



British Columbia Securities Commission

Citation: 2019 BCSECCOM 208

Settlement Agreement

Beleave Inc.

Securities Act, RSBC 1996, c. 418

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Beleave Inc. (Beleave) agree as follows:

Agreed Statement of Facts

Background

1. Beleave is a cannabis company headquartered in North Flamborough, Ontario. It is a reporting issuer in BC listed on the Canadian Securities Exchange and quoted on the OTCQX.
2. Beleave has no history of securities regulatory misconduct.

Misconduct

3. Between April and June 2018, Beleave announced that it had raised a total of approximately \$10 million through two private placements. In fact, Beleave retained only \$2.5 million of this amount, returning \$7.5 million through prepaid consulting fees to the placees, a group of purported consultants (the Purported Consultant Group) who provided no consulting services.

April 2018 Private Placement

4. On April 23, 2018, Beleave entered into 12 consulting agreements with members of the Purported Consulting Group pursuant to which it paid an aggregate of \$3.75 million in prepaid consulting fees.
5. The services to be provided under these consulting agreements were often identical, and no services were ever provided.
6. On April 24, 2018, Beleave issued a total of 2,857,145 shares to members of the Purported Consultant Group for gross proceeds of approximately \$5 million, relying on the consultant exemption to the prospectus requirement under section 2.24 of National Instrument 45-106.
7. On April 26, 2018, Beleave issued a news release informing the market that it had raised the full amount of the April 2018 private placement and that the

Tel: 604 899-6500 Fax: 604 899-6506 Toll Free: 1 800-373-6393 www.bcsc.bc.ca
P.O. Box 10142, Pacific Centre, 701 West Georgia Street Vancouver, BC, Canada V7Y 1L2



proceeds would be used for general and administrative purposes. In fact, it had retained only \$1.25 million as a consequence of the prepaid consulting fees.

The June 2018 Private Placement

8. In June 2018, Beleave entered into 13 consulting agreements with members of the Purported Consultant Group in return for prepaid consulting fees totalling \$3.75 million.
9. The services to be provided under these consulting agreements were often identical, and no services were ever provided.
10. On June 12, 2018, Beleave issued a total of 2,500,000 shares to members of Purported Consultant Group for gross proceeds of \$5 million, relying on the consultant exemption to the prospectus requirement under section 2.24 of National Instrument 45-106.
11. On June 11, 2018, Beleave issued a news release informing the market that it had raised the full amount of the June 2018 private placement and that the proceeds would be used for general and administrative purposes. In fact, it had retained only \$1.25 million as a consequence of the prepaid consulting fees.
12. Although the Purported Consultant Group represented to Beleave that the shares it was acquiring through the April and June 2018 private placements were for investment purposes only and not for immediate resale, the Purported Consultant Group resold the majority of the shares it acquired in the market almost immediately at an average price below the private-placement acquisition cost.
13. As a result of the activity described above, Beleave participated in conduct abusive to the capital markets that, but for the mitigating factors outlined below, would warrant public interest orders under s. 161 of the Act.

Mitigating Factors

14. Although Beleave's board of directors approved the April and June private placements, the majority of its directors were not aware of the private placements' connection to, or the details of, the purported consulting arrangements. Beleave's board only became fully aware of these matters once the Executive Director issued its Temporary Order and Notice of Hearing, [2018 BCSECCOM 369](#) on November 26, 2018.
15. Immediately upon becoming aware of the Executive Director's allegations concerning the above transactions, Beleave:



- (a) conducted a thorough internal investigation;
- (b) ensured all individuals associated with the misconduct made no executive decisions during the pendency of Beleave's investigation, and negotiated a separation from those individuals at the conclusion of the investigation;
- (c) refreshed its management team and board of directors, including with the appointment of independent directors with expertise in corporate governance and compliance;
- (d) created dedicated audit, governance, and compensation committees;
- (e) strengthened its internal control and management processes; and
- (f) fully cooperated with the Commission's investigation.

16. Beleave made early admissions to the Executive Director with respect to its misconduct.

Public Interest

17. Beleave undertook to the Executive Director to correct its public disclosure concerning the April and June 2018 private placements, and intends to do so immediately after executing this agreement.

18. Although Beleave's misconduct caused harm to investors and the capital markets, in light of all of the circumstances – including Beleave's response to the allegations, its undertaking to correct its public disclosure, and the potential impact of financial orders on existing shareholders – it is not in the public interest for the Executive Director to issue orders under section 161 of the Act against Beleave.

Waiver

- ¶ 2 Beleave waives any right it may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.



Counterpart

¶ 3 This Settlement Agreement may be executed in counterpart or by facsimile or electronic execution and all such counterparts of executed copies or faxed or electronically transmitted copies shall be read or construed together as if they formed one originally executed document.

¶ 4 June 05 , 2019

¶ 5 Bill Panagiotakopoulos
Beleave Inc.
Bill Panagiotakopoulos CEO

(Redacted))
Witness Signature)
(Redacted))
Witness Name (please print))
(Redacted))
(Redacted))
Address)
(Redacted))
Occupation)

¶ 6 June 5 , 2019

Peter J. Brady

¶ 7 Peter J. Brady
Executive Director