

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 15, 2020**

**001-37404**  
(Commission File Number)

**DAVIDsTEA**

**DAVIDsTEA Inc.**

(Exact name of registrant as specified in its charter)

**Canada**

(State or other jurisdiction of incorporation)

**98-1048842**

(I.R.S. Employer Identification Number)

**5430 Ferrier,**

**Town of Mount-Royal, Québec, Canada**

(Address of principal executive offices)

**H4P 1M2**

(Zip Code)

**(888) 873-0006**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, no par value per share	DTEA	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 1.03 Bankruptcy or Receivership.**

On December 15, 2020, the Québec Superior Court (the "Canadian Court") issued an order (the "Order") in the proceedings of DAVIDsTEA Inc. (the "Company"), a corporation incorporated under the *Canada Business Corporations Act*, and its wholly-owned subsidiary, DAVIDsTEA (USA), Inc. under the *Companies' Creditors Arrangement Act* (Canada). The Order, among other things, extended to March 19, 2021 the stay of proceedings and application of the first day initial order issued by the Canadian Court on July 8, 2020, approved a Key Employee Retention Plan and addressed certain administrative matters.

## Item 2.02 Results of Operations and Financial Condition

On December 15, 2020, the Company issued a press release announcing its financial results for the three and nine-month periods ended October 31, 2020.

A copy of the press release related to this announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference to this Item 2.02. The information contained in this Item, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for any purpose, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, regardless of any general incorporation language in any such filing.

## Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On December 15, 2020, the Company issued a press release announcing that effective December 16, 2020, Herschel Segal resigned as interim Chief Executive Officer, but will remain Chairman of the Board of Directors. During the period commencing on December 16, 2020, Mr. Segal will serve as the Company’s Strategic Advisor, as set forth in an Employment Agreement effective as of December 16, 2020. Mr. Segal’s base annual compensation will be CAD \$150,000. He will be eligible for approved business expenses and special discretionary travel and expense reimbursements. The foregoing description of the Mr. Segal’s Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the agreement, a copy of which is attached hereto as Exhibit 10.1, and hereby incorporated by reference herein.

The Company also announced that Frank Zitella was appointed as President effective as of December 16, 2020. Mr. Zitella, 55, joined the Company on December 10, 2018 as Chief Financial Officer and Corporate Secretary and on April 26, 2019 assumed responsibilities as the Company’s Chief Operating Officer. Mr. Zitella has close to 30 years of finance, strategic planning and corporate tax planning experience and served for over eleven years as the Vice President and Chief Financial Officer of DST Health Solutions, LLC, a subsidiary of SS&C Technologies Holdings, Inc. (Nasdaq: SSNC), and for over eight years as the Chief Financial Officer of International Financial Data Services, a joint venture between State Street Bank and SS&C Technologies Holdings, Inc. Mr. Zitella received his Bachelor of Commerce degree from Concordia University, Montreal, Québec and his Graduate Diploma in Public Accountancy from McGill University, Montreal, Québec. Mr. Zitella is a resident of Québec, Canada.

The Company also announced that Sarah Segal was appointed as Chief Executive Officer effective as of December 16, 2020. Ms. Segal, 36, served as the President and Head of Product Development and Tea Department for the Company from December 2010 to September 2012. Since May 2013, Ms. Segal has served as the CEO of the retail company Oink Oink Candy Inc. (“SQUISH Candies”), based in Montreal, Québec. In 2017, Ms. Segal was appointed VP, Product Development & Innovation at the Company and August 21, 2018 was appointed Chief Brand Officer. Ms. Segal received a Bachelor of Arts degree in Environmental Health from McGill University, Montreal, Québec, and an M.Sc. degree in Water Science, Policy and Management from Oxford University, Oxford, England. Ms. Segal is a resident of Québec, Canada. Ms. Segal is the daughter of Herschel Segal, Chairman of the Board of Directors of the Company and the owner of Rainy Day Investments Ltd. (“RDI”), which controls approximately 46% of the outstanding shares of the Company.

