

**SECTION 85 TAX ELECTION INSTRUCTION LETTER
REGARDING YOUR DISPOSITION OF LIQUID MEDIA GROUP LTD. ("LIQUID
CANADA") SHARES**

TO

**LEADING BRANDS, INC.
("LBIX")**

**PURSUANT TO THE ARRANGEMENT AGREEMENT BETWEEN LIQUID CANADA
AND LBIX ON SEPTEMBER 17, 2017, AND AMENDED ("ARRANGEMENT") ON
JANUARY 14, 2018**

The Section 85 Election process is time sensitive. You should give your immediate attention to the matters contained herein.

The deadline for providing your completed and signed Section 85 Tax Election Forms to LBIX is March 15, 2019. The effective date of the Arrangement was on August 8, 2018 ("**Effective Date**") at 12:01 AM ("**Effective Time**").

The information included in this Tax Election Instruction Letter is of a general nature only and is not intended to be, nor should it be construed as legal or tax advice or a representation. You should consult your own tax adviser concerning the tax consequences of your disposition of Liquid Canada shares in your particular circumstances.

All capitalized terms used in this document that are not otherwise defined herein have the meanings given to them in the Notice of Meetings and Joint Management Information Circular Concerning an Arrangement Involving Leading Brands, Inc. and Liquid Media Group Ltd. dated June 8, 2018 (the "**Information Circular**").

Dear former Liquid Canada Shareholder:

You are being sent this letter in the event that you will be making a joint Section 85 Election with LBIX in respect of your disposition of your Liquid Canada shares to LBIX pursuant to the Arrangement. This Tax Election Instruction Letter outlines the process for making the Section 85 Election and is intended to assist you and your tax advisor in preparing and filing it.

This letter does not discuss the Canadian federal income tax consequences of making a Section 85 Election. You may find a summary of those consequences at pages 8 to 9 of the Information Circular under the heading "*What are the Canadian federal income tax consequences of the Arrangement?*". You may view the full Information Circular on Liquid Canada's website (www.liquidmediagroup.co) or the SEDAR website (www.sedar.com).

You will only be entitled to make a Section 85 Election if you were an "Eligible Holder", as defined on page 65 of the Information Circular, on the Effective Date. That definition is reproduced below for your convenience:

"Eligible Holder" is a beneficial owner of Liquid Shares who is (i) a resident in Canada for the purposes of the Tax Act and is not exempt from tax under Part I of the Tax Act, or (ii) a partnership, any member of which is resident in Canada for the purposes of the Tax Act (other than a partnership, all members of which are residents of Canada that are exempt from tax under Part I of the Tax Act).

Preparing and filing a Section 85 Election is complex, time consuming and subject to deadlines under the Tax Act and the Arrangement. You are urged to consult your Canadian tax advisor without delay regarding your own situation in order to determine whether and how to make a valid Section 85 Election in a timely manner.

You are solely responsible for:

- (a) determining whether to file a Section 85 Election,
- (b) delivering your Section 85 Election Forms (as defined below), duly completed and signed by you, in time to be received by LBIX by no later than March 15, 2019, and
- (c) ensuring that you file your Section 85 Election Forms (as defined below) with the Canada Revenue Agency ("**CRA**") and (if applicable) provincial tax authorities on a timely basis.

LBIX's sole responsibility will be to sign your Section 85 Election Forms, duly completed and signed by you, upon receipt from you by not later than March 15, 2019, and to return them to you within 15 days after receipt.

Neither LBIX nor Liquid Canada has provided or will provide any advice to you regarding the advisability of making a Section 85 Election, and neither of them will be responsible for any taxes, interest, penalties, damages or expenses resulting from the failure by you or anyone else to:

- (a) complete and sign the Section 85 Election Forms properly,
- (b) deliver them (properly completed and signed) to LBIX on a timely basis, or
- (c) file them in a timely manner with the CRA or any applicable provincial authority.

SECTION 85 ELECTION FORMS

The Section 85 Election must be made in a specific form prescribed for that purpose under the Tax Act: Form T2057 if you are an individual, trust, or corporation, and Form T2058 if you are a partnership.

Depending on your province of residence, you may also be required to submit a provincial Section 85 Election form to your provincial tax authority. In the remainder of this letter, the prescribed provincial and federal forms, as applicable, are collectively referred to as the "**Section 85 Election Forms**".

