

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
No.: 500-06-000785-168

SUPERIOR COURT
(Class Action)

PIERRE DEROME

(...)

Applicant

v.

(...) THE STARS GROUP INC.

-and-

DAVID BAAZOV

-and-

DANIEL Y. SEBAG

-and-

DIVYESH GADHIA

-and-

HARLAN W. GOODSON

-and-

WESLEY K. CLARK

Respondents

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

**IN SUPPORT OF HIS MOTION FOR AUTHORIZATION, THE APPLICANT RESPECTFULLY
SUBMITS AS FOLLOWS:**

I. DEFINITIONS

In addition to the terms that are defined elsewhere herein or in the *Québec Securities Act*, the following terms have the following meanings:

- a. (...) "Applicant" means Mr. Pierre Derome;
- b. "Board" means the board of directors of (...) TSG;
- c. "Class", "Class Members" and "Applicant" refer to the following group, other than the Excluded Persons:

- i) **"Primary Market Sub-Class"**: (...) all persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, purchased **TSG's** securities in an **Offering** and held all or some of those securities until after the **Corrective Disclosure**;
 - ii) **"Secondary Market Sub-Class"**: (...) all persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, purchased **TSG's** securities in the secondary market and held all or some of those securities until after the **Corrective Disclosure**, and who :
 - are residents in Canada or were residents in Canada at the time of such acquisitions regardless of the location of the exchange on which they acquired **TSG's** securities; or
 - acquired **TSG's** securities in the secondary market in Canada or elsewhere, other than in the United States;
- d. **"Class Period"** means the period from **March 31, 2014** to **March 22, 2016**, inclusively;
- e. **"Code of Conduct"** means (...) **TSG's** written code of business conduct and ethics;
- f. **"Company"** means (...) **TSG**;
- g. **"Core Documents"** refers to the documents published on SEDAR by (...) **TSG** at the following times:
- i. On March 31, 2014, (...) **TSG** published its 2013, annual information form, annual financial results (...), MD&A and certifications of annual filings, communicated herewith as Exhibits P-1A, P-1B, P-1C, **P-1X and P-1Y** respectively;
 - ii. On May 15, 2014, (...) **TSG** published its Q1 2014 financial results (...), MD&A and certifications of interim filings, communicated herewith as Exhibits P-1D, P-1E, **P-1Z and P-1AA** respectively;
 - iii. On July 8, 2014, (...) **TSG** published a management circular and a form of proxy for the annual and special meeting to be held on July 30, 2014, communicated herewith as Exhibits P-1F and P-1G, respectively;
 - iv. On August 14, 2014, (...) **TSG** published its Q2 2014 financial results (...), MD&A and certifications of interim filings, communicated herewith as Exhibits P-1H, P-1I, **P-1BB and P-1CC** respectively;
 - v. On November 14, 2014, (...) **TSG** published its Q3 2014 financial results (...), MD&A and certifications of interim filings, communicated herewith as Exhibits P-1J, P-1K, **P-1DD and P-1EE** respectively;

- vi. On March 31, 2015, (...) **TSG** published its annual information form, annual financial results (...), MD&A and certifications of annual filings, communicated herewith as Exhibits P-1L, P-1M, P-1N, **P-1FF and P-1GG** respectively;
- vii. On May 14, 2015, (...) **TSG** published its Q1 2015 financial results (...), MD&A and certifications of interim filings, communicated herewith as Exhibits P-1O, P-1P, **P-1HH and P-1II** respectively;
- viii. On May 26, 2015, (...) **TSG** published its Management Information Circular dated May 14, 2015, communicated herewith as **Exhibit P-JJ**;
- ix. On August 13, 2015, (...) **TSG** published its Q2 2015 financial results (...), MD&A and certifications of interim filings, communicated herewith as Exhibits P-1Q, P-1R, **P-1KK and P-1LL** respectively;
- x. On November 10, 2015, (...) **TSG** published its Q3 2015 financial results (...), MD&A and certifications of interim filings, communicated herewith as Exhibits P-1S, P-1T, **P-1MM and P-1NN** respectively;
- xi. On March 14, 2016, (...) **TSG** published its 2015 annual information form, annual financial results (...), MD&A and certifications of annual filings, communicated herewith as Exhibits P-1U, P-1V, P-1W, **P-1OO and P-1PP** respectively;
- h. **“Corrective Disclosure”** means the AMF announcement of March 23, 2016 that it was filing charges against (...) **TSG** employees, insiders and others for insider trading and influencing (...) **TSG’s** stock price, communicated herewith as **Exhibit P-6**;
- i. **“Excluded Persons”** means the **Respondents**, members of the immediate families of the **Individual Respondents**, and the directors, officers, subsidiaries, affiliates of (...) **TSG** and its subsidiaries;
- j. **“Individual Respondents”** (each being an **“Individual Respondent”**) means David Baazov (individually, **“Baazov”**), Daniel Y. Sebag (individually, **“Sebag”**), Divyesh Gadhia (individually, **“Gadhia”**), Harian W. Goodson (individually, **“Goodson”**), and Wesley K. Clark (individually, **“Clark”**)
- k. **“Investigation” or “AMF Investigation”** means the AMF investigation that commenced as of late-June 2014 with respect to certain improper and illegal stock trading practices concerning (...) **TSG’s** securities;
- l. **“MD&A”** means Management’s Discussion and Analysis;
- m. **“Non-Core Documents”** means all press releases published during the **Class Period** by the **Respondents**;

n. "Offerings" (each being an "Offering") means the offerings of TSG's securities in the primary market made during the Class Period;

o. "Oldford" means Oldford Group Limited;

p. "Oldford acquisition" (...) refers to the transaction between (...) TSG and Oldford which took place on or about August 1, 2014;

q. "QSA" means the *Québec Securities Act*, CQLR C V-1.1, as amended;

r. "Respondents" refers to all defending parties collectively;

s. "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;

t. "SEDAR" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators; and

u. "TSG" refers to The Stars Group Inc. (formerly known as "Amaya Inc.")

II. INTRODUCTION AND SUMMARY OF CONTEXT

1. This Action concerns the directors and officers of (...) TSG, a reporting issuer, publishing Core and Non-Core Documents and making public statements that contained misrepresentations and omissions of material facts;

1.1 (...) TSG owns gaming and related consumer businesses and brands including PokerStars, Full Tilt, BetStars, StarsDraft, the European Poker Tour, PokerStars Caribbean Adventure, Latin American Poker Tour and the Asia Pacific Poker Tour;

2. At all relevant times during the Class Period, (...) Baazov was listed as the company's second largest shareholder, the whole as appears from an excerpt from the *Registre des Entreprises du Québec*, communicated herewith as Exhibit P-2;

3 to 8 (...)

9. In the three years following its initial public offering ("IPO"), (...) TSG grew by acquiring gambling software and machine maker Chartwell Technology Inc. and companies such as CryptoLogic Ltd. and Cadillac Jack;

10. (...);

- 10.1 Unbeknownst to the public, all of TSG's acquisitions were made possible due to the implementation of a massive insider trading scheme by which Baazov intentionally disclosed material privileged confidential information to his associates, which information was used to influence the market price of TSG's securities ("Insider Trading Scheme");
- 10.2 The Insider Trading Scheme was an intentional violation of Québec securities laws and of TSG's Code of Conduct;
- 10.3 Generally, the Insider Trading Scheme was implemented as follows: Baazov would disclose privileged confidential information to his brother Josh (Ofer) Baazov ("Josh") and/or his friend Craig Levett ("Levett") and/or his colleague Yoel Altman ("Altman") by way of phone call, text message or email. In turn, Josh and Levett disclosed this information to their family and friends (collectively, the "Inner Circle") (an organizational chart regarding Baazov's Insider Trading Scheme can be found at **Annex C**). The Inner Circle then systematically purchased TSG's securities before the publication press releases confirming the acquisition. Once the acquisition was announced, the Inner Circle would sell its securities and give Baazov a 20% kickback on the earned profits;
- 10.4 The Insider Trading Scheme and Baazov's part in it, was never disclosed in TSG's Core and Non-Core Documents or in its public statements;
- 10.5 In December 2013, Baazov flew to the Isle of Man with the proposal that TSG, a company with only \$155-million of annual revenue, three years of consecutive losses and scarce operating cash flow, acquire Oldford, a poker company which controlled PokerStars and Full Tilt, some of the world's largest online gambling sites, and had more than \$1 billion (U.S.) in revenue and \$417 million in profit;
- 10.6 Baazov made this play to acquire Oldford despite TSG's financial frailty since he knew he could influence the price of TSG's securities upwards in order to facilitate the potential Oldford acquisition;
- 10.7 In the early months of 2014, TSG's stock traded around \$6 to \$8 per share;
- 10.8 On June 12, 2014, TSG announced that it entered into a definitive agreement to purchase 100% of Oldford's securities in an all-cash transaction for an aggregate purchase price of \$4.9 billion US, the whole as appears from the press release dated June 12, 2014, communicated herewith as **Exhibit P-4A**;¹
- 10.9 The following day, TSG's stock closed at \$20 on the TSX and continued to rise until it peaked at a high of \$38.74 in late November 2014;
- 10.10 On or about that same time, the Financial Industry Regulatory Authority ("FINRA") – Wall Street's self-regulator – flagged and placed 300 TSG investors under scrutiny relating to unusual trading activities of TSG securities ahead of the Company's announcement of the Oldford acquisition;

¹ see also the *Deed of Merger* dated June 12, 2014, communicated herewith as **Exhibit P-9**.