During the second quarter of 2019, the Company entered into a secured loan agreement, as amended September 13, 2019 with Squish Candies, as borrower, and RDI, as guarantor pursuant to which the Company agreed to lend to Squish an up to \$2.0 million. During the first quarter of 2020, the loan was fully repaid.

The Company has entered into new Executive Employment Agreements (each an “Executive Employment Agreement”) with Mr. Zitella and Ms. Segal (each an “Executive”) dated December 16, 2020, pursuant to which Mr. Zitella’s base annual compensation will be CAD \$425,000 and Ms. Segal’s base annual compensation will be CAD \$450,000 (each, that Executive’s “Base Salary”). Each Executive will receive a CAD \$7,200 annual transportation allowance. Commencing with the Company’s fiscal year ending January 2022, each Executive will be eligible for a short-term cash incentive bonus of up to 100% of the Executive’s Base Salary, non-cash incentive bonus of up to 50% of the Executive’s Base Salary, and will be eligible for a long-term incentive award of up to 30% of the Executive’s Base Salary pursuant to the Company’s Long-Term Incentive Award Program. Short-term incentive bonuses are based on achieving performance objectives established by the Human Resources and Compensation Committee of the Board of Directors (“HRCC”) in respect of each applicable fiscal year. The structure of long-term incentive awards are determined by the HRCC, and to the extent awards include performance measures, such performance measures will be determined by the HRCC in consultation with the Executive. Each Executive’s Executive Employment Agreement is also be subject to the following terms and any term not defined in the below description shall have the meaning ascribed to in the respective Executive’s Employment Agreement:

### *Termination for Cause*

Upon termination for Cause the Executive shall only be entitled to (i) earned but unpaid Base Salary, (ii) unpaid business expense reimbursement and (iii) an amount payable for accrued but unused vacation days.

### *Voluntary Resignation*

Upon voluntary resignation, the Executive is entitled to payment of the (i) earned but unpaid Base Salary, (ii) unpaid business expense reimbursement, (iii) an amount payable for accrued but unused vacation days, (iv) the payment of any awarded but unpaid bonus for the year preceding the year during which the resignation occurs and (v) is also eligible for a prorated portion of any bonus that becomes payable for that fiscal year, as determined by the HRCC at the end of that fiscal year (collectively, the “Termination Payments”).

### *Termination Without Cause*

If the Executive’s employment is terminated by the Company without Cause or the Executive resigns for Good Reason, the Executive will be entitled to the Termination Payments. In addition, any stock options, RSUs, stock units or other long-term incentive grants held by the Executive will be deemed vested on the date of termination. If the Executive remains a full-time employee of the Company for a period of six months following a Change of

Control of the Company, the Executive shall be entitled to the Termination Payments and acceleration applicable in the event of termination without Cause or for Good Reason.

In addition, if Ms. Segal has less than eighteen complete years of service with the Company as of the date the termination notice is given, payment of an indemnity in lieu of notice equal to eighteen months of her Base Salary will be awarded, plus an amount equal to the performance based bonus at Target. If Ms. Segal has more than eighteen complete years of service with the Company as of the date the termination notice is given, payment of an indemnity in lieu of notice equal to twenty-four months of her Base Salary will be awarded, plus an amount equal to two times the performance based bonus at Target.

In addition, if Mr. Zitella has less than ten complete years of service with the Company as of the date the termination notice is given, payment of an indemnity in lieu of notice equal to twelve months of his Base Salary will be awarded, plus an amount equal to the performance based bonus at Target. If Mr. Zitella has more than ten complete years and less than eighteen years of service with the Company as of the date the termination notice is given, payment of an indemnity in lieu of notice equal to eighteen months of his Base Salary will be awarded, plus an amount equal to one and a half times the performance based bonus at Target. If Mr. Zitella has more than eighteen complete years of service with the Company as of the date the termination notice is given, payment of an indemnity in lieu of notice equal to twenty-four months of his Base Salary will be awarded, plus an amount equal to two times the performance based bonus at Target.

The foregoing descriptions of each of Executive's Employment Agreement does not purport to be complete and each description is qualified in its entirety by reference to the full text of the respective Executive Employment Agreement, copies of which are attached hereto as Exhibits 10.2 and 10.3 and hereby incorporated by reference herein.