You may find copies of those forms on the CRA's website (www.cra-arc.gc.ca). You will be required to obtain copies of any applicable provincial forms from the particular provincial authority.

SECTION 85 ELECTION STEPS

The following are the key steps with respect to making the Section 85 Election.

Step 1. Complete and Sign the Section 85 Election Forms

You must complete and sign two copies of all required Section 85 Election Forms. In particular, you must indicate on each required Section 85 Election Form:

- all required information describing yourself,
- the number of Liquid Canada shares in respect of which you are electing, and any other required information describing those shares, and
- the elected amount ("**Agreed Amount**") for the Liquid Canada shares (for a discussion of the effect of the Agreed Amount, see *"Exchange of Liquid Shares for the Consideration - Section 85 Election"* at pages 65 to 67 of the Information Circular).

You will also be required to provide certain information about LBIX in order to complete your Section 85 Election Forms - for example, Form T2057 requires certain information describing LBIX and the LBIX shares that you received in exchange for your Liquid Canada shares. LBIX will provide all such required information within this instruction letter.

Step 2. Deliver the Section 85 Election Forms to LBIX

You must deliver two duly completed and signed copies of your Section 85 Election Forms by registered mail to the following address:

Liquid Media Group Ltd.
Attention: Charles Brezer
Suite 1000 – 409 Granville St
Vancouver, BC V6C 1T2

LBIX must receive the Section 85 Election Forms **ON OR BEFORE March 15, 2019**.

Step 3. Receive Executed Section 85 Election Forms From LBIX

LBIX will, within 15 days after receiving your Section 85 Election Forms in accordance with Step 1, execute and mail back to you one copy of your Section 85 Election Forms.

LBIX will not sign or return your Section 85 Election Forms if they are incomplete or contain information that does not comply with the Tax Act. Further, LBIX is not required to sign or return your Section 85 Election Forms if it receives them after March 15, 2019.

Step 4. File the Section 85 Election Forms with the CRA and any Applicable Provincial Tax Authorities

You must file one copy of each of your Section 85 Election Forms at your Tax Services Office (or with any applicable provincial tax authority) by the applicable deadline (see "Deadlines" below).

DEADLINES

- **Deadline for receipt by LBIX of Section 85 Election Forms:**

LBIX must receive your Section 85 Election Forms on or before March 15, 2019.

- **Deadline for filing Section 85 Election Forms with the CRA (and any applicable provincial tax authorities):**

To avoid late filing penalties, you should ensure that your federal Section 85 Election is received by the CRA on or before the earlier of the following dates:

- (i) LBIX's deadline for filing its income tax return for its taxation year that includes the Effective Date. LBIX's anticipated filing deadline is August 31, 2019 although it may be accelerated in certain circumstances (for example, if LBIX changes its tax year end to be aligned with Liquid Canada or if LBIX amalgamates with another corporation during 2018); and
- (ii) Your deadline for filing your income tax return for your taxation year that includes the Effective Date. If you are an individual, this will generally be April 30, 2019. If you are a corporation or trust, your filing deadline will depend on your taxation year-end.

Since it is uncertain whether LBIX will enter into any transactions which would cause its taxation year to end before February 28, 2019, Eligible Holders are urged to file such election with the CRA as soon as possible. Each Eligible Holder is urged to consult his or her own tax advisors as soon as possible with respect to the Section 85 Election and the Eligible Holder's applicable filing deadline. You are responsible for determining the particular filing deadline required by a provincial tax authority in respect of any applicable provincial Section 85 Election Forms.

INSTRUCTIONS FOR COMPLETING PRESCRIBED FORM T2057

The following section illustrates the information required to be provided by an Eligible Holder completing Form T2057, *Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation*.

If the Eligible Holder is a partnership, please complete Form T2058, *Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation* instead.

The remainder of this page is intentionally left blank.

Page 1 of Form T2057

Complete the information in this first box below for the Eligible Holder making the election. The taxation year for individuals is 2018-01-01 to 2018-12-31.

Taxpayer's name (transferor)		Social insurance, trust account or business number
Address		Postal code
Tax year of the taxpayer	Year Month Day Start End	Tax services office

Complete the information in this box below if the Liquid Canada common shares are held in joint ownership; otherwise enter "N/A".

