

## GUIDE TO THE DISTRIBUTION PROTOCOL

**This document is intended as a guide to assist in understanding the Distribution Protocol. Calculation of specific potential entitlements may vary depending on facts applicable to individual Class Members. If anything in this guide is inconsistent with any provisions in the Distribution Protocol, the provisions in the Distribution Protocol will apply.**

### BACKGROUND

Pursuant to the Settlement Agreement dated June 22, 2017, CAD \$29,500,000 million will be paid into a fund to be distributed (after certain deductions) to Claimants.

The Distribution Protocol sets out a method for the distribution of the Net Settlement Funds (described below) among Claimants.

#### **Q: Who are the Claimants?**

A Claimant is a Class Member (or, in some circumstances, an individual who has legal authority to act on behalf of a Class Member) who submits a properly completed Claim Form to the Administrator of the settlement fund within the specified time.

Class Members are defined as follows:

**All persons and entities wherever they may reside or be domiciled, other than Excluded Persons\* and Opt-Out Parties\*\*, who acquired HCG common shares during the period from and including November 5, 2014 to and including the close of trading on the Toronto Stock Exchange on July 10, 2015 (“Class Period”).**

\* Excluded Persons means: (a) each Defendant; (b) the past or present subsidiaries or affiliates of HCG; (c) officers, directors, partners, legal representatives, consultants, agents, successors and assigns of HCG; (d) any member of each of the individual Defendants’ families; and, (e) the heirs, successors and assigns of the Defendants.

\*\* Opt-Out Parties means any person who would otherwise be a Class Member and who submits a valid Opt-Out Election (as that term is defined in the Order of the Court dated, June 28, 2017) by the Opt-Out Deadline (5:00 PM EDT on August 8, 2017).

#### **Q: How much money will be distributed to Claimants?**

Certain expenses must be deducted from the \$29,500,000 before it can be distributed to Claimants. Those expenses include lawyer fees to be approved by the Court and administration expenses incurred in order to, among other things, give notice to Class Members, receive claims and distribute the Settlement Funds.

The amount that remains after the deduction of those expenses and is available to be distributed to the Claimants is called the “Net Settlement Funds.”

**Q: How will the money be distributed?**

The objective of the Distribution Protocol is to equitably distribute the Net Settlement Funds among Claimants that submit valid and timely claims.

The Distribution Protocol sets out a process for calculating the amount of money that each Claimant will receive from the Net Settlement Funds. There are a number of steps in this calculation.

**STEP 1: CALCULATING A CLAIMANT’S NET LOSS**

The first step is determining whether the Claimant suffered a Net Loss. To suffer a Net Loss, the monies paid by the Claimant to acquire HCG common shares during the Class Period must exceed the total proceeds paid to the Claimant on the sale of those same shares after the Class Period.

Claimants who still hold shares purchased by them during the Class Period will, for the purposes of the Distribution Protocol, be deemed to have sold their shares for **CAD \$32.26 (this is the volume weighted average price of HCG common shares traded on the Toronto Stock Exchange during the ten trading days after July 10, 2015 the “10 Day VWAP”)**. The 10 Day VWAP is a deemed disposition price for those still holding their Eligible Shares.

The Administrator will apply “first-in first-out” methodology (“FIFO”) to all purchases of common shares by the Claimant. This means that the first common shares purchased are deemed to be the first sold. Claimants who held HCG common shares at the commencement of the Class Period must have completely sold those shares before HCG shares acquired during the Class Period will be treated as sold.

**STEP 2: CALCULATING A CLAIMANT’S NOTIONAL ENTITLEMENT**

To be eligible for a portion of the Net Settlement Funds, Claimants must have acquired HCG common shares during the Class Period and still held some or all of them at the close of trading on the Toronto Stock Exchange on July 10, 2015.

The shares acquired during the Class Period and still held at the close of trading on the Toronto Stock Exchange on July 10, 2015 are known as “Eligible Shares”.

