other jurisdiction in which the Respondents intend to engage in any securities- or derivatives-related activities, prior to undertaking such activities.

### **PART VI - FURTHER PROCEEDINGS**

37. If the Tribunal approves this Settlement Agreement, no enforcement proceeding will be commenced or continued against the Settling Respondents under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Settling Respondents fail to comply with any term in this Settlement Agreement, in which case enforcement proceedings may be brought under Ontario securities law against the Settling Respondents that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

38. The Settling Respondents acknowledge that, if the Tribunal approves this Settlement Agreement and they fail to comply with any term in it, proceedings may be brought against them. Ward acknowledges that this may include proceedings in order to, among other things, recover the amounts set out in sub-paragraph 34(n), above.

39. Ward acknowledges that, in addition to any proceedings referred to in paragraphs 37 and 38, failure to pay in full any costs ordered will result in the Respondent's name being added to the list of "Respondents Delinquent in Payment of Commission Orders" published on the Commission's website.

40. The Settling Respondents waive any defences to a proceeding referenced in this Part VI that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

#### **PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

41. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Tribunal, which shall be held on a date determined by the Secretary to the Tribunal in accordance with this Settlement Agreement and the Tribunal's *Rules of Procedure and Forms*.

42. Ward and a CCC representative will attend the Settlement Hearing in person or by video conference.

43. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

44. If the Tribunal approves this Settlement Agreement:

- (a) the Settling Respondents irrevocably waive all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- (b) no party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

45. Whether or not the Tribunal approves this Settlement Agreement, the Settling Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission or the Tribunal's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

#### **PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT**

46. If the Tribunal does not approve this Settlement Agreement or does not make an order substantially in the form of the Order attached as Schedule "A" to this Settlement Agreement:

- (a) this Settlement Agreement and all discussions and negotiations between the parties before the Settlement Hearing will be without prejudice to any party; and
- (b) the parties will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

47. The parties will keep the terms of this Settlement Agreement confidential until the Tribunal approves the Settlement Agreement, except as is necessary to make submissions at the Settlement Hearing. If, for whatever reason, the Tribunal does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless the parties otherwise agree in writing or if required by law.

#### **PART IX - EXECUTION OF SETTLEMENT AGREEMENT**

48. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

49. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

**DATED at Toronto, Ontario this 27th day of October, 2022.**

By: "Benjamin Ward"

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Benjamin Ward

**DATED at Toronto, Ontario this 27th day of October, 2022**

**CANADA CANNABIS CORPORATION**

By: "Scott Keevil"

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For Canada Cannabis Corporation

Name: Scott Keevil

Title: Director

**DATED at Toronto, Ontario this 27<sup>th</sup> day of October, 2022.**

**CANADIAN CANNABIS CORPORATION**

By: "Scott Keevil"

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For Canadian Cannabis Corporation

Name: Scott Keevil

Title: Director

**DATED at Toronto, Ontario, this 28th day of October, 2022.**

**ONTARIO SECURITIES COMMISSION**

By: "Jeff Kehoe"

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Name: Jeff Kehoe

Title: Director, Enforcement Branch

**SCHEDULE “A”**

**FORM OF ORDER**

**IN THE MATTER OF  
CANADA CANNABIS CORPORATION, CANADIAN CANNABIS CORPORATION,  
BENJAMIN WARD, SILVIO SERRANO and PETER STRANG**

**(Canada Cannabis Corporation, Canadian Cannabis Corporation and Benjamin Ward)**

File No. 2019-34

**Adjudicators:** M. Cecilia Williams (chair of the Panel)  
Geoffrey D. Creighton  
Dale R. Ponder

*(Day and date order made)*

**ORDER**

**(Sections 127 and 127.1 of the Securities Act, RSO 1990, c S.5)**

**WHEREAS:** on [date], 2022, the Capital Markets Tribunal (the **Tribunal**) held a hearing by videoconference to consider the request for approval of a settlement agreement between Staff of the Ontario Securities Commission (the **Commission**), Canada Cannabis Corporation, Canadian Cannabis Corporation and Benjamin Ward dated [date] (the **Settlement Agreement**); and

**WHEREAS** this Order is without prejudice to the rights of Canada Cannabis Corporation and Canadian Cannabis Corporation (collectively **CCC**) under s. 144.1 of the *Securities Act*, RSO 1990, c S.5 (the **Act**) to bring an application to the Tribunal, on notice to the Commission, to vary the Order to effect a transaction that would aid in recovery for CCC’s investors; and

**ON READING** the Joint Request for a Settlement Hearing, including the Settlement Agreement and the Statement of Allegations dated September 13, 2019, the written submissions and on hearing the submissions of the representatives for each of the Commission, Canada Cannabis Corporation, Canadian Cannabis Corporation and Benjamin Ward;

**IT IS ORDERED THAT:**

- (a) the Settlement Agreement is approved;

***Canada Cannabis Corporation***

- (b) pursuant to paragraph 2 of s. 127(1) of the Act, trading in any securities or derivatives by Canada Cannabis Corporation shall cease permanently;
- (c) pursuant to paragraph 2.1 of s. 127(1) of the Act, the acquisition of any securities by Canada Cannabis Corporation is prohibited permanently;
- (d) pursuant to paragraph 3 of s. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Canada Cannabis Corporation permanently;
- (e) pursuant to paragraph 8.5 of s. 127(1) of the Act, Canada Cannabis Corporation is prohibited from becoming or acting as a registrant (including an investment fund manager) or promoter permanently;

***Canadian Cannabis Corporation***

- (f) pursuant to paragraph 2 of s. 127(1) of the Act, trading in any securities or derivatives by Canadian Cannabis Corporation shall cease permanently;
- (g) pursuant to paragraph 2.1 of s. 127(1) of the Act, the acquisition of any securities by Canadian Cannabis Corporation is prohibited permanently;
- (h) pursuant to paragraph 3 of s. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Canadian Cannabis Corporation permanently;
- (i) pursuant to paragraph 8.5 of s. 127(1) of the Act, Canadian Cannabis Corporation is prohibited from becoming or acting as a registrant (including an investment fund manager) or promoter permanently;

***Ward***

- (j) pursuant to paragraph 3 of s. 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Ward for six years;
- (k) pursuant to paragraphs 7, 8.1 and 8.3 of s. 127(1) of the Act, Ward shall resign all positions that he holds as a director or officer of any issuer, registrant, or investment fund manager;
- (l) pursuant to paragraphs 8, 8.2 and 8.4 of s. 127(1) of the Act, Ward is prohibited from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager for six years;
- (m) pursuant to paragraph 8.5 of s. 127(1) of the Act, Ward is prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter for six years;
- (n) pursuant to paragraphs 1 and 2 of s. 127.1 of the Act, Ward shall pay \$10,000 towards the costs that were incurred by or on behalf of the Commission, with \$1,000 to be paid by certified cheque or bank draft by the date of the public settlement hearing and \$1,000 to be paid by the 15<sup>th</sup> day of each month thereafter until the amount of \$10,000 has been paid.

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[Adjudicator]

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[Adjudicator]

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[Adjudicator]