Name of co-owner(s), if any (if more than one, attach schedule giving similar details)		Social insurance number
Address	Postal code	Tax services office

Liquid Canada shareholders can call the CRA at 1-800-959-8281 (individuals) or 1-800-959-5525 (corporations and trusts). A complete Tax Services Offices listing can be found on the CRA's website at www.cra-arc.gc.ca. LBIX has partially completed the next section as follows:

Corporation's name (transferee) LEADING BRANDS INC.		Business number 100744291 RC0001
Address 1000 - 409 GRANVILLE STREET		Postal code V6C 1T2
Tax year of the corporation	Year Month Day Start 2 0 1 8 0 3 0 1 End 2 0 1 9 0 2 8	Tax services office WINNIPEG TAX CENTRE (EXAMPLE)

Complete the last line of this section by filling in your name and telephone number or, if appropriate, the name and telephone number of your tax advisor:

Name of the contact person	Telephone number
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The final section on page 1 of Form T2057 relates to late-filed elections and is only applicable to Eligible Holders whose elections will be filed late. Otherwise, please leave this section blank.

Page 2 of Form T2057

LBIX has completed the answers to the first four questions as follows:

1. Is there a written agreement relating to this transfer? Yes No
 2. Does a price adjustment clause apply to any of the properties? (See Income Tax Folio S4-F3-C1 for details.) Yes No
 3. Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? Yes No
 4. Does a non-arm's length rollover exist between 2 or more corporations? Yes No
- If **yes** to question 4, have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? Yes No

Eligible Holders should answer questions 5, 6 and 6(b) based on their particular circumstances. LBIX has completed the answers to questions 6(a), 6(c), 7 and 8.

(Note 1)	Enter the number of Liquid Canada common shares exchanged and the description "Liquid Media Group Ltd. Common Shares".
(Note 2)	Enter the total fair market value of the Liquid Canada common shares exchanged at the closing of the Arrangement.
(Note 3)	<p>Enter the adjusted cost base ("ACB") (or "cost amount" in the case of inventory). The ACB of the Liquid Canada common shares will generally be the amount paid by Eligible Holders to acquire the Liquid Canada common shares plus any reasonable costs to acquire the shares. The ACB may be adjusted in certain circumstances (e.g. where an Eligible Holder received their Liquid Canada common shares due to a previous tax-deferred transaction).</p> <p>Each Eligible Holder should consult their own tax advisor to obtain assistance in determining the correct ACB or cost amount in respect of the Liquid Canada common shares disposed of pursuant to the Arrangement.</p>
(Note 4)	This is the elected amount (" Agreed Amount ") which will be your deemed proceeds on the sale of the Liquid Canada common shares subject to the rules described below with respect to the calculation of the Agreed Amount.
(Note 5)	Enter the result of B minus A, if it is greater than \$0.
(Note 6)	Leave this section blank.
(Note 7)	Enter the number of LBIX common shares received on the exchange and the description "Leading Brands, Inc. Common Shares".
(Note 8)	Enter the total fair market value of the LBIX common shares. The amount entered here should equal the amount entered in (Note 2) above.

If the Liquid Canada common shares were inventory to the Eligible Holders, complete the above information within the area designated by the title "Inventory Excluding Real Property".

Rules with Respect to the Calculation of the Agreed Amount

Subject to the rules set out below, an Eligible Holder who wishes to avoid a capital gain must elect an Agreed Amount equal to the ACB of the Liquid Canada common shares (or cost amount, if the Liquid Canada common shares are inventory). Eligible Holders who wish to trigger a capital gain should select an Agreed Amount that is higher than the ACB. The Agreed Amount must be determined in accordance with the following rules:

- (a) The Agreed Amount may not be less than the amount of cash received by the Eligible Holder on the exchange;
- (b) The Agreed Amount may not be less than the lesser of:
 - (i) the ACB of the Liquid Canada common shares; and
 - (ii) the fair market value of the Liquid Canada common shares at the Effective Time; and
- (c) The Agreed Amount may not be greater than the fair market value of the Liquid Canada common shares at the Effective Time.

If the fair market value of the Liquid Canada common shares is less than the ACB (this is, the disposition results in a loss), an Eligible Holder cannot file a Section 85 Election.

Eligible Holders should consult their tax advisors regarding the selection of the appropriate Agreed Amount in respect of their Liquid Canada common shares disposed of pursuant to the Arrangement.

