

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

**B E T W E E N :**

**CLAIRE R. MCDONALD**

**Plaintiff**

**- and -**

**HOME CAPITAL GROUP INC., GERALD M. SOLOWAY, ROBERT MORTON, and**

**ROBERT J. BLOWES**

**Defendants**

*Proceeding under the Class Proceedings Act, 1992*

**DISTRIBUTION PROTOCOL**

(Supplement to the Settlement Agreement, dated June 22, 2017)

This Distribution Protocol should be read in conjunction with the Settlement Agreement dated June 22, 2017, as amended August 3, 2017 ("**Settlement Agreement**").

## DEFINED TERMS

1. The terms “**Administration Expenses**”, “**Administrator**”, “**Authorized Claimant**”, “**Claim Form**”, “**Claims Bar Deadline**”, “**Class Counsel Fees**”, “**Class Members**”, “**Class Period**”, “**Distribution Protocol**”, “**Eligible Shares**”, “**Escrow Account**”, “**Escrow Settlement Funds**” and “**HCG**”, as used herein, are defined in Section 2 of the Settlement Agreement, which definitions apply to and are incorporated herein. In addition, the following definitions apply to this Distribution Protocol:

- (a) “**Acquisition Expense**” means the total monies paid by a Claimant (including brokerage commissions) to acquire Eligible Shares;
- (b) “**Claimant**” means a Class Member who submits a properly completed Claim Form and all required supporting documentation to the Administrator, on or before the Claims Bar Deadline;
- (c) “**Disposition Proceeds**” means the total proceeds paid to a Claimant, without deducting any commissions paid in respect of the dispositions, in consideration of the sale of all Eligible Shares; provided, however, that with respect to any Eligible Shares that a Claimant continues to hold, they shall be deemed to have been disposed of for CAD \$32.26 per Eligible Share, being the volume weighted average price of HCG common shares traded on the Toronto Stock Exchange for the 10 trading days following July 10, 2015;

- (d) “**FIFO**” means the principle of first-in, first-out, wherein securities are deemed to be sold in the same order that they were purchased (e.g. the first Eligible Shares purchased are deemed to be the first Eligible Shares sold); and, which requires, in the case of a Claimant who acquired HCG common shares before the Class Period and held those shares at the commencement of the Class Period, that those shares be deemed to have been sold completely before Eligible Shares are sold or deemed sold;
- (e) “**Net Loss**” means that the Claimant’s Disposition Proceeds are less than the Claimant’s Acquisition Expense;
- (f) “**Net Settlement Funds**” means the Escrow Settlement Funds after payment of Administration Expenses and Class Counsel Fees. For greater certainty, Net Settlement Funds includes the after tax amount of any accrued interest income earned on the Escrow Settlement Funds; and
- (g) “**Notional Entitlement**” means an Authorized Claimant’s notional damages as calculated pursuant to the formulae set forth herein, and which forms the basis upon which each Authorized Claimant’s *pro rata* share of the Net Settlement Funds is determined.

## **OBJECTIVE**

2. The objective of this Distribution Protocol is to equitably distribute the Net Settlement Funds among Authorized Claimants.

### **PROCESSING CLAIM FORMS**

3. The Administrator shall review each Claim Form and verify that the Claimant is eligible for compensation from the Net Settlement Funds, as follows:
  - (a) For a Claimant claiming as a Class Member, the Administrator shall be satisfied that the Claimant is a Class Member;
  - (b) For a Claimant claiming on behalf of a Class Member or a Class Member's estate, the Administrator shall be satisfied that:
    - (i) the Claimant has authority to act on behalf of the Class Member or the Class Member's estate in respect of financial affairs;
    - (ii) the person or estate on whose behalf the claim was submitted was a Class Member; and
    - (iii) The Claimant has provided all supporting documentation required by the Claim Form or alternative documentation acceptable to the Administrator.
4. The Administrator shall ensure that claims for compensation in the Claim Form are made only in respect of Eligible Shares.