10.11 On or about the same time, acting on the tips of two whistleblowers, the AMF began investigating the Oldford acquisition. In response to this investigation, TSG made numerous misleading statements which caused investors to believe that no illegal conduct was occurring at the Company, the whole as appears from the press releases, communicated herewith as Exhibits P-4C, P-4D and P-4E;

11-18 (...);

18.1 (...) On March 22, 2016, the Tribunal des marchés financiers ("TMF") (previously known as the Bureau de décision et de révision) rendered a decision which revealed that the spectacular rise in (...) the price of TSG's securities was fueled by (...) the Insider Trading Scheme and Baazov and his confidants' misconduct, which artificially inflated (...) the price of TSG's securities to facilitate the (...) Oldford acquisition and subsequent sales by insiders and others, the whole as appears from the TMF decision, communicated herewith as Exhibit P-5A;

18.2 The TMF concluded that a systematic *modus operandi* of insider trading relating to TSG's acquisitions of its rivals had occurred (for further details, see the attached Annex A);

19-28 (...);

29. On March 23, 2016, in connection with the events detailed above, the AMF (...) filed 23 charges against Baazov, Benjamin Ahdoot, Yoel Altman, Diocles Capital inc, Sababa Consulting inc. and 2374879 Ontario inc. (...) for: (i) disclosing privileged information; (ii) influencing or attempting to influence the market price or the value of securities by means of unfair, improper or fraudulent practices; and (iii) engaging in transactions knowing that they would create or contribute to a misleading appearance of trading activity or artificial price;

30. (...) These charges were dismissed on June 6, 2018 by the Honorable Justice Mascia, J.C.Q. The court held that in light of the AMF's failure to protect privileged information, the defendants' right to a full and fair trial was violated. The court did not make any findings regarding the defendants' guilt;

The Misrepresentations

31. (...) At all relevant times during the Class Period, the Respondents made misrepresentations of material facts through affirmative false and/or misleading statements and through its failure to disclose:

- a. that (...) TSG's CEO, chairman and one of its principal investors was engaged in the (...) Insider Trading Scheme (...) which involved influencing or attempting to influence the market price of (...) TSG's securities and communicating privileged confidential information to third parties;
- b. that (...) TSG had inadequate or ineffective internal controls;

- c. that (...) TSG's statements about its business, operations, and prospects, were false and misleading and/or lacked a reasonable basis; and
- d. that TSG's statements about the nature, magnitude and targets of the AMF Investigation were false and misleading;

in all of (...) TSG's Core and Non-Core Documents and public statements;

- 31.1 (...) All of the facts referred to above are material facts since, had they been disclosed, they would have significantly affected the price of TSG's securities and/or the decision of a reasonable investor to purchase TSG securities;
- 31.2 By failing to disclose these material facts, the Respondents altered the total mix of information that was available to a reasonable investor when making his decision to purchase TSG's securities. Had the material facts set out above been disclosed, the Applicant and Class Members would not have purchased TSG securities or would not have purchased them at that price;
- 31.3 In view of the foregoing, the Respondents are solidarily liable to the Applicant and Class Members since they purchased TSG's securities at artificially-increased prices and suffered damages when the value of these securities plummeted following the publication of the Corrective Disclosure;
- 31.4 In addition to the present class action, all or some of the Respondents were/are also the targets of:
 - a. 23 charges filed by the AMF in relation to the Oldford acquisition;²
 - b. At least two (2) additional AMF investigations in relation to TSG's acquisitions of other rival companies as well as Baazov's violations of Securities Legislation;³
 - c. A class action further to Baazov's misrepresentations regarding the potential privatization of TSG;⁴
 - d. Two (2) cease trade orders issued by the Tribunal administratif des marchés financiers;⁵
 - e. A class action filed in the USA;⁶

² as appears from the redacted AMF *Statements of Offence* filed in *Autorité des marchés financiers c. David Baazov et al.*, 500-61-435556-163, communicated herewith as **Exhibit P-7**.

³ AMF investigations entitled "Bronze" and "Cordon".

⁴ as appears from the *Amended Motion for Authorization* filed in *Gauthier c. Baazov*, 500-06-000859-179, communicated herewith as **Exhibit P-63**.

⁵ as appears from *Autorité des marchés financiers c. Baazov*, 2016 QCBDR 32, communicated herewith as **Exhibit P-5A** and from *Autorité des marchés financiers c. Baazov*, 2017 QCTMF 32, communicated herewith as **Exhibit P-24**.

⁶ as appears from the *Amended Class Action Complaint for Violations of Federal Securities Laws* filed in *Carmack v. Amaya Inc. et al.*, No. 1:16-cv-01884-JHR-JS, communicated herewith as **Exhibit P-64**.

- f. An investigation led by FINRA;
- g. Proceedings against TSG instituted in Florida for breach of a work agreement, promissory estoppel and unjust enrichment;⁷
- h. Proceedings against Baazov instituted in Dubai by KBC Aldini Capital Limited ("KBC") further to Baazov's unauthorized use of KBC's name and signature in relation to the former's offer to purchase all of TSG's shares;⁸ and
- i. Proceedings against TSG Gaming Group Inc. (Kenya) instituted in Kenya further to TSG's failure to pay monies owed to the Lion's Heart Self Help Group.⁹ The plaintiffs also allege that the money deposited into Amaya Gaming Group Inc. (Kenya)'s accounts at NIC Bank Limited were proceeds from illegal trading that were part of a "well calculated money laundering scheme";¹⁰

III. THE PARTIES

A. The Applicant

- 31.5 Mr. Derome has a background as a securities professional having been an accredited securities dealer with the firm Wood Gundy (later acquired by CIBC) from 1987 to 1990;
- 31.6 Mr. Derome holds a B.A. degree in science and mathematics with a focus on computer science which he obtained in 1977;
- 31.7 On June 11, 2015, Mr. Derome purchased 1,075 TSG shares, at an average price of \$33.398 for a total of \$35,894.99 (including \$10.00 in transactional fees), the whole as appears from the record of this transaction, a copy of which is communicated herewith as Exhibit P-12;
- 31.8 Mr. Derome held these shares until the end of the Class Period;

B. (...) TSG

- 32. (...) TSG provides technology-based products and services in the online gaming industry;
- 33. Its securities are listed on the TSX and NASDAQ respectively under the (...) ticker symbols "TSG" and "TSGI";

⁷ as appears from the Verified Amended Complaint filed in Van Kessel v. The Stars Group Inc., No. CACE 18-003453 (05), communicated herewith as Exhibit P-65.

⁸ as appears from the Amended Particulars of Claim filed in KBC Aldini Capital Limited v. David Baazov et al., Claim No.: CFI-002-2017, communicated herewith as Exhibit P-66.

⁹ as appears from the Plaint filed in Nyagudi et al. v. NIC Bank Limited et al., Civil case no. 419 of 2017, communicated herewith as Exhibit P-67.

¹⁰ the whole as appears from para. 82-84 and 91 of the Plaint filed by Kennedy Odhiambo Nyagudi and the Lion's Heart Self Help Group, communicated herewith as Exhibit P-68.

34. (...) At all relevant times during the Class Period, TSG was incorporated pursuant to the laws of Québec and the AMF was its principal securities regulator, the whole as appears from (...) TSG's SEDAR profile, communicated herewith as Exhibit P-3;
35. (...) At all relevant times during the Class Period, TSG did not report having any place of business other than its headquarters in Québec;
36. The following Individual (...) Respondents are also (...) TSG insiders:
 - a. (...) Baazov, as TSG's chairman, president and CEO;
 - b. (...) Sebag, as TSG's CFO;
 - c. (...) Gadhia, as TSG's executive chairman;
 - d. (...) Goodson, as one of TSG's directors; and
 - e. (...) Clark, as one of TSG's directors;
37. (...) TSG and its directors and officers have significant insurance coverage (...);

C. The Individual Respondents

- 37.1 The Individual Respondents were TSG's directors and officers and were involved in and responsible for TSG's business, operations, financial reporting and public disclosures;
- 37.2 Baazov founded TSG and acted as TSG's president and CEO since January 1, 2006, as appears from page 43 of Exhibit P-1A;
- 37.3 At all relevant times during the Class Period, Baazov was a director and officer of TSG within the meaning of Securities Legislation. In his capacity as CEO, Baazov reviewed and authorized, permitted or acquiesced in the release of public statements, Core and Non-Core Documents. Baazov also signed the Forms 52-109F1 and 52-109F2 which certified that the filings did not contain any untrue statements of material facts or omitted to state material facts, as appears from Exhibits P-1X to 1QQ;
- 37.4 On March 29, 2016, less than a week after the AMF announced that it had filed charges against Baazov, the latter took an indefinite paid leave of absence as TSG's CEO and Chairman, the whole as appears from the press release, communicated herewith as **Exhibit P-19**. During his indefinite leave, Baazov nonetheless remained a member of TSG's Board of Directors, as appears from Exhibit P-19;
- 37.5 On or about May 16, 2016, TSG's Board of Directors was advised that the Respondent would not be standing for re-election as director, the whole as appears from a press release issued on May 16, 2016, communicated herewith as **Exhibit P-20**;
- 37.6 Baazov resigned from all positions at TSG effective August 11, 2016, the whole as appears from a material change report, communicated herewith as **Exhibit P-21**;

- 37.7 Sebag was TSG's CFO. At all relevant times during the Class Period, Sebag was an officer of TSG within the meaning of Securities Legislation. In his capacity as CFO, Sebag reviewed and authorized, permitted or acquiesced in the release of public statement, Core and Non-Core Documents. Sebag also signed the Forms 52-109F1 and 52-109F2 which certified that the filings did not contain any untrue statements of material facts or omitted to state material facts, as appears from Exhibits P-1X to 1QQ;
- 37.8 Sebag's resignation as TSG's CFO was effective as of June 19, 2017, the whole as appears from a Material Change Report, communicated herewith as **Exhibit P-22**;
- 37.9 As part of TSG's executive management, Baazov and Sebag were also responsible for reviewing the adequacy and effectiveness of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR");
- 37.10 At all relevant times during the Class Period, Gadhia, Goodson and Clark were members of TSG's Board;
- 37.11 At all relevant times during the Class Period, Gadhia, Goodson and Clark were directors of TSG within the meaning of Securities Legislation. In their capacity as board members, Gadhia, Goodson and Clark approved and authorized for issue all interim and annual financial statements published by TSG during the Class Period;
- 37.12 As members of the Board, Baazov, Gadhia, Goodson and Clark reviewed and approved TSG's Disclosure, Confidentiality and Trading Policy ("Disclosure Policy"), the whole as appears from the 2010, 2014 and 2015 disclosure policies, communicated herewith as **Exhibits P-23A, P-23B and P-23C**;

IV. **FACTS**

A. **Implementation of an Insider Trading Scheme and Violation of Securities Legislation**

38. (...);

39. (...);

39.1 As alleged herein, Baazov was engaged in a scheme designed to influence and increase the market price of TSG securities and accomplished this through communicating privileged confidential information about TSG to the Inner Circle;

39.2 Baazov's Insider Trading Scheme was used for various purposes including: (i) to increase the price of TSG's securities in order to facilitate and/or render acquisitions of TSG's competitors possible; and (ii) for Baazov to obtain kickbacks from the Inner Circle on a portion of the profits earned by the latter further to transactions executed while in the possession of confidential privileged information;

Insider Trading Scheme in Relation to the Oldford Acquisition

- 39.3 At all relevant times during the negotiation of the potential Oldford acquisition, Baazov was engaged in the Insider Trading Scheme in order to influence or attempt to influence the market value of TSG's securities;
- 39.4 Of note are the TMF's conclusions regarding Baazov further to his challenge of the TMF's ex parte decision to issue cease trading orders:

