



## Could CannTrust (TSX:TRST) Face Criminal Charges?

### Description

**CannTrust Holdings Inc.** (TSX:TRST)(NYSE:CTST) recently submitted its official response to Health Canada in relation to [violations](#) that the regulator found at its Pelham, Ontario location.

Now, the company must wait for a decision while Health Canada makes a decision on [what to do](#) next. As a spokesman from Health Canada said that it wouldn't hesitate to take action that would protect the public, it doesn't sound like the regulator is going to be doing CannTrust any favours.

### Looming criminal charges?

While one of the major concerns facing CannTrust today is whether the company will have its license suspended, that's not the only problem the company may have to worry about.

If it's true that CannTrust was growing in rooms where it hadn't yet been authorized to do so, then those acts could be in violation of the *Cannabis Act*.

Illegal cannabis activity could be charged criminally and the penalties for that could range from fines to imprisonment of up to 14 years.

Any company facing those kinds of problems is one that investors should stay away from. **SNC-Lavalin** is a good example of how legal problems can send a stock reeling.

Ultimately, it will boil down to whether Health Canada sends its findings to the police. And at this point, there's no indication that the regulator is going to go easy on CannTrust.

Although the repercussions for the industry could be significant, the government has made it clear that safety has been a priority for the new industry, and having companies growing pot in unlicensed rooms jeopardizes that trust.

If the allegations prove to be true, the most damning evidence against the company could be that it was making fake walls in order to mislead Health Canada. That would demonstrate intent and I'd be

surprised if regulators wouldn't come down hard under those circumstances.

## What does this mean for investors today?

CannTrust's stock is still very fragile, and with it losing so much value over the past couple of weeks, some may be tempted to buy it and roll the dice in hopes the company will be able to emerge relatively unscathed.

However, there's still a lot of potential downside for the stock, especially if Health Canada decides to suspend the company's license and charges are laid against the company.

At that point, CannTrust would have little, if any, value left. It's a risky proposition to be an investor right now, as there's a very real possibility that if you're holding CannTrust shares you could still lose a significant amount of your investment — or what's left of it.

While there's definitely potential for the stock to jump if Health Canada simply gives the company a fine, given the attention this issue has garnered and all the eyeballs on it, it's not a scenario that I'd bet on happening.

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