### **CALCULATION OF NET LOSS AND NOTIONAL ENTITLEMENT**

5. The Net Settlement Funds will be distributed in accordance with this Distribution Protocol.

6. A Claimant must have sustained a Net Loss in order to be eligible to receive a payment from the Net Settlement Funds. A Claimant that has not suffered a Net Loss as calculated under this Distribution Protocol will not be entitled to receive any portion of the Net Settlement Funds.
7. The Administrator shall first determine whether a Claimant has sustained a Net Loss. If the Claimant has sustained a Net Loss, they become an Authorized Claimant, and the Administrator will go on to calculate the Authorized Claimant's Notional Entitlement.
8. The Administrator will apply FIFO to distinguish the sale of HCG common shares held at the beginning of the Class Period from the sale of Eligible Shares and will continue to apply FIFO to determine the purchase transactions which correspond to the sale of Eligible Shares.
9. The date of a purchase, sale or deemed disposition shall be the trade date, as opposed to the settlement date of the transaction or the payment date.
10. The Administrator shall account for any splits or consolidations that occurred during and may occur after the Class Period, such that Claimants' holdings for the purposes of the calculations are completed in units equivalent to those traded during the Class Period.
11. The Administrator will use the data, derived from applying FIFO, in the calculation of an Authorized Claimant's Notional Entitlement according to the formulae below.

12. An Authorized Claimant's Notional Entitlement will be calculated as follows:

**I. For Eligible Shares disposed of during the 10 trading days following the alleged corrective disclosure, that is, disposed of on or between July 13, 2015 and July 24, 2015, the Notional Entitlement shall be:**

- A. for Eligible Shares acquired before May 6, 2015, an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the Acquisition Expense and the Disposition Proceeds, multiplied by 0.66;
- B. for Eligible Shares acquired after May 6, 2015, an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the Acquisition Expense and the Disposition Proceeds, multiplied by 1.

**II. For Eligible Shares disposed of after the 10<sup>th</sup> trading day following July 10, 2015, that is, disposed of after the close of trading on the Toronto Stock Exchange on July 24, 2015, or still held by the Claimant, the Notional Entitlement shall be the lesser of A and B, multiplied by C, as defined below:**

- A. an amount equal to the number of Eligible Shares thus disposed of, multiplied by the difference between the Acquisition Expense and the Disposition Proceeds;

- B. **an amount equal to the number of Eligible Shares thus disposed of or still held, multiplied by the difference between the Acquisition Expense and \$32.26; and**
  - C. for Eligible Shares acquired before May 6, 2015, a number equal to 0.66; and, for Eligible Shares acquired after May 6, 2015, a number equal to 1.
13. In determining whether a Claimant has sustained a Net Loss and calculating an Authorized Claimant's Notional Entitlement, transactions in Eligible Shares in any foreign currency shall be converted to Canadian currency, based on the Bank of Canada noon exchange rate between the Canadian dollar and the foreign currency on the date on which the Administrator calculates the Notional Entitlements of Authorized Claimants. All Notional Entitlements shall be recorded in Canadian currency.

#### **COMPLETION OF CLAIM FORM**

14. If, for any reason, a Claimant is unable to complete the Claim Form then it may be completed by the Claimant's personal representative or a member of the Claimant's family.

#### **IRREGULAR CLAIMS**

15. The claims process is intended to be expeditious, cost effective and "user friendly" to minimize the burden on Claimants. The Administrator shall, in the

absence of reasonable grounds to the contrary, assume Claimants to be acting honestly and in good faith.