"[359] De l'avis du Tribunal, la preuve administrée devant lui permet de conclure aux manquements apparents suivants à la Loi sur les valeurs mobilières, à savoir :

- *Le mis en cause David Baazov en communiquant à l'intimé Josh Baazov de l'information privilégiée, concernant une éventuelle transaction financière entre Amaya et Oldford Group, en contravention à l'article 188 de la Loi sur les valeurs mobilières;"¹¹*

Details of the Insider Trading Scheme

- 39.5 In early 2013, Baazov approached Isai Scheinberg ("Isai"), one of Oldford's founders, to discuss TSG's interest in purchasing Oldford;¹²
- 39.6 At the time, Oldford controlled approximately 50% of the worldwide online gaming market,¹³ whereas TSG was operating at a loss at year-end 2012. As such, when Isai informed David Sola, Oldford's financial advisor, of Baazov's proposal, Sola requested that TSG provide evidence that it could obtain funding from a credible source;¹⁴
- 39.7 Baazov then contacted Brad Colman, principal at GSO Capital Partners LP ("GSO"), informing him of TSG's interest to acquire Oldford.¹⁵ Due to the fact that TSG and GSO had a pre-existing business relationship, these companies already had a non-disclosure agreement in place (dated June 28, 2012);¹⁶
- 39.8 On or about August 22, 2013, a non-disclosure agreement was signed between TSG and Oldford;¹⁷
- 39.9 On September 25, 2013, GSO provided Oldford with a letter indicating its willingness to provide financing in relation to the potential transaction;¹⁸

¹¹ as appears from para. 359 of Exhibit P-24. Also note that similar conclusions were rendered against Josh, Levett, Isam Mansour and John Chatzidakis.

¹² Testimony of Isai Scheinberg held on April 30, 2018 in *AMF c. Baazov et al.*, 500-61-435556-163.

¹³ the whole as appears from pages 63-64 of Exhibit P-773 filed in 500-61-435556-163, communicated herewith as **Exhibit P-76**.

¹⁴ Testimony of Isai Scheinberg held on April 30, 2018 and of David Sola held on May 8, 2018 in *AMF c. Baazov et al.*, 500-61-435556-163.

¹⁵ Testimony of Isai Scheinberg held on April 30, 2018 in *AMF c. Baazov et al.*, 500-61-435556-163.

¹⁶ Testimony of Marisa Beeney held on May 16, 2018 in *AMF c. Baazov et al.*, 500-61-435556-163.

¹⁷ the whole as appears from the Non-Disclosure Agreement filed as Exhibit I-786 in 500-61-435556-163, communicated herewith as **Exhibit P-77**.

- 39.10 Upon receipt of GSO's letter, Sola contacted one of his former colleagues at GSO to confirm its authenticity. Once GSO confirmed its intention to participate in the financing of the potential transaction, Sola coordinated a meeting with the interested parties in the Isle of Man,¹⁹
- 39.11 On or about November 21, 2013, a non-disclosure agreement was signed between Oldford and GSO,²⁰
- 39.12 On December 3, 2013, Oldford's executive team gave a presentation in the Isle of Man. The attendees included Baazov, Altman, Marlon Goldstein ("Goldstein") and representatives of GSO, The Blackstone Group LP, Herzog Fox & Neeman and Houlihan Lokey;
- 39.13 On December 3, 2013, Baazov and Mark Scheinberg, CEO of Oldford, agreed on a purchase price of approximately \$4 billion;²¹
- 39.14 On or about January 6, 2014, Baazov contacted Mark Finnie ("Finnie"), consultant for Deutsche Bank, and informed him: (i) of his interest to purchase Oldford; (ii) that a meeting was held at the Isle of Man in relation to this potential acquisition; and (iii) that TSG's and Oldford's representatives had reached an agreement in principle to acquire Oldford;²²
- 39.15 On January 13, 2014, a letter of intent was executed between Oldford and TSG which provided that the purchase price to be paid by TSG would be comprised of (i) a closing cash payment of \$4.3 billion, and (ii) an "earn-out" based on a multiple of the post-closing EBITDA of Oldford;²³
- 39.16 In January and February 2014, additional presentations were given in the Isle of Man to JP Morgan, Barclays, Deutsche Bank and Canaccord. Non-disclosure agreements were signed prior to these meetings;²⁴
- 39.17 Further to these management presentations, GSO, Deutsche Bank, Canaccord and Barclays confirmed their willingness to move forward and to participate in the financing of the potential acquisition of Oldford;²⁵

¹⁶ the whole as appears from Exhibit P-670 filed in 500-61-435556-163, communicated herewith as Exhibit P-78.

¹⁹ Testimony of David Sola held on May 8, 2018 in AMF c. Baazov et al., 500-61-435556-163.

²⁰ Counsel for David Baazov admitted that a NDA between Oldford and GSO was signed on November 21, 2013 during the examination of Marisa Beeney on May 16, 2018 in AMF c. Baazov et al., 500-61-435556-163.

²¹ Testimony of Isai Scheinberg held on April 30, 2018 and of Brad Colman held on May 15, 2018 in AMF c. Baazov et al., 500-61-435556-163.

²² Testimony of Mark Finnie held on May 23, 2018 in AMF c. Baazov et al., 500-61-435556-163. See also, Exhibit P-1141 filed in 500-61-435556-163, communicated herewith as Exhibit P-79.

²³ the whole as appears from Exhibit P-789, filed in 500-61-435556-163, communicated herewith as Exhibit P-80.

²⁴ the whole as appears from Exhibits P-686 and P-129 filed in 500-61-435556-163, communicated herewith as Exhibits P-81 and P-82.

²⁵ the whole as appears from Exhibits P-99 no. 1552975, P-100 no. 1552977, P-245, P-1032.

- 39.18 On February 14, 2014, a revised "Deed" (term sheet) was circulating between external counsel for TSG and Oldford;²⁶
- 39.19 In early March 2014, Baazov approached Macquarie Capital Inc. ("Macquarie"), as a potential financing source in relation to the Oldford acquisition.²⁷ On March 11, 2014, Macquarie signed a non-disclosure agreement with TSG further to Baazov's request;²⁸
- 39.20 As particularized herein, as at mid-March 2014, the key players involved in the potential acquisition of Oldford were committed to participating in this acquisition;
- 39.21 TSG's discussions in relation to the potential acquisition of Oldford constitute privileged information pursuant to art. 5 of the QSA since this information had not yet been disclosed to the public and would affect the decision of a reasonable investor to purchase TSG's securities;
- 39.22 This is further demonstrated by the fact that:
- i) the financial institutions contacted by TSG's representatives treated the information regarding the potential acquisition as non-public material information;²⁹ and
 - ii) the confidentiality of the negotiations regarding the potential acquisition was a priority for all parties;³⁰
- 39.23 Of note, in a Settlement Agreement dated June 12, 2018 between Benedict Cheng³¹ and the Ontario Securities Commission ("OSC") in relation to accusations of tipping with respect to TSG, the OSC held that the participation of two main private equity sponsors was a material fact, the whole as appears from para. 24 of the Settlement Agreement, communicated herewith as Exhibit P-62. In the case at hand, five financial institutions had agreed to participate in TSG's potential acquisition of Oldford;
- 39.24 On April 1 2014, TSG's shares were valued at \$7.35 on the TSX, the whole as appears from Yahoo! Finance's Historical Data from January 1, 2014 to April 28, 2016, communicated herewith as Exhibit P-26;
- 39.25 On or about that same time, Baazov started leaking privileged confidential information about the potential Oldford acquisition, including the identity of various financial players

P-1119 and P-1130, filed in 500-61-435556-163, communicated herewith as **Exhibits P-83, P-84, P-85, P-86, P-87 and P-88.**

²⁶ the whole as appears from Exhibit P-225 filed in 500-61-435556-163, communicated herewith as Exhibit P-89.

²⁷ Testimony of Sung Chun held on May 23, 2018 in *AMF c. Baazov et al.*, 500-61-435556-163.

²⁸ the whole as appears from Exhibit P-949 filed in 500-61-435556-163, communicated herewith as Exhibit P-90.

²⁹ Testimony of Stewart Busbridge held on May 28, 2018 and of Steve Mayer held on May 30, 2018 in *AMF c. Baazov et al.*, 500-61-435556-163. See also Exhibit P-86.

³⁰ the whole as appears from Exhibits P-118, P-242, P-266, P-1066, P-100 no.1546697, filed in 500-61-435556-163, communicated herewith as Exhibits P-91, P-92, P-93, P-94 and P-75.

³¹ Benedict Cheng was the Co-Chief Investment Officer and Portfolio Manager of Aston Hill Asset Management Inc. ("AHAMI"). While employed by AHAMI, Mr. Cheng became aware of confidential material facts in relation to TSG.

and the details of their involvement, to his closest confidants namely his brother Josh and his friends Altman and Levett;

39.26 Once set in motion, the Insider Trading Scheme lead to the following events (a detailed description of these events can be found in the attached **Annex B**):

- a. telephone calls, text messages and emails were exchanged between Baazov, Josh, Levett and the Inner Circle;
- b. Baazov also exchanged emails with Altman whose company, Diocles Capital Inc. ("Diocles"), purchased \$2,248,156.86 worth of TSG securities between April 17th and May 27th, 2014.³² Following Diocles' transactions, the market value of TSG securities increased by 36.8% between April 16, 2014 and May 6, 2014,³³ and
- c. the Inner Circle purchased a total of 54,135 TSG securities³⁴ whilst in possession of confidential privileged information regarding the potential acquisition of Oldford:

39.27 On June 12, 2014, TSG's shares were valued at CDN \$11.93 on the TSX.³⁵ This represents a 62% increase compared to the opening price as at April 1, 2016;

39.28 That same day, the deal between Oldford and TSG was finalized and a definitive agreement outlining all material terms was publicly announced;

39.29 On June 13, 2014, TSG's share price opened at CDN \$20.12 on the TSX. That day, TSG shares had a high trading volume of 9,944,800 shares;³⁶

39.30 Further to the announcement of the Oldford acquisition, the Inner Circle sold its TSG securities for a profit;

39.31 On June 25, 2014, Mansour sent an email entitled "Craig" to John Chatzidakis ("Chatzidakis"). This email contained an Excel spreadsheet along with the following message:

"I showed your sheet to Greg. His calculations [are] attached. There is a \$956 difference.

He noticed right away that you calculated 10% of the gross profit (Nice try :), I would have done the same) **The deal was 10% of the net profit, after CGT and fees.**

³² as appears from paras. 145-146 of Exhibit P-28.

³³ *Id.* paras. 19 and 162.