Election and Certification of Form T2057

The Eligible Holder must sign and date Form T2057 in the last box on page 2 as indicated:

Election and certification

The taxpayer **and** the corporation jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election and in any attached documents is correct and complete.

Signature of Transferor, Authorized Officer or Authorized Person* **and** _____
Signature of Authorized Officer of Transferee

* Attach a copy of the authorizing agreement.

Date (yy- mm-dd)

Eligible Holder should sign here

An authorized officer of LBIX will sign here

PROCEDURE FOR COMPLETING FORM T2058 AND/OR QUEBEC PROVINCIAL TAX ELECTION FORMS

Eligible Holders completing Form T2058 and/or the Quebec provincial election forms (TP-518V or TP-529V) may refer to the instructions set out above, although the order of presentation of the information on the other forms may differ from that of Form T2057, and some of the required information may be different.

Eligible Holders are entirely responsible for determining whether a provincial tax election is applicable and appropriate in their circumstances as well as obtaining and submitting the related information to LBIX on or before March 15, 2019.

ENCLOSURES

- Eligible Holder Contact Information Form

CRA Forms

- Form T2057, *Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation*

Electronic copies (including pdf fillable) of Form T2057 and Form T2058, *Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation* are also available on CRA's website as follows:

- Form T2057: <http://www.cra-arc.gc.ca/E/pbg/tf/t2057/README.html>
- Form T2058: <http://www.cra-arc.gc.ca/E/pbg/tf/t2058/README.html>

ELIGIBLE HOLDER CONTACT INFORMATION FORM
(Please complete and return with applicable Form T2057 and Form T2058)

1. **Contact information:** Provide the full name, and phone number or email of the person to contact should LBIX require further information or communication to complete the Section 85 Election form.

Name: _____

Phone number: _____

Email address: _____

2. **Return address:** Provide the return address below where the executed Section 85 Election forms should be mailed to by LBIX.

Address: _____



Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation

- This form is used by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of **eligible property** under subsection 85(1.1) to the corporation and the taxpayer receives as consideration shares of capital stock of the corporation.
- Unless otherwise indicated, all legislative references are to the *Income Tax Act*.
- Mail one copy of this election and related schedules (as specified), completed by the transferor, as follows:
 - to the tax centre of the transferor;
 - on or before the earliest date on which any party to the election has to file an income tax return for the tax year in which the transaction occurred (due date). This due date must consider any election under subsection 25(1) or 99(2); and
 - separately from any other return.

Do not use this area

When many transferors elect to transfer the same property (co-ownership) or many members of the same partnership elect to transfer their partnership interests, the elections will be processed together and should be filed:

- at the tax centre of the transferee;
- on or before the due date; and
- by a designated transferor to file all of the completed forms for each transferor, together with a list of all of the electing transferors. This list should contain the name, address and social insurance number, trust account number or business number of each transferor.

Find the address of the transferor's and transferee's tax centre at canada.ca/tax-centres.

Taxpayer's name (transferor)	Social insurance, trust account or business number																
Address	Postal code																
Tax year of the taxpayer <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Start</td> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td style="text-align: center;">End</td> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> </tr> <tr> <td style="border: none;"> </td><td style="border: none;"> </td> </tr> </table>	Start	Year	Month	Day	End	Year	Month	Day									Tax services office
Start	Year	Month	Day	End	Year	Month	Day										

Name of co-owner(s), if any (if more than one, attach schedule giving similar details)	Social insurance number
Address	Postal code
	Tax services office

Corporation's name (transferee)	Business number																
Address	Postal code																
Tax year of the corporation <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Start</td> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td style="text-align: center;">End</td> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> </tr> <tr> <td style="border: none;"> </td><td style="border: none;"> </td> </tr> </table>	Start	Year	Month	Day	End	Year	Month	Day									Tax services office
Start	Year	Month	Day	End	Year	Month	Day										
Name of the contact person	Telephone number																

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. You can file Form T2057 within three years after its due date if you pay an estimate of the penalty at the time of filing. You can also amend or file Form T2057 after the three-year period, but, in addition to the payment of an estimated penalty amount, you must attach a written explanation justifying the changes or reasons for the delay for consideration by the minister.