#### **Item 7.01 Regulation FD Disclosure.**

On December 15, 2020, the Company issued a press release announcing the Canadian Court issued the Order.

A copy of the press release related to this announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference to this Item 7.01. The information contained in this Item, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for any purpose, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, regardless of any general incorporation language in any such filing.

#### **Cautionary Forward-Looking Statements**

*This Current Report on Form 8-K includes statements that express our opinions, expectations, beliefs, plans or assumptions regarding future events or future results and there are, or may be deemed to be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "expects", "may", "will", "should", "approximately", "intends", "plans", "estimates" or "anticipates" or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our restructuring process, the COVID-19 pandemic, our strategy of transitioning to e-commerce and wholesale sales, future sales through our e-commerce and wholesale channels, the closing of certain of our retail stores, future lease liabilities, our results of operations, financial condition, liquidity and prospects, the impact of the COVID-19 pandemic on the global macroeconomic environment, and our ability to avoid the delisting of the Company's common stock by Nasdaq due to the restructuring or our inability to maintain compliance with Nasdaq listing requirements.*

*While we believe these opinions and expectations are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including the risk factors set forth in our annual report on Form 10-K for the fiscal year ended February 1, 2020, filed with the SEC on June 16, 2020, in our Form 10-Q for the three-month period ended May 2, 2020 filed with the United States Securities and Exchange Commission on July 31, 2020, and in our Form 10-Q for the three-month period ended August 1, 2020 filed with the United States Securities and Exchange Commission on September 21, 2020.*

*These statements are based upon information available to us as of the date of this Current Report on Form 8-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially-available relevant information. In light of these risks, uncertainties and assumptions, investors are cautioned not to unduly rely upon these statements.*

*Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this Current Report on Form 8-K, whether as a result of new information, future events or otherwise.*

#### **Item 9.01 Financial Statements and Exhibits**

##### **(d) Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.1</a>	<a href="#">Employment Agreement effective as of December 16, 2020, between DAVIDsTEA Inc. and Herschel Segal</a>
<a href="#">10.2</a>	<a href="#">Executive Employment Agreement effective as of December 16, 2020, between DAVIDsTEA Inc. and Frank Zitella</a>
<a href="#">10.3</a>	<a href="#">Executive Employment Agreement effective as of December 16, 2020, between DAVIDsTEA Inc. and Sarah Segal</a>
<a href="#">99.1</a>	<a href="#">Press Release, dated December 15, 2020</a>

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**DAVIDsTEA INC.**

Date: December 21, 2020

By: /s/ Frank Zitella

Name: Frank Zitella

Title: President, and Chief Financial and Operating Officer

## EMPLOYMENT AGREEMENT

## BETWEEN:

DAVIDsTEA INC., having a place of business at 5430 rue Ferrier, Town of Mount Royal, Quebec H4P 1M2, Canada;

(the “Corporation”)

- and -

Herschel Segal, residing in the City of Westmount, Québec, Canada;

(the “Employee”)

(collectively, the “Parties”)

WHEREAS the Corporation wishes to employ the Employee on the terms set forth in this Agreement;

AND WHEREAS the Employee wishes to be so employed by the Corporation;

NOW THEREFORE for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

**ARTICLE 1  
POSITION AND START DATE**

**1.1 Start Date and Term**

(a) This Agreement shall be effective commencing on December 16, 2020 (the “**Start Date**”) and will terminate one year following such date, known as the “**Term**”, subject to earlier termination of this Agreement as set out below.

(b) Following the end of the Term, this Agreement will renew automatically under the same terms and conditions unless prior written notice of non-renewal of the Agreement is provided by either party no less than thirty (30) days prior to the end of the Term.

**1.2 Title and Position**

(a) The Corporation shall employ the Employee as its Strategic Advisor.

(b) The Employee shall report to, and be subject to the control and direction of the President and Chief Operating Officer of the Corporation.

(c) The Employee’s duties and responsibilities shall include, in addition to those inherent to the Employee’s title and normally pertaining to such title, those compatible with the Employee’s position and which the President and Chief Operating Officer may delegate to him from time to time.