The notional entitlement arising out of the purchase of Eligible Shares may be calculated as follows (the “Notional Entitlement”):

<i>Time of Sale of Shares<sup>1</sup></i>	<i>Notional Entitlement</i>
Before close of trading on the TSX on July 10, 2015	Nil (shares sold before close of trading on July 10, 2015 are not Eligible Shares)
Sold between July 13, 2015 and July 24, 2015 inclusive	$\begin{aligned} & \text{number of Eligible Shares sold} \\ & \quad \times \\ & \quad (\text{purchase price} - \text{sale price}) \\ & \quad \times \\ & \quad \text{the applicable risk value:} \\ & 0.66x, \text{ for Eligible Shares purchased } \textit{before} \text{ May 6, 2015, or} \\ & 1.0x, \text{ for Eligible Shares purchased } \textit{after} \text{ May 6, 2015} \end{aligned}$
Sold after July 24, 2015	<p style="text-align: center;">THE LESSER OF ((A) and (B)) x (C)</p> <p>(A)</p> $\begin{aligned} & \text{number of Eligible Shares sold} \\ & \quad \times \\ & \quad (\text{purchase price} - \text{sale price}) \end{aligned}$ <p>(B)</p> $\begin{aligned} & \text{number of Eligible Shares sold} \\ & \quad \times \\ & \quad (\text{purchase price} - \$32.26 \text{ [the 10 Day VWAP deemed} \\ & \quad \text{disposition price]}) \end{aligned}$ <p>(C)</p> <p style="text-align: center;">the applicable risk value:</p> <p>0.66x, for Eligible Shares purchased <i>before</i> May 6, 2015, or 1.0x, for Eligible Shares purchased <i>after</i> May 6, 2015</p>
Still holding Eligible Shares at time of Claim	$\begin{aligned} & \text{number of Eligible Shares held at time of Claim} \\ & \quad \times \\ & \quad (\text{purchase price} - \$32.26 \text{ (the 10 Day VWAP deemed} \\ & \quad \text{disposition price]}) \\ & \quad \times \\ & \quad \text{the applicable risk value:} \\ & 0.66x, \text{ for Eligible Shares purchased } \textit{before} \text{ May 6, 2015, or} \\ & 1.0x, \text{ for Eligible Shares purchased } \textit{after} \text{ May 6, 2015} \end{aligned}$

<sup>1</sup> The date of sale is the trade date, as opposed to the settlement date, of the transaction.

## RISK VALUES

In the opinion of Class Counsel, Class Members who acquired their shares between November 5, 2014 and May 5, 2015 would have faced potential additional risk to their claims had the action proceeded. That is, Class Counsel considers the legal claims attached to purchases of shares during that period to be potentially weaker than the claims attached to purchases of shares between May 6, 2015 and the close of trading on July 10, 2015.

Class Counsel assessed the relative strengths of claims throughout the Class Period, and took into account facts and evidence known to them and the application of the law to such facts and evidence.

Class Counsel have assigned risk values for the purposes of the Distribution Protocol, as follows:

<i>Acquisition Date</i>	<i>Risk Value</i>
Before May 6, 2015	.66x
On and after May 6, 2015	1.0x

The risk value to be applied to purchases between November 5, 2014 and May 5, 2015 (i.e., 0.66) has the effect of reducing a Claimant's Notional Entitlement by one third, to reflect the additional risk to claims arising from those purchases. The risk value to be applied to purchases on and after May 6, 2015 (i.e., 1.0) does not have the effect of reducing a Claimant's Notional Entitlement.

## SAMPLE CALCULATIONS OF NOTIONAL ENTITLEMENTS FOR ILLUSTRATION PURPOSES

### Example 1

#### For Eligible Shares sold between July 13, 2015 and July 24, 2015:

Assume a Claimant purchased 2,500 shares on February 25, 2015 at \$44.60, and a further 2,500 shares on May 27, 2015 at \$42.40 and sold all of those shares on July 17, 2015 at \$31.86, her Notional Entitlement would be:

