

AFFINOR GROWERS INC. SETTLEMENT ADMINISTRATION PLAN GUIDE

This document is intended as a guide only, to assist in understanding the Settlement Administration Plan. 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 Settlement Administration Plan, the provisions in the Settlement Administration Plan apply.

PART 1 - BACKGROUND

The Settlement Agreement dated August 4, 2023, provides that CDN \$1,340,000 will be paid into a fund to be distributed after certain deductions.

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

Q: Who is a Claimant?

A Claimant is someone who:

- a. purchased Eligible Affinor Shares¹, is not a defendant in the action, and not a person excluded² from being a Class Member;
- 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

¹ Eligible Affinor Shares are Affinor shares acquired during the period March 5, 2018 to November 26, 2018, inclusive.

² A Class Member is excluded if they meet the definition of an Excluded Person under paragraph 101 of the [Further Amended Notice of Civil Claim \(FANCC\)](#), or if they meet one of the other included categories for exclusion that appear in the definition of "Class" contained in the [Settlement Agreement attached as Schedule B to the Court's order dated October 6, 2023](#).

- c. submits a properly completed [Claim](#) including all required supporting documentation, through the Administrators' electronic claims portal, by the Claims Bar Deadline, **October 31, 2024**.

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%, 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 Settlement Administration Plan) is called the "**Net Settlement Fund**".

Q: How will the money be distributed?

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

With respect to Affinor, it was alleged that, among other things, in March 2018 Affinor announced that it had raised approximately \$4 million through a private placement, when, in fact, Affinor retained only approximately \$500,000 of this amount, returning

\$3.5 million through prepaid consulting fees to the private placement subscribers, a group of purported consultants who are alleged to have provided no consulting services.

Specifically, it was alleged that, during the Affinor Class Period, Affinor, its CEO and former CFO were part of an unlawful conspiracy in which, among other things, Affinor released certain disclosure documents that were materially misleading as to the true substance of the private placement it carried out. The Plaintiffs allege the unlawful conspiracy and misrepresentations resulted in damage to Affinor shareholders who acquired Affinor securities during the Affinor Class Period.

The Further Amended Notice of Civil Claim, dated February 23, 2023, alleges the scheme was exposed on November 26, 2018, when the Executive Director of the B.C. Securities Commission, among other things, published a news release announcing an ongoing investigation into the private placement.

If the action against Affinor 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 formulas for the assessment of damage to securities arising from misrepresentation. The formulas used in the Settlement Administration Plan are like the Part 16.1 *Securities Act* formulas, although in some respects the Settlement Administration Plan formulas are more favorable to claimants.

The Settlement Administration Plan uses the dates March 5, 2018, November 26, 2018, and December 10, 2018, as key reference points in time to calculate entitlements with reference to a Claimant's trading particulars. A description of each date follows:

- March 5, 2018 is the beginning of the Affinor Class Period;
- November 26, 2018 is the end of the Affinor Class Period; and
- December 10, 2018 is the date that is ten (10) trading days after the end of the

Affinor Class Period, which ten (10) trading day period is a factor in certain of the Part 16.1 *Securities Act* formulas for calculating damages, and is also a factor in certain of the Settlement Administration Plan formulas.

PART 2 - CALCULATIONS

Step 1: Calculating Net Loss

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

The first step in the Settlement Administration Plan is finding whether a Claimant suffered a Net Loss from their acquisition of Eligible Affinor Shares. To suffer a Net Loss, the money paid by the Claimant to buy Eligible Affinor 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 Settlement Administration Plan provides that Claimants who bought Eligible Affinor Shares and continue to hold them at the time of making their Claim are deemed to have disposed of those shares for CDN \$0.048 each, being the 10 Day volume weighted average price for Affinor shares on the CSE between November 27, 2018 and December 10, 2018.

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

Where Eligible Affinor Shares were acquired in connection with Affinor’s private placement of “units” on April 17, 2018 (each unit consisted of one common share and one share purchase warrant), the Settlement Administration Plan provides that the total amount paid for the shares will be equivalent to the total amount paid to acquire the

units. For example, if the per unit cost was CDN \$0.11, the Settlement Administration Plan provides that each Eligible Affinor Share cost the Claimant an amount equivalent to the cost of the unit, i.e., CDN \$0.11 (CDN \$1.10 per share following Affinor's June 20, 2022, ten-for-one (10:1) share consolidation).

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 25a. to 25c. of the Settlement Administration Plan and the Authorized Claimant's trading particulars. **Table A, on the next page**, is illustrative.

Please note that the terms "sale" and "sold" are used in Table A to describe an actual sale and, where applicable, the deemed disposition at CDN \$0.048 referred to above.

TABLE A

Ref.³	Time of Sale of Eligible Affinor Shares⁴	Notional Entitlement
25a.	Sold between March 5, 2018 and December 10, 2018, inclusive	$\begin{aligned} &\text{Number of shares sold} \\ &\times \\ &[\text{purchase price} - \text{sale price}] \end{aligned}$
25b.	Sold after December 10, 2018	<p>The lesser of (i) and (ii)</p> <p>(i) $\begin{aligned} &\text{Number of shares sold} \\ &\times \\ &[\text{purchase price} - \text{sale price}] \end{aligned}$</p> <p>(ii) $\begin{aligned} &\text{Number of shares sold} \\ &\times \\ &[\text{purchase price} - \text{CDN } \\$0.048] \end{aligned}$</p>
25c.	Still held when the Claim is made	$\begin{aligned} &\text{Number of shares still held} \\ &\times \\ &[\text{purchase price} - \text{CDN } \$0.048 \text{ per share}] \end{aligned}$

³ Ref. means paragraph reference to the Settlement Administration Plan.

⁴ A sale includes, where applicable, a deemed disposition at CDN \$0.048 per share, being the unadjusted ten (10) trading day volume weighted average closing price of Affinor shares on the CSE following November 26, 2018. The deemed disposition price is unadjusted for the one-for-ten (1:10) share consolidation carried out by Affinor on June 20, 2022.

STEP 3: PRO RATA ALLOCATION OF FUNDS

After each Authorized Claimant's Notional Entitlement is found, the Net Settlement Fund will be allocated to Authorized Claimants on a *pro rata* basis based upon each 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 \$15,000, and the total Notional Entitlements of all Authorized Claimants was \$1 million, that Authorized Claimant would be entitled to 1.5% of the Net Settlement Fund.

All Funds will be paid in Canadian currency.

STEP 4: CLAIMS UNDER CDN \$30.00

Authorized Claimants whose *pro rata* allocation described in Step 3 is less than CDN \$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 CDN \$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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