³⁴ Of these 54,135 TSG shares Levett purchased 7,500, Isam Mansour purchased 13,900, his brother Allie purchased 5,500, his wife Mona purchased 1,435, Eleni Psicharis purchased 6,000, Robert Hamou purchased 2,300, Me Karl Fallenbaum purchased 5,000 and Earl Levett purchased 12,500 shares.

³⁵ as appears from Exhibit P-26.

³⁶ *Id.*

Let me know if there are any mistakes on it. I already gave him 10, I will give him the balance when I get back next week!"³⁷

[our emphasis.]

- 39.32 The Excel spreadsheet indicates that Levett received 90% of the net profits realized further to the purchase of 3,000 TSG securities by Chatzidakis' wife, while Chatzidakis received the remaining 10%.³⁸
- 39.33 On June 30, 2014, Mansour forwards an email dated June 25, 2014 to Chatzidakis and asks him to confirm the calculations in the Excel spreadsheet. Mansour then adds "I will pay craig today or tomorrow".³⁹
- 39.34 As an example of Baazov's disregard of securities laws and regulations, he also disclosed privileged confidential information in relation to the acquisition of WMS Industries Inc. ("WMS") by Scientific Games to the Inner Circle in exchange for kickbacks. Thus, once the Inner Circle traded on WMS securities, it provided Baazov with a 20% kickback (\$7,600) on the profits made (a detailed description of these events can be found in the attached **Annex E**);
- 39.35 This pattern of disregard for applicable laws and regulations continued throughout the negotiations in relation to the potential acquisition of Oldford;
- 39.36 The Insider Trading Scheme described above and further detailed in Annex B demonstrates Baazov's blatant disregard for the law in disclosing information he knew was privileged confidential regarding the potential Oldford acquisition to the Inner Circle and in facilitating the execution of transactions while in the possession of confidential information;
- 39.37 In conclusion, as alleged herein:
- a. Baazov possessed undisclosed privileged information regarding the potential Oldford acquisition;
 - b. Baazov disclosed this privileged information to Josh, Levett and Altman;
 - c. Josh and Levett in turn disclosed this privileged information to the Inner Circle and recommended that its members trade on particular securities;
 - d. the members of the Inner Circle systematically purchased securities prior to public acquisition announcements; and
 - e. Baazov, Josh and Levett received kickbacks from the profits realized by the Inner Circle;

³⁷ the whole as appears from Exhibit D-255 of the March 2016 Cease Trading Application, communicated herewith as Exhibit P-53.

³⁸ the whole as appears from Exhibit D-256 of the March 2016 Cease Trading Application, communicated herewith as Exhibit P-54.

³⁹ the whole as appears from Exhibit D-204 of the March 2016 Cease Trading Application, communicated herewith as Exhibit P-55.

- 39.38 All of the Core and Non-Core Documents published during the Class Period as well as all of the public statements made during same fail to mention Baazov's orchestration of the Insider Trading Scheme;
- 39.39 Baazov's orchestration of and participation in the Insider Trading Scheme had a significant effect on the market price of TSG's securities and is a material fact;
- 39.40 At all relevant times during the Class Period, the Respondents made public statements and published and/or allowed the publication of Core and Non-Core Documents that contained omissions and misrepresentations of material fact;

B. Misrepresentations and Violations of TSG's Internal Controls

- 39.41 At all relevant time during the Class Period, the Respondents were required to abide by applicable trading practices and regulations in respect of ICFR and DC&P;
- 39.42 The Respondents were also bound by TSG's Disclosure Policy which was disclosed to the public, as appears from page 19 of Exhibit P-1A;
- 39.43 The Respondents systematically and intentionally violated TSG's insider trading policies by disclosing and/or allowing confidential material information to be disclosed to the Inner Circle and in doing so, breached their obligations towards investors by failing to disclose adverse material information regarding the inadequacy and ineffectiveness of TSG's ICFR and DC&P;
- 39.44 On March 31, 2014, TSG released its annual information form which explicitly states that "[...] the Corporation has adopted a Disclosure, Confidentiality and Insider Trading Policy designed to promote good governance, transparency and effective communication between employees, management and the public [...]", as appears from page 19 of Exhibit P-1A;
- 39.45 The Disclosure Policies establish procedures to ensure:
- a. informative and timely disclosure of material information;
 - b. confidentiality and non-disclosure of non-public material information; and
 - c. compliance with securities legislation in relation to the trading of TSG securities by directors, officers, employees, consultants and other persons related to TSG;
- as appears from "The Policy" heading of Exhibits P-23A, P-23B and P-23C;
- 39.46 The 2010 and 2014 Disclosure Policies applied to all "Employees" i.e. "all individuals currently employed by TSG and its subsidiaries";⁴⁰
- 39.47 Part I of the 2010 and 2014 Disclosure Policies provides for the following policies: (i) material information must not solely be disclosed to selected individuals; (ii) earlier disclosures must be immediately updated if they become misleading as a result of new

⁴⁰ as appears from page 10 of Exhibits P-23A and P-23B.

information; (iii) unfavourable material information must be disclosed as accurately and timely as favourable ones; (iv) disclosures must be complete and accurate since half truths are misleading; and (v) disclosures must be fair in that they should be announced to the general public at the same time as they are announced at press conferences, shareholders' meetings or other forums;⁴¹

39.48 Section 9 of the 2010 and 2014 Disclosure Policies relates to quiet periods and states the following:

"In order to limit the potential for selective disclosure, tipping or insider trading (and the perception or appearance of any such activities), TSG will observe a "quiet period" or "blackout period" prior to quarterly earnings announcements or when material changes are pending."⁴²

39.49 Part III of the 2010 and 2014 Disclosure Policies prohibits all Employees and "Restricted Persons" from trading in TSG securities while in the possession of undisclosed material information as well as from communicating undisclosed material information to third parties.⁴³ "Restricted Persons" includes all directors, officers and persons retained by TSG on a professional or consulting basis;⁴⁴

39.50 Section 22 of the 2010 and 2014 Disclosure Policies prohibits Employees and Restricted Persons from trading in TSG securities during a blackout period in order to allow the market to fully reflect the material information in the value of TSG's securities;⁴⁵

39.51 As appears from an email dated May 21, 2014 in which Tim Foran, Director of Investor Relations for TSG, confirms that he never received an email regarding blackout periods and added "if we don't have a perfect system in place to extend emails to all employees, we should get it done asap", the Respondents failed to implement a procedure which ensured compliance with section 22 of the 2010 and 2014 Disclosure Policies;⁴⁶

39.52 The 2010 and 2014 Disclosure Policies provides that the "Information Officer" is responsible for: (i) developing and implementing the 2010 and 2014 Disclosure Policies; (ii) monitoring the effectiveness of and compliance with these policies; and (iii) informing TSG's directors, officers and employees about these policies;

39.53 Until March 30, 2015, the designated Information Officer was Sebaq or, as an alternate, Baazov;⁴⁷

39.54 As particularized herein, Baazov intentionally implemented and orchestrated the Insider Trading Scheme during the entire Class Period. As such, not only did Baazov breach the

⁴¹ as appears from pages 1-5 of Exhibits P-23A and P-23B.

⁴² as appears from page 4 of Exhibit P-23A and page 5 of Exhibit P-23B.

⁴³ as appears from section 18 of Exhibits P-23A P-23B.

⁴⁴ as appears from page 10 of Exhibits P-23A and P-23B.

⁴⁵ as appears from page 8 of Exhibits P-23A and P-23B.

⁴⁶ the whole as appears from Exhibit P-503.13 filed by the AMF in *AMF v. Baazov et al.*, 500-61-435556-163, communicated herewith as Exhibit P-56.

⁴⁷ as appears from section 19 of Exhibits P-23A P-23B.

Disclosure Policies, but he also failed to implement and monitor compliance with the 2010 and 2014 Disclosure Policies pursuant to his role as Information Officer;

- 39.55 Sebag also breached his obligations as Information Officer under the 2010 and 2014 Disclosure Policies by failing to implement and monitor the effectiveness of and compliance with the Disclosure Policies;
- 39.56 In 2015, TSG reviewed its 2014 Disclosure Policy and made numerous changes approved by the Board;
- 39.57 TSG's 2015 Disclosure Policy modifies the role of the "Information Officer", who is no longer in charge of the application of the Disclosure Policy. Instead, this responsibility is given to the "Disclosure Officer" designated by the Disclosure Committee.⁴⁸ The Disclosure Committee is to be created by TSG and until such time as TSG establishes the Disclosure Committee, the committee will be comprised of the members of Board and of the Corporate Governance Committee, i.e. Gadhia, Goodson and Clark;
- 39.58 With regard to the 2015 Disclosure Policy, the members of the Disclosure Committee breached their obligations by failing to implement and monitor the effectiveness of and compliance with the Disclosure Policy. Insofar as no Disclosure Committee was created, the members of the Board and of the Corporate Governance Committee breached their obligations by failing to implement and monitor the effectiveness of and compliance with the 2015 Disclosure Policy;
- 39.59 Under applicable Securities Legislation, the Respondents were required to disclose the inadequacy and ineffectiveness of TSG's Disclosure Policy and that said policy was intentionally being breached by senior management. Rather than disclose same, to the contrary, as of 2015, all of TSG's annual MD&A's contained the following misstatements regarding DC&P and ICFR:

Disclosure Controls and Procedures

The CEO and CFO have designed DC&P, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared; and
- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of Amaya's DC&P at the financial year end

⁴⁸ as appears from page 12 of Exhibit P-23C.

December 31, [...]. Based on that evaluation, the CEO and CFO concluded that DC&P are effective.

Internal Control over Financial Reporting

The CEO and CFO have designed ICFR, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Amaya's accounting and reporting standards.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of Amaya's ICFR at the financial year end December 31, [...] based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (1992) (COSO Framework). Based on that evaluation, the CEO and CFO concluded that ICFR is effective.

There has been no change in Amaya's ICFR that occurred during the period beginning on [...] and ended on [...] that has materially affected, or is reasonably likely to materially affect, Amaya's ICFR.⁴⁹

- 39.60 Additionally, as of 2015, all of TSG's quarterly MD&As stated that there were no changes in TSG's ICFR that materially affected or are reasonably likely to materially affect TSG's ICFR.⁵⁰
- 39.61 At all relevant times during the Class Period, Baazov and Sebag also certified all interim and annual financial statements, MD&A and AIFs filed during the Class Period and attested to the veracity and fair representation of all material facts presented in these Core Documents;
- 39.62 Accordingly, at all relevant times, the public was misled to believe that:
- a. Baazov and Sebag reviewed the Core Documents;
 - b. the Core Documents did not contain any untrue statements of material facts or omit to state a material fact required to be stated or that was necessary to make a statement not misleading in light of the circumstances under which it was made;
 - c. the Core Documents fairly presented in all material respects the financial condition, performance and cash flows of TSG;
 - d. Baazov and Sebag were responsible for establishing and maintaining DC&P as well as ICFR;

⁴⁹ as appears from pages 31-32 of Exhibit P-1N and page 38 of Exhibit P-1W.

