

EXHIBIT 1

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

IN RE ZYNERBA PHARMACEUTICALS, INC.
DERIVATIVE LITIGATION

Lead Case No. 1:20-cv-00557-CFC

STIPULATION AND AGREEMENT OF SETTLEMENT

This Stipulation and Agreement of Settlement (the “Stipulation”), dated April 28, 2021, is made and entered into by and among the following Parties (as defined herein), each by and through their respective counsel: (i) the plaintiffs to the above-captioned consolidated shareholder derivative action (the “Derivative Action”), Phillip Quartararo (“Quartararo”) and Dmitry Itkis (“Itkis”) (collectively, the “Derivative Plaintiffs”), derivatively on behalf of Zynerba Pharmaceuticals, Inc. (“Zynerba” or the “Company”); (ii) shareholder Rainer Machek (the “Shareholder,” and together with the Derivative Plaintiffs, “Plaintiffs”); (iii) the nominal defendant Zynerba; and (iv) the named defendants Armando Anido, James E. Fickenscher, John P. Butler, Warren D. Cooper, William J. Federici, Thomas L. Harrison, Daniel L. Kisner, Kenneth I. Moch, and Pamela Stephenson in the Derivative Action (collectively, the “Individual Defendants,” and together with Zynerba, “Defendants”), all of whom are current or former members of Zynerba’s Board of Directors (the “Board”) and/or senior officers of Zynerba. This Stipulation, subject to the approval of the United States District Court for the District of Delaware (the “Court”), is intended by the Parties to fully, finally, and forever compromise, resolve, discharge, and settle the Derivative Matters (as defined herein) and the Released Claims (as defined herein) and to result in the complete dismissal of the Derivative Action with prejudice and the complete satisfaction of the Demand (as defined herein), upon the terms and subject to the conditions set forth herein, and without any admission or concession as to the merits of any of the Parties’ claims or defenses.

I. THE DERIVATIVE MATTERS

A. Factual Background

Zynerba is a specialty pharmaceutical company that develops and produces transdermal cannabinoid therapies for rare and near-rare neuropsychiatric disorders. Plaintiffs allege that between March 11, 2019 and September 17, 2019 Defendants failed to disclose adverse events observed during a clinical trial of the Company’s sole drug product, ZYN002 (“Zygel”).

Plaintiffs generally allege in the Derivative Matters that the Individual Defendants breached their fiduciary duties by making or permitting the making of materially false statements or omissions, causing the Company to fail to maintain internal controls, and committing other violations of state and federal law with respect to the clinical trial for Zygel. The two complaints consolidated in the Derivative Action allege counts for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of Section 14(a) of the Securities Exchange of 1934 (the “Exchange Act”). The Demand is based upon the same underlying allegations.

B. Procedural Background

On April 24, 2020 Plaintiff Quartararo filed an action against the Individual Defendants in this Court, captioned *Quartararo v. Anido, et al.*, Case No. 1:20-cv-00557-CFC (D. Del.), asserting claims for breaches of fiduciary duty, waste of corporate assets, and violations of Section 14(a) of the Exchange Act derivatively on behalf of Zynerba (the “Quartararo Matter”).

On May 29, 2020, the parties to the Quartararo Matter stipulated to stay the proceedings pending resolution of a motion to dismiss in a related securities class action pending in the United States District Court for the Eastern District of Pennsylvania, captioned *Whitely v. Zynerba Pharmaceuticals, Inc., et al.*, Case No. 2:19-cv-02959-NIQA (E.D. Pa.) (the “Securities Class

Action”). The Court so-ordered the stay on June 1, 2020.

On November 25, 2020, the Pennsylvania court denied the motion to dismiss in the Securities Class Action.

On December 4, 2020, Plaintiff Itkis filed an action against the Individual Defendants in this Court, captioned *Itkis v. Anido, et al.*, Case No. 1:20-cv-01657-CFC (D. Del.), asserting claims for breaches of fiduciary duty, unjust enrichment, waste of corporate assets, violations of Sections 14(a) of the Exchange Act derivatively on behalf of Zynerba, and seeking contribution under Sections 10(b) and 21D of the Exchange Act (the “Itkis Matter”).

On December 7, 2020, the Court entered into a Joint Stipulation and Order in the Quartararo Matter to continue the stay of proceedings in the action pending a motion for reconsideration filed in the Securities Class Action.

On December 17, 2020, the Court entered into a Joint Stipulation and Order (1) consolidating the Quartararo Matter and the Itkis Matter into the Derivative Action under the caption *In re Zynerba Pharmaceuticals, Inc. Derivative Litigation*, Lead Case No. 1:20-cv-00557-CFC, (2) appointing The Brown Law Firm, P.C. and Bragar Eigel & Squire, P.C. as Co-Lead Counsel in the Derivative Action and Farnan LLP and Deleeuw Law LLC as Co-Liaison Counsel, and (3) staying the Derivative Action pursuant to the terms of the stay in the Quartararo Matter.

On December 22, 2020, the Company received a letter from the Shareholder stating that he was a Zynerba shareholder and making a demand pursuant to 8 *Del. C.* § 220 to inspect certain books and records of Zynerba (the “Demand,” and together with the Derivative Action, the “Derivative Matters”). Counsel for Defendants responded by letter on January 18, 2021, objecting to the scope of the Demand and proposing a meet and confer with the Shareholder’s counsel.

On February 16, 2021, after the Pennsylvania court denied the motion to reconsider in the Securities Class Action, the parties to the Derivative Action entered into a Joint Stipulation regarding scheduling, designating the complaint filed in the Itkis Matter (the “Complaint”) as the operative complaint and scheduling dates for the parties’ respective responses. The Court so-ordered the scheduling stipulation on February 18, 2021.

On March 22, 2021, the parties to the Derivative Action entered into a second Joint Stipulation regarding scheduling, informing the Court that a settlement in principle had been reached in the Derivative Action and extending the time for Defendants to file their response(s) to the Complaint. The Court so-ordered the scheduling stipulation on March 23, 2021.

On April 23, 2021, the parties to the Derivative Action entered into a third Joint Stipulation regarding scheduling, informing the Court that the Parties executed settlement memorandum of understanding and extending the time for Defendants to file their response(s) to the Complaint. The Court so-ordered the scheduling stipulation on April 26, 2021.

C. Settlement Negotiations

In or around January 2021, the parties in the Derivative Action agreed to participate in a private mediation session before Michelle Yoshida of Phillips ADR, a nationally reputed mediator (the “Mediator”). In anticipation of the mediation, counsel for the Derivative Plaintiffs sent a settlement demand that included a proposal for extensive corporate governance reforms to Defendants’ Counsel (as defined below) on January 29, 2021.

On February 5, 2021, Defendants’ Counsel sent their mediation statement to Plaintiffs and the Mediator. On February 8, 2021, Plaintiffs’ Counsel submitted a joint mediation statement to Defendants and the Mediator. On February 16, 2021, Defendants’ Counsel submitted their reply

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.