

GUIDE TO THE BELEAVE INC. SETTLEMENT DISTRIBUTION PROTOCOL

This document is intended as a guide only, to assist in understanding the Distribution Protocol. Calculation of specific entitlements may vary depending on applicable facts, and the actual compensation an Authorized Claimant may receive, if any, is influenced significantly by the total number and value of claims made. If anything in this guide is inconsistent with any provisions in the Distribution Protocol, the provisions in the Distribution Protocol apply.

PART 1 - BACKGROUND

The Settlement Agreement dated July 31, 2020 provides that CDN \$2,400,000 will be paid into a fund to be distributed after certain deductions.

The Distribution Protocol sets out how the Net Settlement Fund (described below) will be distributed among Beleave Class Members (defined in the Distribution Protocol) who make timely, valid claims with all required supporting documentation.

Q: Who is a Claimant?

A Claimant is someone who:

- a. purchased Eligible Beleave Shares, is not a defendant in the action, and not a person excluded from being a Class Member under paragraph 101 of the Notice of Civil Claim [[hyperlink NCC](#)];
- b. has not opted out of the settlement and the action by requesting, in writing to Class Counsel, to be excluded from the settlement and the action; and
- c. submits a properly completed Claim [[hyperlink to claims portal](#)] including all required supporting documentation, through the Administrators' electronic claims portal, by [90 days after the Settlement Approval Order becomes a final Order].

Q: How much money will be distributed?

Currently, it is unknown. Certain expenses must be deducted from the Settlement Fund before it can be distributed. Those expenses include legal fees of 30%, a litigation holdback of CDN \$240,000 for continuing claims, the costs of providing notice, and administration expenses incurred to, among other things, receive claims and distribute compensation.

All expenses must be approved by the Court. The amount that remains after the deduction of those expenses and is available to be distributed to the Authorized Claimants (as defined in the Distribution Protocol) is called the “Net Settlement Fund”.

Q: How will the money be distributed?

The Distribution Protocol sets out the Court approved way of calculating the amount of money that each Claimant, if eligible, can receive from the Net Settlement Fund.

The objective of the Distribution Protocol is to equitably distribute the Net Settlement Fund among Claimants. In pursuit of that goal, the Distribution Protocol follows, in a general way, the allegations of misrepresentation and conspiracy that were asserted against the Settling Defendants, on behalf of the Beleave Class Members, and the main elements of the Plaintiffs’ damages theory for those claims.

With respect to Beleave, and its former CEO and CFO, it was alleged that, among other things, between April and June 2018, Beleave announced that it had raised a total of approximately \$10 million through two private placements, when, in fact, Beleave retained only approximately \$2.5 million of this amount, returning \$7.5 million through prepaid consulting fees to the private placement subscribers, a group of purported consultants who provided no consulting services.

Specifically, it was alleged that, during the Beleave Class Period, Beleave, its CEO and CFO were part of an unlawful conspiracy in which, among other things, Beleave

released certain disclosure documents that were materially misleading as to the true substance and effects of the impugned private placements it carried out. The Plaintiffs alleged the unlawful conspiracy and misrepresentations resulted in damage to Beleave shareholders who acquired Beleave securities during the Beleave Class Period.

The Notice of Civil Claim alleges the scheme was exposed on November 26, 2018, when, among other things, the Executive Director of the B.C. Securities Commission published a news release announcing an ongoing investigation into the private placements.

If the action against Beleave had continued and been successful, the Plaintiffs would have sought a damages assessment for misrepresentation under Part 16.1 of the British Columbia *Securities Act*. Part 16.1 provides a formula for the assessment of damage to securities arising from misrepresentation. The formula used in the Distribution Protocol is similar to the Part 16.1 *Securities Act* formula, although in some respects the Distribution Protocol formula is more favorable to claimants.

Beleave continued to trade on the CSE after November 26, 2018. However, after May 3, 2019, its share price did not trade higher than CDN \$0.10, which price is equivalent to the split adjusted ten trading day volume weighted average closing price of Beleave shares on the CSE from November 27, 2018, to December 10, 2018 (“**10 Day VWAP**”). The 10 Day VWAP is a factor in the Part 16.1 *Securities Act* formula. May 3, 2019 is also reflected in the Distribution Protocol formula, as a deemed disposition date for Eligible Beleave Shares that a Claimant did not sell.

The Distribution Protocol uses the dates April 24, 2018, November 26, 2018, December 10, 2018 and May 3, 2019 as key reference points in time to determine entitlements with reference to a Claimant’s trading particulars.