⁵⁰ as appears from pages 18-19 of Exhibit P-1P, pages 24-25 of Exhibit P-1R and pages 24-25 of Exhibit P-1T.

- e. Baazov and Sebag designed DC&P, or caused to be designed under their supervision, to provide reasonable assurance that all material information relating to TSG is made known to them and that information required to be disclosed by TSG in its Core Documents or any other document submitted under a securities legislation is recorded, processed, summarized and reported;
 - f. Baazov and Sebag designed ICFR, or caused to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with TSG's GAAP;
 - g. Baazov and Sebag evaluated, or caused to be evaluated under their supervision, the effectiveness of TSG's DC&P and ICFR at the financial year end and that TSG has disclosed their conclusions regarding the effectiveness of their DC&P and ICFR in its annual MD&A; and
 - h. Baazov and Sebag disclosed any fraud that involved management or other employees who have a significant role in TSG's ICFR to the Company's auditors and the Board or Audit Committee;⁵¹
- 39.63 The Individual Respondents oversaw the preparation and reporting of all Core Documents and disclosure to the public and as such, knew or ought to have known of the violations particularized herein;
- 39.64 Nonetheless, at all relevant times during the Class Period, the Individual Respondents failed to disclose these material adverse facts as a result of which TSG's securities traded at artificially-inflated prices;
- 39.65 The ineffectiveness of TSG's internal controls is a material fact under Securities Legislation;
- 39.66 At all relevant times during the Class Period, the Respondents made public statements and published and/or allowed the publication of Core and Non-Core Documents that contained misrepresentations regarding TSG's internal controls;
- 39.67 Deloitte was appointed as TSG's auditor as of 2014, the whole as appears from page 40 of Exhibit P-1L. However, Deloitte did not perform an audit of TSG's internal control for 2015 since TSG deliberately chose to override this requirement and use the exemption provided to first time SEC filers;
- 39.68 In June 2015, TSG was listed on the NASDAQ as a result of which it became subject to US SEC regulations. These regulations provide that all public companies must include, in their annual reports, a statement to the effect that the accounting firm that audited the company's financial statements has issued an attestation report on management's assessment of the company's ICFR;
- 39.69 When Deloitte audited TSG's ICFR for the first time for the full-year 2016, it discovered material weaknesses, the whole as appears from pages 4-5 of TSG's annual financial

⁵¹ as appears from Forms 52-109F1 and 22-109F2 filed as Exhibits P-1X to P-1QQ.

statements for the year ended December 31, 2016, communicated herewith as **Exhibit P-16**. TSG therefore failed to maintain effective ICFR, despite certifying the contrary, the whole as appears from the 2016 MD&As, communicated herewith as **Exhibits P-114, P-117, P-120 and P-123**;

The Audit Committee

39.70 TSG established an Audit Committee which, at all relevant times during the Class Period, was comprised of Clark, Gadhia and Goodson;⁵²

39.71 The Audit Committee was established to "assist the Board in fulfilling its oversight responsibilities with respect to financial reporting";⁵³

39.72 In their capacities as members of the Audit Committee, Gadhia, Goodson and Clark had the following specific responsibilities:

- a. oversee the integrity of TSG's financial statements and financial reporting process including the audit process, TSG's ICFR, DC&P and its compliance with other related laws and regulations;
- b. oversee, review and discuss the adequacy and effectiveness of TSG's ICFR and DC&P designed to ensure compliance with applicable laws and regulations and any significant deficiency or material weakness in ICFR and DC&P;
- c. oversee, review and discuss the risk of management overriding TSG's internal controls;
- d. oversee, review and discuss management's compliance with TSG's processes, procedures and internal controls;
- e. review and recommend for approval TSG's audited financial statements and the notes and MD&As accompanying these statements, its annual report and any information contained in a prospectus or information circular;
- f. review TSG's interim financial statements and the notes and MD&As accompanying these statements as well as any other disclosure document or regulatory filing contained or accompanying TSG's financial information; and
- g. review the process and system in place which ensure the reliability of public disclosures that contain audited and unaudited financial information as well as their effectiveness;⁵⁴

39.73 The Audit Committee was also mandated to review and approve all press releases containing financial information about TSG prior to the same being released;⁵⁵

⁵² as appears from page 50 of Exhibit P-1U.

⁵³ the whole as appears from the Audit Committee Charter, communicated herewith as **Exhibit P-57**.

⁵⁴ Id.

⁵⁵ as appears from page 3 of Exhibit P-23C.

- 39.74 At all relevant times during the Class Period, Gadhia, Goodson and Clark failed to comply with their duties and responsibilities as members of TSG's Audit Committee by improperly overseeing and reviewing points a) to g) above;
- 39.75 TSG is directly and solidarily liable towards the Class Members for the faults committed by the members of the Audit Committee;

The Corporate Governance, Nominating and Compensation Committee

- 39.76 At all relevant times during the Class Period, TSG established a Corporate Governance, Nominating and Compensation Committee ("Corporate Governance Committee") which was comprised of Gadhia, Goodson and Clark;⁵⁶
- 39.77 The Corporate Governance Committee was responsible for:
- a. overseeing and assessing the functioning of the Board and its committees;
 - b. developing, assessing, recommending, implementing effective corporate governance principles;
 - c. establishing and updating the Code of Conduct;
 - d. monitoring and reviewing management's monitoring of and compliance with the Code of Conduct; and
 - e. as of March 30, 2015, administering the Disclosure Policy;⁵⁷
- 39.78 At all relevant times during the Class Period, Gadhia, Goodson and Clark failed to comply with their duties and responsibilities as members of TSG's Corporate Governance Committee by improperly assessing, and implementing effective corporate governance principles, by improperly monitoring and reviewing management's monitoring and compliance with the Code of Conduct and by failing to properly administer the Disclosure Policy as of March 30, 2015;
- 39.79 TSG is directly and solidarily liable with all Respondents to the Class Members for the faults committed by the members of the Corporate Governance Committee;

The Compliance Committee

- 39.80 TSG also established a Compliance Committee comprised of Tom Auriemma, Ben Soave, Goodson, Dr. Zidenberg and Michelle Chatigny, the whole as appears from an excerpt from TSG's website, communicated herewith as **Exhibit P-59**;
- 39.81 At all material times, TSG advised that the Compliance Committee "strives to ensure the good character, honesty and integrity of TSG, its subsidiaries and employees, and that it conducts its business affairs in an honest, moral and ethical fashion and in compliance

⁵⁶ Supra, note 51.

⁵⁷ the whole as appears from the Corporate Governance, Nominating and Compensation Committee Charter, communicated herewith as **Exhibit P-58** and page 1 of Exhibit P-23C.

with applicable laws, rules, regulations and other conditions imposed by applicable gaming and related regulatory authorities" as well as to "protect (...) TSG's reputation and prevent it from taking any action that could jeopardize its existing licenses and approvals or its ability to obtain any additional ones", as appears from Exhibit P-59;

- 39.82 At all relevant times during the Class Period, the Compliance Committee breached its duties and responsibilities by failing to ensure that TSG conducts its business affairs in an honest, moral and ethical fashion in compliance with applicable laws, rules and regulations;
- 39.83 TSG is directly and solidarily liable towards the Class Members for the faults committed by the members of the Compliance Committee;

Misrepresentations Regarding the Individual Respondents' Compliance with TSG's Code of Conduct

- 39.84 In 2011, TSG adopted the Code of Conduct established by the Corporate Governance Committee;
- 39.85 In 2012, TSG described its Code of Conduct as follows:

The Code constitutes written standards that are designed to deter wrongdoing and promote: (i) honest and ethical conduct, including the handling of actual or apparent conflicts of interest between personal and professional relationships; (ii) avoidance of conflicts of interest, including disclosure to a director or officer of the Corporation of any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest; (iii) full, fair, accurate, timely and understandable disclosure in reports and documents that the Corporation files with, or submits to, the Canadian securities regulatory authorities and in other public communications made by the Corporation; (iv) compliance with applicable governmental laws, rules and regulations; (v) the prompt reporting to a director or officer (or if appropriate, to the *Autorité des marchés financiers*) of violations of the Code; and (vi) accountability and responsibility by all directors, officers and employees for adherence to the Code.

The Corporation monitors compliance with the Code and recommend disclosures with respect thereto. In addition, the Corporation reviews the Code with a view of complying with all applicable rules and regulations, receiving regular reports from management with respect to compliance with the Code, and satisfying itself that management has established a system to disclose the Code (and any amendments thereto) to the extent required.

the whole as appears from page 15 of the Management Information Circular dated May 1, 2012, communicated herewith as **Exhibit P-8**;

- 39.86 On May 12, 2015, TSG published its revised Code of Conduct, which states that every employee, officer and director of TSG and its subsidiaries occupying a position of trust must follow the Code on, *inter alia*, the following issues and must:

- a. avoid conflicts of interest;
- b. avoid situations whereby they use their status or position with TSG to obtain personal gain in any manner;
- c. avoid using Company confidential information in any improper manner, e.g., being prohibited from disclosing confidential information or other information;
- d. notify TSG's legal department of any known breach or conflict of domestic or foreign laws, customs or social requirements;
- e. avoid receiving and giving anything that would or be seen to compromise, their judgments or inappropriately influence others; and
- f. document and record all transactions, including stock transactions, in accordance with the Company's internal control procedures and compliance with all applicable laws, rules, and regulations;

the whole as appears from TSG's revised Code of Conduct, communicated herewith as **Exhibit P-11;**

- 39.87 At all relevant times during the Class Period, TSG alleged that it maintained written standards of ethical conduct that were designed to promote integrity and deter wrongdoing;
- 39.88 The foregoing is false and misleading since the Individual Respondents repeatedly and systematically violated the above-cited standards;
- 39.89 An executive team's comprehensive intentional and ongoing non-compliance with its code of conduct is a material fact;
- 39.90 None of the public statements or Core and Non-Core Documents made/published during the Class Period mentioned the Individual Respondents' non-compliance with its Code of Conduct. Thus, at all relevant times during the Class Period, the Respondents made public statements and published and/or allowed the publication of Core and Non-Core Documents that contained misrepresentations;

C. Misrepresentations Regarding the AMF Investigation

40-41 (...);

42. As of late-June 2014, (...) the AMF commenced its Investigation into improper and illegal stock trading practices concerning (...) TSG's securities. The targets of the Investigation were:
 - a. David Baazov, (...) TSG's CEO;
 - b. Daniel Sebag, (...) TSG's CFO;
 - c. An unnamed (...) TSG manager;

- d. Several brokers working at Manulife Financial;
- e. Stuart Raftus, CEO of Canaccord Genuity Corp.'s Wealth Management Unit;
- f. Peter Kirby, a top broker at Canaccord Genuity Corp.;
- g. An unnamed broker's assistant at Canaccord Genuity Corp.; and
- h. Approximately 40 unnamed Canaccord Genuity Corp. clients;

42.1 At all relevant times during the Class Period, the Respondents made misleading statements in relation to the AMF Investigation and their compliance with Securities Legislation;

43. On December 11, 2014, (...) TSG published the following statements:

"To provide clarification on a media report, Amaya Inc. confirmed that the corporation and its officers are cooperating with the Autorité des marchés financiers, the securities regulatory authority in the province of Quebec (the "AMF"), in an investigation with regards to trading activities in Amaya's securities surrounding the corporation's acquisition of Oldford Group in 2014.