Calculation of late-filing penalty:

Fair market value (FMV) of property transferred	_____
Agreed amount	_____
Subtotal (FMV minus agreed amount)	_____ A
Amount A _____ × ¼ × 1% × N * _____ =	_____ B
\$100 × N * _____ =	_____ C
Amount C cannot exceed \$8,000.	
Late-filing penalty (amount B or amount C, whichever is less)	_____
Amount enclosed	_____

Do not use this area

Make your cheque or money order payable to the Receiver General. On the back, write T2057, the transferor's name, and their social insurance, trust account or business number.

Unpaid amounts including late-filing penalties are subject to daily compound interest at a prescribed rate.

* N is the sum of each month or each part of a month in the period from the filing due date to the actual date filed.

Information required

On the following page, list, describe, and state the fair market value (FMV) of transferred properties. The description and FMV of the consideration received has to be shown opposite of the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If there is not enough space on the form, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. The following material may be prepared in order to complete the form: a summary of the method of evaluating the FMV of each property transferred; schedules supporting this election; and documentation relating to the responses to the questions below. This material does not need to be filed with the election but must be kept in case we ask to see them at a later date.

1. Is there a written agreement relating to this transfer? Yes No
2. Does a price adjustment clause apply to any of the properties? (See Income Tax Folio S4-F3-C1 for details.) Yes No
3. Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? Yes No
4. Does a non-arm's length rollover exist between 2 or more corporations? Yes No
 If **yes** to question 4, have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? Yes No
5. Is the taxpayer a non-resident of Canada? Yes No
6. Are any of the properties transferred capital properties? Yes No
 If **yes**, a) have they been owned continuously since Valuation Day (V-Day is defined in section 24 of the *Income Tax Applications Rules*)? Yes No
 b) have they been acquired after V-Day in a transaction considered not to be at arm's length? Yes No
 c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If **yes**, attach a schedule, provide details of amounts and dates received.) Yes No
7. Is the agreed amount of any of the transferred properties based on an estimate of FMV on V-Day? Yes No
 If **yes** to question 7, does a formal documented V-Day value report exist? Yes No
8. Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer? Yes No

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Corporation's name	
Business number	Paid-up capital of shares transferred
R C	

Description of shares received

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares redeemable at the holder's option?
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular IC76-19, Interpretation Bulletins IT-291 and IT-378 and Income Tax Folio S4-F3-C1.
- Complete all the information areas and answer all questions. If this form is incomplete, we may consider the election invalid and a late-filing penalty may apply to future submissions.
- If the agreed amount is more than the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

Election and certification

The taxpayer **and** the corporation jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election and in any attached documents is correct and complete.

Signature of Transferor, Authorized Officer or Authorized Person* **and** _____
Signature of Authorized Officer of Transferee

* Attach a copy of the authorizing agreement.

Date (yyyy-mm-dd)

Information on the eligible property disposed of and consideration received

Protected B when completed

	Date of sale or transfer of all properties listed below:			Year			Month			Day			Note: For properties sold or transferred on different dates, use a separate Form T2057.				
	Property disposed of										Consideration received						
	Description		Elected amount limits (see note 1)		B Agreed amount (cannot be zero)	Amount to be reported B – A (if greater than 0, see note 5)	Non-share		Share		Fair market value of total consideration						
		Fair market value	A	Description			Number and class										
Capital property excluding depreciable property	(brief legal)		(see note 2)														
Depreciable property	(description and prescribed class)		(see note 3)														
Eligible capital property	(kind)		(see note 4)														
Inventory excluding real property	(kind)		(cost amount)														
Resource property	(brief legal)		nil														
Security or debt obligation property	(description)		(cost amount)														
Specified Debt Obligation (for financial institutions only)			(cost amount)														
Capital property that is real property owned by a non-resident person	(description)																
AgrilInvest fund no. 2 (see note 6)			(cost amount)														

- Note 1: Read Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.
- Note 2: Adjusted cost base (subject to adjustment under section 53).
- Note 3: The lesser of undepreciated capital cost of all property of the class and the cost of the property.
- Note 4: The lesser of 4/3 of the cumulative eligible capital and the cost of the property.
- Note 5: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion of the amount may have to be reported as income.
- Note 6: Contributions made in a tax year ending after 2007, and amounts earned on those contributions, are only eligible if that property is owned by an individual.

Privacy statement

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source at canada.ca/cra-info-source, Personal Information Bank CRA PPU 047.