#### February 25, 2015 purchase

$$2,500 \times (44.60 - 31.86 = 12.74) \times .66$$

$$\text{Notional Entitlement} = \$21,021.00$$

**May 27, 2015 purchase**

$$2,500 \times (42.40 - 31.86 = 10.54) \times 1.0$$

$$\text{Notional Entitlement} = \$26,350.00$$

$$\text{Total Notional Entitlement for both purchases: } \$47,371.00$$

**Example 2**

**For Eligible Shares sold after July 24, 2015**

Assume the same Claimant in Example 1 above (who purchased 2,500 shares on February 25, 2015 at \$44.60, and a further 2,500 shares on May 27, 2015 at \$42.40) sold all shares on August 31, 2015 at \$27.50. Her Notional Entitlement would be determined as follows:

**February 25, 2015 purchase:**

The lesser of ((A) and (B)) x (C):

$$(A) 2,500 \times (44.60 - 27.50 \text{ [actual sale price]} = 17.10) = \$42,750.00;$$

$$(B) 2,500 \times (44.60 - 32.26 \text{ [deemed disposition price]} = 12.34) = \$30,850.00$$

■ in this case (B) is less than (A), therefore \$30,850.00 is multiplied by

(C) 0.66, the applicable risk value because these shares were purchased *before* May 6, 2015.

$$\text{Notional Entitlement} = \$20,361.00$$

**May 27, 2015 purchase:**

The lesser of ((A) and (B)) x (C), where:

$$(A) 2,500 \times (42.40 - 27.50 \text{ [actual sale price]} = 14.90) = \$37,250.00;$$

$$(B) 2,500 \times (42.40 - 32.26 \text{ [deemed disposition price]} = 10.14) = \$25,350.00$$

■ in this case (B) is less than (A), therefore, 25,350.00 is multiplied by

(C) 1.0, the applicable risk value because these shares were purchased *after* May 6, 2015.

$$\text{Notional Entitlement} = \$25,350.00$$

$$\text{Total Notional Entitlement for both purchases: } \$45,711.00$$

### Example 3

#### **For Eligible Shares still held at the time Claim is made**

Assume the same Claimant in Examples 1 and 2 above (who purchased 2,500 shares on February 25, 2015 at \$44.60, and a further 2,500 shares on May 27, 2015 at \$42.40) still holds all of those shares today. Her Notional Entitlement would be determined as follows:

#### **February 25, 2015 purchase**

$$2,500 \times (44.60 - 32.26 \text{ (deemed disposition price)}) = 12.34 = \$30,850.00 \times 0.66$$

$$\text{Notional entitlement} = \$20,361.00$$

#### **May 27, 2015 purchase**

$$2,500 \times (42.40 - 32.26 \text{ (deemed disposition price)}) = 10.14 = 25,350 \times 1.0$$

$$\text{Notional Entitlement} = \$25,350$$

$$\text{Total Notional Entitlement for both purchases: } \$45,711.00$$

### **STEP 3: PRO RATA ALLOCATION OF FUNDS**

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

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

For example, if a Claimant had a Notional Entitlement of \$50,000.00, and the total Notional Entitlements of all Claimants was \$100 million, that Claimant would be entitled to 0.05% of the Net Settlement Funds.

All Funds will be paid in Canadian currency.

### **STEP 4: CLAIMS UNDER \$10.00**

Claimants whose *pro rata* allocation described in Step 3 is less than \$10.00 will not be paid out because the cost to distribute these funds is greater than the amount to be distributed. Instead, those amounts will be allocated *pro rata* to eligible Claimants whose *pro rata* allocation is greater than \$10.00.

#### **STEP 5: PAYMENTS TO CLAIMANTS**

The claims administrator will make payment to Claimants by either bank transfer or cheque.

#### **STEP 6: REMAINING AMOUNTS**

If a Claimant does not cash a cheque within 180 days after the date of distribution or funds otherwise remain after the Claimants are paid, the remaining amounts attributable to Ontario Class Members will be allocated among Claimants if feasible. If not feasible, such balance shall be allocated to the Ontario Securities Commission for use in accordance with the purposes set out in para. 3.4(2)(b) of the Ontario *Securities Act*.