To the corporation's knowledge, this does not involve any allegations of wrong doing by the corporation."

the whole as appears from the press release, communicated herewith as Exhibit P-4C;

44. (...)

45. (...)

45.1 On March 31, 2015, TSG published the following statement:

"On December 11, 2014, Amaya announced that the corporation and its officers were cooperating with the Autorité des marchés financiers (the "AMF"), the securities regulatory authority in the province of Quebec, in an investigation with regards to trading activities in Amaya securities surrounding the corporation's acquisition of Oldford Group in 2014. The investigation has had no impact on Amaya's business operations, employees or companies. **Amaya thoroughly reviewed the relevant internal activities around the Oldford Group Acquisition and has found no evidence of any violation of Canadian securities laws or regulations.** Nor has the corporation been provided with any evidence that any executives, directors or employees have violated any securities regulations."

[our emphasis.]

the whole as appears from page 3 of the press release dated March 31, 2015, communicated herewith as Exhibit P-60;

- 45.2 The Respondents knew or should have known that this statement was misleading since a reasonable investor would construe it as a confirmation that no illegal conduct was occurring;
- 45.3 This statement is also misleading in that it does not specify the nature of the AMF Investigation and TSG's internal review. Instead, TSG merely indicated that it reviewed the "relevant internal activities around the Oldford acquisition";
- 45.4 In the case at hand, the nature of the AMF Investigation (i.e. insider trading and tipping) is a material fact under the QSA and the Disclosure Policy. As such, TSG was required to disclose this information in a timely manner, yet failed to do so;
46. On April 8, 2015, (...) TSG published the following statements:

"Amaya Inc. (TSX:AYA) provided the following statement in response to a Quebec court's decision today to lift the publication ban on the redacted warrant and supporting affidavit for the search of various entities, including Amaya, in mid-December, 2014 by Quebec securities regulator, related to its investigation into trading in Amaya securities leading up to the announcement of Amaya's USD \$4.9B acquisition of Oldford Group in 2014:

The release of the redacted documents presents nothing new to Amaya. Amaya has previously received the redacted affidavit and reviewed its limited contents and did not contest the court's decision today. **It will wait to see the actual unredacted affidavit but it does not believe there is a reasonable basis for proceedings against Amaya or its employees.**

Ben Soave, retired chief superintendent of the RCMP, a member of Amaya's compliance committee, and an advisor to the board of directors since 2012, said: « **We have thoroughly reviewed the relevant internal activities around its acquisition of Oldford Group and have found no evidence of any violation of Canadian securities laws or regulations including tipping and insider trading by CEO David Baazov and CFO Daniel Sebag.** Additionally, the company has not been provided with any evidence that any executives, directors, or employees have violated any securities laws or regulations. »

The AMF investigation has not resulted in any proceedings and no charges have been filed. **The company is confident that at the end of the investigation, the AMF will come to the same conclusion as Amaya has - that if there were violations of Canadian securities laws, they were not committed by the Company, officers or directors.**

Certain documentation related to the investigation are and have been sealed by court order and Amaya has not been able to discuss the details of their contents without risking being in contempt of court. This means Amaya has not been and is still not permitted by the court to comment on individuals named in the investigation documents.

[...]

Upon request, the company has provided regulators with a large amount of publicly accessible information that occurred in the time period leading up to the transaction, including the following:

- The Oldford Group transaction was of significant magnitude and scale, with a long list of external bodies necessarily apprised of the transaction prior to its announcement including government agencies, justice officials, gaming regulators, the stock exchange, banks, funds, law firms and consultants.
- From the day before Amaya signed a letter of intent in January, 2014 to acquire Oldford Group until May 15, 2014, while the company conducted due diligence and worked with external bodies, the price of Amaya's stock declined. The stock price rose considerably in the week following Amaya's Q1 2014 press release on May 15, in which the corporation stated it had secured new debt that gave it access to \$300 million which could be used to support organic growth and/or a strategic acquisition. Additionally, the corporation provided its 2014 financial guidance and announced that it had provided common share purchase warrants to the lender of the new debt which were priced at \$15, approximately double Amaya's stock price at that time.
- Analysts published reports subsequently that noted Amaya's history of acquisitions and anticipated Amaya was pursuing a transformative acquisition, with one notably speculating we were looking to buy a poker company to replace the one we had put up for sale.

Due to this run up, fuelled by speculation from a media report and a post on a stock chatroom, Amaya anticipated an investigation and has been fully cooperating with regulators [...]"

[our emphasis.]

(...) as appears from Exhibit P-4D;

- 46.1 The Respondents knew or should have known that the statements regarding: (i) TSG's internal review and its conclusion that no violation of Canadian securities laws or regulations had occurred; and (ii) the fact that the AMF would surely conclude same are misleading since a reasonable investor would construe them as a confirmation that no illegal conduct was occurring;
- 46.2 TSG's comment regarding the fact that it had "anticipated an investigation" due to the scale of the Oldford acquisition is also a misrepresentation since it leads investors to believe that the AMF Investigation was simply triggered by the magnitude of the Oldford acquisition. Not only does this statement give false credibility to TSG's senior management's actions, but it also undermines the impact of the AMF Investigation and downplays the seriousness of it;
- 46.3 On June 1, 2015, TSG published the following statements:

"As previously announced, the Autorité des marchés financiers ("the AMF"), the securities regulatory authority in the Province of Quebec, is conducting an investigation into the trading of Amaya securities surrounding the announcement of the Oldford Group acquisition. The investigation involves employees of Amaya, including David Baazov, Chief Executive Officer of the Corporation and Daniel Sebag, Chief Financial Officer of the Corporation (but not involving any personal trading by such individuals). The AMF has neither announced any proceeding nor filed any charges.

[...]

« To date the AMF has neither threatened nor initiated any legal proceedings against the Corporation or its employees. Amaya has also not been provided with any evidence that any officers, directors or employees have violated securities law or regulations » said Ben Soave, retired Chief Superintendent of the Royal Canadian Mounted Police, a member of Amaya's Compliance Committee and an advisor to the Corporation's Board of Directors since 2012. « Nonetheless, as we previously announced, the Corporation conducted an internal review, supervised by its independent board members with the assistance of external legal counsel, which thoroughly reviewed the relevant internal activities surrounding the Oldford Group acquisition. This review found no evidence of any violations of Canadian securities laws or regulations. »

« Amaya's independent board members have been following the issue closely and fully support David Baazov, Daniel Sebag and Amaya's management team » said Dave Gadhia, Amaya's Lead Director and independent board member, and the former Executive Vice Chairman and CEO of Gateway Casinos & Entertainment Inc. « The corporation is not aware of any reasonable basis for proceedings against Amaya or its directors, officers or employees. » [...]

« We have been cooperating with the AMF since the announcement of our acquisition of Oldford Group, » said Amaya's Chairman and CEO David Baazov. « I believe that any concerns that I or other Amaya officers or directors violated any Canadian laws are unfounded and we are confident that at the end of its investigation, the AMF will come to the same conclusion. »"

[our emphasis.]

as appears from page 2 of Exhibit P-4E:

- 46.4 These statements are misleading since a reasonable investor would construe them as a confirmation that no illegal conduct was occurring;
- 46.5 Furthermore, these statements give the false impression that TSG's "thorough" review of the activities surrounding the Oldford acquisition was performed and supervised by impartial individuals. However, both TSG's employees and board members have an interest in the Company and were biased at all relevant times. TSG's legal counsel in the USA, Greenberg Traurig LLP and possibly others were also not disinterested in TSG and were biased as set out below;

- 46.6 Prior to joining TSG in January 24, 2014 as the Company's new Executive Vice-President, Corporate Development and General Counsel and Secretary, Goldstein was a principal shareholder of Greenberg Traurig and the co-chair of the firm's gaming practice;
- 46.7 According to the AMF, Goldstein would have leaked the potential acquisition of WMS Industries Inc. by Scientific Games to Baazov who then disclosed this confidential information to the Inner Circle.⁵⁸ This allegation was in fact retained by the TMF in its decision rendered on October 23, 2017.⁵⁹
- 46.8 In view of the foregoing, the Respondents improperly vetted and were negligent in engaging the individuals appointed to perform and supervise the internal review of TSG's activities surrounding the Oldford acquisition;
- 46.9 On March 23, 2016, TSG published the following statements:

"The charges related to communicating privileged information and involve allegations relating to a former financial advisor to Amaya and charges relating to influencing or attempting to influence the market price of Amaya securities involve allegations relating to that same advisor and employee. Mr. Baazov denies the allegations against him, and **Amaya believes they are without merit and expects Mr. Baazov will be fully exonerated.**

Amaya does not anticipate the charges will have any impact on the management or day-to-day affairs of the operating business. [...] Amaya will continue to communicate with its regulators and does not anticipate any material negative impact on its current or potential licenses, approvals or partnerships as a result of the allegations against Mr. Baazov.

« **David Baazov has the full support of the independent members of the board,** » said Dave Gadhia, Amaya's Lead Director and independent board member, and the former Executive Vice Chairman and CEO of Gateway Casinos & Entertainment Inc. « **As noted previously, Amaya conducted an extensive internal review, supervised by its independent board members with the assistance of external legal counsel from Osler, Hoskin & Harcourt LLP in Canada and Greenberg Traurig LLP in the U.S., which thoroughly reviewed the relevant internal activities surrounding the Oldford Group acquisition. This review found no evidence of any violations of Canadian securities laws or regulations.** The independent members of the board received and reviewed the information and concluded that no action should be taken. We have not been provided with any new information upon which the AMF's allegations of infractions are based. »"

[our emphasis.]