16. Where a Claim Form contains minor omissions or errors, the Administrator shall correct such omissions or errors if the information necessary to correct the error or omission is readily available to the Administrator.
17. The claims process is also intended to prevent fraud and abuse. If, after reviewing any Claim Form, the Administrator believe that the claim contains unintentional errors which would materially exaggerate the Notional Entitlement awarded to the Claimant, then the Administrator may disallow the claim in its entirety or make such adjustments so that an appropriate Notional Entitlement is awarded to the Claimant. If the Administrator believes that the claim is fraudulent or contains intentional errors which would materially exaggerate the Notional Entitlement to be awarded to the Claimant, then the Administrator shall disallow the claim in its entirety.
18. Where the Administrator disallows a claim in its entirety, the Administrator shall send to the Claimant, at the email or postal address provided by the Claimant or the Claimant's last known email or postal address, a notice advising the Claimant that he or she may request the Administrator to reconsider its decision. For greater certainty, a Claimant is not entitled to a notice or a review where a claim is allowed but the Claimant disputes the determination of Notional Entitlement or his, her or its individual compensation.



19. Any request for reconsideration must be received by the Administrator within 45 days of the date of the notice advising of the disallowance. If no request is received within this time period, the Claimant shall be deemed to have accepted the Administrator's determination and the determination shall be final and not subject to further review by any court or other tribunal.
20. Where a Claimant files a request for reconsideration with the Administrator, the Administrator shall advise Class Counsel of the request and conduct an administrative review of the Claimant's complaint.
21. Following its determination in an administrative review, the Administrator shall advise the Claimant of its determination. In the event the Administrator reverses a disallowance, the Administrator shall send the Claimant, at the email or postal address provided by the Claimant or the Claimant's last known email or postal address, a notice specifying the revision to the Administrator's disallowance.
22. The determination of the Administrator in an administrative review is final and is not subject to further review by any court or other tribunal.
23. Any matter not referred to above shall be determined by analogy by the Administrator in consultation with Class Counsel.

#### **ADDITIONAL RULES**

24. The Administrator shall not make payments to Authorized Claimants whose *pro rata* entitlement under this Plan of Allocation is less than CAD\$10.00. Such amounts shall instead be allocated *pro rata* to other Authorized Claimants in accordance with the "Final Distribution" section of this Plan of Allocation.

25. Eligible Shares transferred between accounts belonging to the same Claimant(s) during the Class Period shall not be deemed to be Eligible Shares for the purpose of calculating Net Loss unless those shares were initially purchased by the Claimant(s) during the Class Period. The Acquisition Expense shall be calculated based on the price initially paid for the Eligible Shares.
26. The Administrator shall make payment to an Authorized Claimant by either bank transfer or by cheque to the Claimant at the address provided by the Authorized Claimant or the last known postal address for the Authorized Claimant. If, for any reason, an Authorized Claimant does not cash a cheque within six months after the date on which the cheque was sent to the Authorized Claimant, the Authorized Claimant shall forfeit the right to compensation and the funds shall be distributed in accordance with the "Final Distribution" section of this Plan of Allocation.

#### **FINAL DISTRIBUTION**

27. Each Authorized Claimant's actual compensation shall be the portion of the Net Settlement Funds equivalent to the ratio of his, her or its Notional Entitlement to the total Notional Entitlements of all Authorized Claimants multiplied by the Net Settlement Funds, as calculated by the Administrator.
28. Compensation shall be paid to Authorized Claimants in Canadian currency.
29. If, one hundred eighty (180) days from the date on which the Administrator distributes the Net Settlement Funds to Authorized Claimants, the Escrow

Account remains in a positive balance (whether due to tax refunds, uncashed cheques, or otherwise), the Administrator shall, if feasible, reallocate such balance among the Authorized Claimants in an equitable and economic fashion. In the event any such remaining balance is less than CAD \$25,000.00 or less than \$10.00 per Authorized Claimant, such balance shall be allocated to the OSC for use in accordance with the purposes set out in para 3.4(2)(b) of the Ontario *Securities Act*.

30. By agreement between the Administrator and Class Counsel, any deadline contained in this Distribution Protocol may be extended. Class Counsel and the Administrator shall agree to extend a deadline(s) if, in their opinions, doing so will not adversely affect the efficient administration of the Settlement and it is in the best interests of the Class to do so.

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