PART 2 - CALCULATIONS

Step 1: Calculating Net Loss

Shares acquired during the Class Period are known as “Eligible Beleave Shares”.

The first step in the Distribution Protocol is determining whether a Claimant suffered a Net Loss from their acquisition of Eligible Beleave Shares. To suffer a Net Loss, the money paid by the Claimant to acquire Eligible Beleave Shares (“**Acquisition Expense**”) must exceed the total proceeds paid to the Claimant on the sale, or deemed disposition, of those same shares (“**Disposition Proceeds**”).

The Distribution Protocol provides that Claimants who acquired Eligible Beleave Shares and continued to hold them on May 3, 2019 are deemed to have disposed of those shares for CDN \$0.10 each, being the 10 Day VWAP on the CSE following November 26, 2018.

The Administrator will apply the principle of “first-in first-out” to all purchases of Eligible Beleave Shares by Claimants. This means that the first shares purchased are deemed to be the first sold. Claimants who held shares at the commencement of the Class Period must have completely sold those shares before Eligible Beleave Shares will be treated as sold.

Where Eligible Beleave Shares were acquired in connection with Beleave’s private placement of units on November 6, 2018 (each unit consisting of one common share and one share purchase warrant), the Distribution Protocol provides that the total amount paid for the share portion of the units will be equivalent to the total amount paid to acquire the units. For example, if the per unit cost was \$1.10, the Distribution Protocol provides that each Eligible Beleave Share cost the Claimant an amount equivalent to the cost of the unit, i.e., \$1.10 (or \$0.155 per share following Beleave’s November 6, 2018 7:1 stock split).

Step 2: Calculating Notional Entitlement

A Claimant with a Net Loss becomes an Authorized Claimant and goes on to have their Notional Entitlement determined. The Notional Entitlement arising out of the purchase of Eligible Shares is calculated by reference to paragraph 23 of the Distribution Protocol and the Authorized Claimant's trading particulars. **Table A below**, is illustrative.

Please note the following:

- a. the terms "sale" and "sold" are used in Table A to describe an actual sale and, where applicable, the deemed disposition at CDN \$0.10 referred to above; and
- b. in some, limited circumstances, the operation of the formulae may result in an Authorized Claimant having a Notional Entitlement greater than their Acquisition Expense; and, where that is the result, the Authorized Claimant's Notional Entitlement will be reduced to an amount equal to their Acquisition Expense.

TABLE A

Ref.	Time of Sale of Eligible Shares ¹	Notional Entitlement
23(a)	Sold between April 24, 2018 December 10, 2018, inclusive	Number of shares sold × [purchase price - sale price]
12(b)	Sold between December 11, 2018 and May 3, 2019, inclusive	The lesser of (i) and (ii) (i) Number of shares sold × [purchase price - sale price] (ii) Number of shares sold × [purchase price - \$0.10]
12(c)	Still held at the close of trading on May 3, 2019	Number of shares still held × [purchase price - \$0.10 per share]

STEP 3: PRO RATA ALLOCATION OF FUNDS

After each Authorized Claimant’s Notional Entitlement is determined, the Net Settlement Fund will be allocated to Authorized Claimants on a *pro rata* basis based upon each

¹ A sale includes, where applicable, a deemed disposition at CDN \$0.10 (split adjusted) for shares retained at the close of trading on the CSE on August 5, 2020.

Authorized Claimant's Notional Entitlement. What this means is that each Claimant will be entitled to a share of the Net Settlement Fund equal to their relative share of the total Notional Entitlements of all Authorized Claimants.

For example, if an Authorized Claimant had a Notional Entitlement of \$50,000, and the total Notional Entitlements of all Authorized Claimants was \$10 million, that Authorized Claimant would be entitled to 0.5% of the Net Settlement Fund.

All Funds will be paid in Canadian currency.

STEP 4: CLAIMS UNDER \$30.00

Authorized Claimants whose *pro rata* allocation described in Step 3 is less than \$30.00 will not be paid out because the cost to distribute these funds is expected to be greater than the amount to be distributed. Instead, those amounts will be allocated *pro rata* to Authorized Claimants whose *pro rata* allocation is greater than \$30.00.

STEP 5: PAYMENTS TO AUTHORIZED CLAIMANTS

The claims administrator will make payment to Authorized Claimants by cheque.

STEP 6: REMAINING AMOUNTS

If an Authorized Claimant does not cash a cheque within 180 days after the date of distribution or funds otherwise remain after the Authorized Claimants are paid, the remaining amounts will be allocated among other Authorized Claimants if feasible.

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