⁵⁸ as appears from paras. 122.2-123 and 134 of Exhibit P-18.

⁵⁹ as appears from paras. 252, 259, 265, 272-276 and 315-316 of Exhibit P-24.

the whole as appears from Exhibit P-4F;

46.10 Once again, these statements are misleading since a reasonable investor would construe them as a confirmation that no illegal conduct was occurring. They also wrongfully lend credence to TSG's internal investigation which was supervised by board members and external legal counsel that were partial and improperly vetted;

46.11 On March 29, 2016, (...) TSG published the following statements:

"Subsequent to that announcement [published on March 23, 2016], the Board became aware of a decision of the Bureau de Decision et de Revision, the administrative tribunal in Quebec that hears certain AMF applications, which discloses additional AMF investigations into the alleged conduct of Mr. Baazov and others which are beyond the scope of the charges and of the internal investigation referred to in the March 23rd announcement. While none of these allegations have been proven, the board takes them seriously and has expanded the mandate of the Special Committee to investigate these additional matters."

[our emphasis.]

as appears from Exhibit P-19;

46.12 The statement above demonstrates that TSG's representations that it had done a "thorough" internal review of the events surrounding the Oldford acquisition were false and misleading;

46.13 Once TSG made representations to the public and informed investors of the pending AMF Investigation, it had a duty of full disclosure regarding the facts surrounding this investigation. However, as particularized herein, TSG's statements were materially misleading;

46.14 The core of the AMF Investigation relates to the communication of confidential information by insiders to third parties in order to influence and increase the value of TSG's securities;

46.15 TSG misled investors by suggesting that the Company was not facing an investigation that could have a material impact on its business;

46.16 The materiality and seriousness of the issues being investigated by the AMF are further demonstrated by the market's reaction following the publication of TSG's first press release addressing the AMF Investigation. The day after the December 11, 2014 press release, TSG's shares opened at CDN \$27.50 which represents a 21% decrease in value compared to the previous morning, as appears from Exhibit P-26;

46.17 On various occasions, TSG made statements regarding the Company's integrity as well as that of the Rational Group (whose parent company is Oldford) which TSG bought in June of 2014;

- a. "Our achievements and this transaction are an affirmation of the hard work, expertise and dedication of our staff, which I am confident will continue to drive the company's success. **The values and integrity which have shaped this company are deeply ingrained in its DNA.** David Baazov has a strong vision for the future of Rational Group which will lead the company to new heights", as appears from page 2 of Exhibit P-4A;
- b. "Rational's success is attributable to the company's core values of integrity, customer focus, and challenge. **These values are ingrained in the DNA of the company's staff located across the globe, led by Rational's deep, experienced executive and leadership teams. We intend for Rational to maintain this culture and will support its initiatives to continue growing this world class business.**", the whole as appears from page 1 of the press release dated August 1, 2014, communicated herewith as **Exhibit P-4B**; and
- c. "As a company operating in a heavily regulated industry, **Mr. Lewis's experience will ensure we continue to lead the way in security processes as well as integrity, which are of crucial importance to our customers, as well as governments and industry partners.**", the whole as appears from page 1 of the press release dated January 1, 2015, communicated herewith as **Exhibit P-61**;

[our emphasis.]

- 46.18 TSG had an obligation to disclose the AMF Investigation as well as its uncharged allegations of wrongdoing since the investigation related directly to the Company's alleged integrity, yet it failed to do so;
- 46.19 TSG's Core and Non-Core Documents as well as its public statements misrepresented the nature, magnitude and targets of the AMF Investigation, all of which are material facts;

V. CORRECTIVE DISCLOSURE

47-48.9 (...):

49. On March 23, 2016, the AMF published the Corrective Disclosure in which it announced that it was filing 23 charges (collectively) against David Baazov, Benjamin Ahdoot, Yoel Altman, Diocles Capital Inc, Sababa Consulting Inc. and 2374879 Ontario Inc., the whole as appears from the press release, a copy of which is communicated herewith as Exhibit P-6;
50. The AMF (...) charged Baazov with insider trading and influencing or attempting to influence (...) TSG's stock price between December 2013 and June 2014, the whole as appears from the "Constats d'infractions" issued by the AMF against David Baazov, Benjamin Ahdoot, Yoel Altman, Diocles Capital Inc, Sababa Consulting Inc. and 2374879 Ontario Inc., as appears from Exhibit P-7, en liasse;
51. Upon publication of this corrective disclosure, the market price of (...) TSG's securities dropped 20.57%;

52. So far, neither (...) TSG nor any of its officers or directors have provided any corrective disclosures;

VI. CAUSES OF ACTION

52.1 The Applicant, on behalf of the Class Members, advances the following causes of action against the Respondents:

- a. a primary market claim under art. 217 et seq. QSA ("Primary Market Claim");
- b. a secondary market claim under art. 225.4 et seq. QSA in relation to the dissemination of public statements, Core Documents and Non-Core Documents ("Secondary Market Claim") which contained omissions and misstatements of material facts; and
- c. a civil law claim under art.1457 CCQ for breach of the Respondents' general duty of diligence owed to all Class Members and for omissions and misstatements of material facts;

A. Primary Market Claim Under Article 217 et seq. QSA

52.2 During the Class Period, TSG made Offerings in the primary market which included but were not limited to the filing of a short form base shelf prospectus dated November 30, 2015 which allowed TSG to issue securities up to an aggregate initial offering price of US \$3,000,000,000, the whole as appears from the short form base shelf prospectus, communicated herewith as Exhibit P-17;

52.3 TSG's short form base self prospectus dated November 30, 2015 incorporates various documents by reference, as appears from page 8 of Exhibit P-126, all of which contain misrepresentations of material fact in that they fail to disclose:

- a. Baazov's orchestration and implementation of the Insider Trading Scheme which involved influencing or attempting to influence the market price of TSG's securities and communicating privileged information to third parties;
- b. TSG's inadequate or ineffective internal controls, including the Individual Respondents' violation of TSG's Code of Conduct;
- c. TSG's false and misleading statements about its business, operations, and prospects; and
- d. the nature, magnitude and targets of the AMF Investigation;

52.4 During the Class Period, TSG also issued convertible preferred shares, common shares and subscription receipts by way of private placements, as appears from Exhibit P-4A. The subscription receipts were automatically converted in TSG common shares upon completion of the Oldford acquisition in August of 2014;

- 52.5 The documents filed by TSG in relation to these private placements contained misrepresentations which attract statutory liability under the QSA as well as civil liability under art. 1457 CCQ;
- 52.6 The foregoing Offerings constitute distributions of securities in Québec and/or a distributions of securities from Québec to persons established outside of Québec;
- 52.7 When this Offerings were made, the Individual Respondents were directors and officers of TSG;
- 52.8 As a result of these misrepresentations, the Applicant asserts a Primary Market Claim under articles 217, 218 and 221 *et seq.* of the QSA and, if necessary, the concordant provisions of other Securities Legislation, on behalf of all Class Members against the Respondents;

B. Secondary Market Claims Under Article 225.4 *et seq.* QSA

- 52.9 As set out above, the public statements, Core Documents and Non-Core Documents disseminated by the Respondents were misleading because they failed to disclose material adverse facts in relation to:
- a. Baazov's orchestration and implementation of the Insider Trading Scheme which involved influencing or attempting to influence the market price of TSG's securities and communicating privileged information to third parties;
 - b. TSG's inadequate or ineffective internal controls, including the Individual Respondents' violation of TSG's Code of Conduct;
 - c. TSG's false and misleading statements about its business, operations, and prospects;
 - d. the nature, magnitude and targets of the AMF Investigation; and
- 52.10 The Secondary Market Claim is asserted in respect of all public statements, Core Documents and Non-Core Documents which contained the misrepresentations alleged herein;
- 52.11 In light of the Respondents' failure to disclose material adverse facts, their portrayal of TSG's business, affairs and operations was inaccurate and incomplete;
- 52.12 The belief that the Respondents were not engaged in illegal activities such as insider trading underpinned the Applicant's and Class Members' decisions to purchase TSG's securities;
- 52.13 Had these material facts been disclosed, the Applicant and Class Members would not have purchased TSG securities or would not have purchased them at artificially-inflated prices;

- 52.14 As such, the monetary damages suffered by the Applicant and Class Members are a direct result of the artificially-inflated price of TSG's securities;
- 52.15 As a result of these misrepresentations, the Applicant asserts a Secondary Market Claim under art. 225.4 et seq. QSA and, if necessary, the concordant provisions of other Securities Legislation, on behalf of all Class Members against the Respondents;
- 52.16 At all relevant times during the Class Period, TSG's principal establishment is located in Québec and it carries on business in Québec, as appears from Exhibit P-2;
- 52.17 At all relevant times during the Class Period, TSG was a reporting issuer in Québec under art. 68 QSA;
- 52.18 The Respondents knew or ought to have known that, at the time of their release, the public statements, Core Documents and Non-Core Documents contained misrepresentations;
- 52.19 The Respondents knew that the public statements, Core Documents and Non-Core Documents would be disseminated to the public who relied on these statements and documents to make informed financial decisions;
- 52.20 The Respondents knowingly authorized, permitted and acquiesced to the publication and dissemination of false and misleading information, thus violating the QSA and, if necessary, the concordant provisions of other Securities Legislation;
- 52.21 The Individual Respondents were officers and directors of TSG during the release and publication of Core Documents and as such, were aware of TSG's DC&P and ICFR and privy to the Company's:
- a. business and operations;
 - b. control deficiency reports;
 - c. financial statement close process, namely its process documentation, design assessment and testing of operating effectiveness;
 - d. documentation relating to the Company's application of and compliance with the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"); and
 - e. all documents and disclosures filed under Securities Legislation;
- 52.22 At all relevant times during the Class Period, the Individual Respondents authorized, permitted or consented to the release and publication of public statements, Core Documents and Non-Core Documents which they knew or ought to have known contained misrepresentations;

C. Civil Claim Under Article 1457 of the CCQ

- 52.23 The Applicant asserts a civil right of action under art. 1457 CCQ, on behalf of himself and all Class Members against the Respondents for breach of their general duty of diligence owed to all Class Members and for omissions and misstatements of material facts;
- 52.24 The Respondents' violations of their duty of diligence are particularized herein;
- 52.25 The Respondents did not fulfill their legal obligations warranted by their special relationship with the Class Members;
- 52.26 By authorizing, permitting and acquiescing to the publication and dissemination of false and misleading information by way of press releases and public statements, the Respondents did not fulfill the legal obligations warranted by their relationship with the Class Members as required by law;
- 52.27 The Respondents committed a fault which caused significant monetary damages to the Class Members. The Respondents are solidarily liable to the Class Members;
- 52.28 The Applicant and Class Members relied on the fact that the Respondents' portrayal of TSG's business, affairs and operations were truthful and accurate;
- 52.29 The belief that the Respondents were not engaged in illegal activities such as insider trading underpinned the Applicant's and Class Members' transactions in TSG securities;
- 52.30 The Applicant and Class Members would not have purchased TSG's securities had they been aware of the Respondents' misrepresentations and omissions of fact. The same is true of the Class Members as the Respondents' misrepresentations and omissions of fact were material;
- 52.31 The negligence, gross negligence, faults, wilful acts and breaches of the Respondents' duties and applicable laws and regulations were committed in Québec;
- 52.32 Additionally, pursuant to art. 1463 CCQ, TSG is vicariously liable for the faults committed by the Individual Respondents or any other officer, director, agent or employee of TSG;
- 52.33 As alleged herein, the Individual Respondents committed a fault by allowing the publication of documents and dissemination of public statements which they knew or ought to have known contained misrepresentations of material facts. In doing so, the Individual Respondents breached the duty of diligence owed to the Applicant and Class Members under art.1457 CCQ;
- 52.34 In exchange for their work as the Company's officers and directors, the Individual Respondents received compensation by way of salaries and other consideration from TSG;
- 52.35 While performing their duties, the Individual Respondents were legally under the direction and control of TSG;

- 52.36 The Individual Respondents acted unlawfully within the scope of their duties while at TSG;
- 52.37 TSG benefited directly from the Insider Trading Scheme since one of the purposes of said scheme was to influence and increase the value of TSG's securities in order to raise capital and facilitate the Oldford acquisition;
- 52.38 In view of the foregoing, TSG is solidarily liable towards the Class Members for the faults committed by the Individual Respondents in the performance of their duties;

D. Forward-Looking Statements

- 52.39 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 misrepresentations alleged herein since these misrepresentations related to then-existing facts and conditions;
- 52.40 Should the misrepresentations fall within the scope of forward-looking information, the statutory defence nonetheless does not apply since these misrepresentations were not identified as being forward-looking statements when they were made;

VII. CRITERIA OF ARTICLE 575 CCP

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

53. The (...) Applicant alleges that (...) TSG's Core and Non-Core Documents, published on SEDAR, contained misrepresentations of material fact in light of the facts alleged at paras. 39.1-46.19 herein;
54. (...) TSG's Core Documents were signed by Baazov and Sebag as well as certified under (...) Forms 52-109F1 and F2, in each case confirming that these documents did not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading;
55. All public statements, Core and Non-Core Documents published since March 31, 2014 failed to disclose that (...) TSG's Corporate Governance Committee was ineffective, negligent or willfully engaging in misleading the market and that it has allowed certain insiders to manipulate (...) TSG's securities by using non-public, privileged and confidential material information;
56. All public statements, Core and Non-Core Documents further omitted to disclose that certain insiders were in violation of (...) TSG's mandatory Code of Conduct and of (...) TSG's mandatory Disclosure (...) Policy;
57. The (...) Applicant further alleges that (...) TSG's Core and Non-Core Documents and public statements, including statements made by Individual (...) Respondent Baazov made to investors after (...) TSG's quarterly results and responses to investors about the commencement of the AMF investigation and published during the Class Period,

contained misrepresentations of material fact since they failed to accurately depict the nature, magnitude and targets of the AMF Investigation;

58. (...)

59. The misrepresentations listed in paragraphs (...) 52.1 to 52.38 above, were the result of the (...) Respondents, lead by Baazov, having hatched and executed a scheme to manipulate the price of (...) TSG's securities by engaging, *inter alia*, in insider trading with the ultimate goal of artificially inflating the price of (...) TSG's securities in order to raise (...) cash (...) to facilitate the Oldford acquisition and sell (...) securities at artificially high prices;

60-70 (...)

71. (...) At all relevant times during the Class Period, the Respondents omitted to disclose and misrepresented material facts regarding TSG's affairs and operations which artificially increased the value of TSG's securities;

72. (...) The Respondents knowingly authorized, permitted and acquiesced to the publication and dissemination of false and misleading information, thus violating the QSA and, if necessary, the concordant provisions of other Securities Legislation as well their general duty of diligence owed to all Class Members;

73. (...) The Applicant and Class Members bought TSG's securities at artificially-inflated prices and suffered damages following the publication of the Corrective Disclosure;

74. (...) In light of the above, and as particularized herein, the faults committed by the Respondents support the Applicant's and Class Members' claims;

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

74.1 At all relevant times during the Class Period, the Respondents failed to disclose adverse material facts thus breaching their obligation to disclose and accurately inform the public of TSG's affairs under the QSA and other Securities Legislation;

74.2 The Class Members' claims, as alleged at paras. 39.1-46.19 and 52.1-52.38 herein, raise similar and related issues of law or fact;

75. In light of the foregoing, (...) Applicant asks the court to certify the following questions of fact and law to be dealt with collectively:

a. (...) Did the Respondents make public statements and publish and/or allow to be published Core and Non-Core Documents that contained omissions of material fact, materially false and misleading information and/or misrepresentations within the meaning of the QSA, and/or applicable Securities Legislation, for failure to disclose that:

- i) Baazov orchestrated and was engaged in an insider trading scheme by which he communicated privileged confidential information to third parties in order to influence or attempt to influence the market price of TSG's securities;
- ii) TSG had inadequate or ineffective internal controls;
- iii) TSG's statements about its employees', directors' and officer's compliance with the Code of Conduct were false and misleading;
- iv) that TSG's statements about its business, operations, and prospects were false and misleading and/or lacked a reasonable basis; and
- v) TSG's statements about the nature, magnitude and targets of the AMF Investigation were false and misleading;

If so, which public statements, Core and/or Non-Core Documents contained the misrepresentations identified above?

- b. (...) Did the Respondents breach their civil law duties under art.1457 CCQ?
- c. (...) Did the Class suffer damages as a result of the Respondents' negligence, gross negligence, faults, willful acts and breaches of applicable laws and/or regulations? If so, what damages has the Class sustained?
- d. (...) Are the Respondents liable for the damages suffered by the Class? If so, is that liability solidary and if not, which Respondent is liable and for what amount? and
- e. (...) Is TSG vicariously liable for the actions of the Individual Respondents?

76. In addition, the (...) Applicant seeks for this honourable Court to authorize the following conclusions to the proposed class proceedings:

GRANT this class action on behalf of the Class;

GRANT the (...) Applicant's action against the (...) Respondents in respect of the rights of action asserted against (...) the Respondents;

CONDEMN the (...) Respondents to solidarily pay to the (...) Applicant and the Class 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;

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)

77. (...) TSG's authorized share capital consists of an unlimited number of common shares and 1,139,356 preferred shares;
78. (...) As of March 14, 2016, TSG had a total of 133,784,193 common shares issued and outstanding and 1,139,249 preferred shares issued and outstanding and convertible into 51,870,339 common shares;
79. (...) TSG's securities are publicly traded on worldwide stock exchanges where the average trading volumes rise to hundreds of thousands of securities traded daily;
80. (...) There are thousands of investors that could be members of the putative Class and are likely located throughout the world 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 Representative Applicant Is in a Position To Properly Represent the Class Members (art. 575 (4) CCP)

81. (...) The Representative Applicant is a Québec resident who has been actively investing in the market since the late 80's;
82. (...) The Applicant is a Québec resident;
83. (...) The Applicant is a professional with extensive commercial experience;
84. (...) The Applicant purchased TSG securities during the Class Period and suffered monetary damages as particularized herein;
85. (...) The Applicant has the resources, knowledge, time and dedication required to act as the representative Applicant of the Class and to advance the case on behalf of the Class;
- 85.1 (...)
86. (...) The Applicant has no conflict of interest with other members of the Class and are represented by counsel that are experience at litigating shareholders' claims in class actions against multinational corporations that list their securities on multiple exchanges;

87-89 (...);

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

AUTHORIZE the Class;

NAME Pierre Derome the Class Representative;

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

- a. (...) Did the Respondents make public statements and publish and/or allow to be published Core and Non-Core Documents that contained omissions of material fact, materially false and misleading information and/or misrepresentations within the meaning of the QSA, and/or applicable Securities Legislation, for failure to disclose that:
- i) Baazov orchestrated and was engaged in an insider trading scheme by which he communicated privileged confidential information to third parties in order to influence or attempt to influence the market price of TSG's securities;
 - ii) TSG had inadequate or ineffective internal controls;
 - iii) TSG's statements about its employees', directors' and officer's compliance with the Code of Conduct were false and misleading;
 - iv) that TSG's statements about its business, operations, and prospects were false and misleading and/or lacked a reasonable basis; and
 - v) TSG's statements about the nature, magnitude and targets of the AMF Investigation were false and misleading;

If so, which public statements, Core and/or Non-Core Documents contained the misrepresentations identified above?

- b. (...) Did the Respondents breach their civil law duties under art.1457 CCQ?
- c. (...) Did the Class suffer damages as a result of the Respondents' negligence, gross negligence, faults, willful acts and breaches of applicable laws and/or regulations? If so, what damages has the Class sustained?
- d. (...) Are the Respondents liable for the damages suffered by the Class? If so, is that liability solidary and if not, which Respondent is liable and for what amount? and
- e. (...) Is TSG vicariously liable for the actions of the individual Respondents?

AUTHORIZE the class action proceedings to seek the following conclusions:

GRANT this class action on behalf of the Class;

GRANT the (...) Applicant's action against the (...) Respondents in respect of the rights of action asserted against (...) the Respondents;

CONDEMN the (...) Respondents to solidarily pay to the (...) Applicant and the Class 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 *Québec Securities Act*;

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 members of the Class no later than (...) forty-five days after the date of the judgment authorizing the class proceedings;

ORDER that the deadline for a member of the Class to exclude themselves 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 experts' fees and all costs related to the publication of the notices to Class Members.

MONTREAL, this 25th day of July, 2018

 _____

FAGUY & CO. BARRISTERS & SOLICITORS INC.
Attorneys for the Applicant

SUPERIOR COURT
(Class Action)
Province of Quebec
District of Montreal
N°: 500-06-000785-168

PIERRE DEROME

Applicant

v.
THE STARS GROUP INC.
-and-
DAVID BAAZOV
-and-
DANIEL Y. SEBAG
-and-
DIVYESH GADHIA
-and-
HARLAN W. GOODSON
-and-
WESLEY K. CLARK

Respondents

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

ORIGINAL

FAGUY & CO.
BARRISTERS & SOLICITORS INC.

Me Shawn K. Faguy
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