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**ARTICLE 2  
COMPENSATION AND BENEFITS**

**2.1 Base Salary**

The annual base salary of the Employee shall be one hundred and fifty thousand dollars (CAD \$150,000) (the “**Base Salary**”), which includes the annual vacation pay amount, and payable in accordance with the Corporation’s normal payroll practices, less applicable deductions.

**2.2 Approved Business Expenses and Special Discretionary Travel and Expense Reimbursement**

The Corporation shall reimburse the Employee for all approved expenses incurred by the Employee in the performance of his duties under this Agreement, upon presentation of supporting receipts or vouchers.

**2.3 Benefit Plans**

Upon the Start Date, the Employee shall be eligible to participate in the Corporation’s group insurance benefits programs generally made available to the Corporation’s full-time employees, the whole in accordance with the terms and conditions set forth in the programs or plans that the Corporation may institute or amend from time to time.

**2.4 No Other Benefits**

The Employee is not entitled to any other benefit or perquisite other than as specifically set out in this Agreement or as agreed to in writing with the Corporation.

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**ARTICLE 3  
TERMINATION**

**3.1** Notwithstanding any other provision of this Agreement, either Party may terminate this Agreement at any time by giving ten (10) days' written notice to the other Party, in which case, the Corporation shall have no obligations to the Employee following the termination date except for payment of the Base Salary and reimbursement of business expenses, subject to Section 2.2, up until the Employee's last working day.

**ARTICLE 4  
GENERAL CONTRACT PROVISIONS**

**4.1** This Agreement constitutes the entire agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral relating to the Employee's employment with the Corporation.

**4.2** This Agreement shall be construed, interpreted and enforced in accordance with the laws of the Province of Quebec and any federal Laws of Canada.

**4.3** If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, such enforceability or invalidity shall not affect the enforceability or validity of the remaining provisions of this Agreement and such provision shall be severable from the remainder of this Agreement.

**4.4** This Agreement and all related documents were drafted in English further to parties' request. *Le présent contrat et tous les documents lui étant reliés ont été rédigés en anglais à la demande expresse des parties.*

**IN WITNESS WHEREOF** the parties have duly executed this Agreement.

**DAVIDsTEA INC.**

per: /s/ Susan L. Burkman

per: /s/ Emilia Di Raddo

/s/ HERSCHEL SEGAL  
**HERSCHEL SEGAL**

## EXECUTIVE EMPLOYMENT AGREEMENT

## BETWEEN:

DAVIDsTEA INC., having a place of business at 5430 rue Ferrier, Town of Mount Royal, Quebec H4P 1M2, Canada;

(the "Corporation" or "DTI");

-and-

Frank Zitella, residing in the City of Montreal, Quebec, Canada;

(the "Executive")

WHEREAS the Corporation wishes to employ the Executive on the terms set forth in this Agreement;

AND WHEREAS the Executive wishes to be so employed by the Corporation;

NOW THEREFORE for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

For the purposes of this Agreement, the following definitions shall apply unless the context or subject matter is inconsistent therewith:

- (a) "**Actively Employed**" means the Executive actively performing his duties continuously and without interruption. For greater certainty, the Executive shall be deemed to be not actively performing his duties continuously and without interruption during any period of leave that exceeds 30 days for any reason whatsoever (except any period of leave for annual vacation), and any period following the Employment End Date;
- (b) "**Agreement**" means this executive employment agreement, as amended, supplemented or modified by express written agreement of the parties from time to time;
- (c) "**Basic Payments**" means an amount equal to the aggregate of the Executive's (i) earned but unpaid Base Salary; (ii) unpaid business expense reimbursement; and (iii) an amount payable for accrued but unused vacation days;
- (d) "**Board**" means the board of directors of DTI, as constituted from time to time;

(e) "**Business**" means the activities undertaken by the Corporation as they exist at the date hereof, as they will exist at the Termination Date and the activities that Corporation will be actively developing at the time of the Termination Date. Without limiting the generality of the foregoing, the Business of the Corporation as of the date hereof includes the sale and distribution of tea, including but not limited to, loose leaf teas, teas or tea-based beverages, and the sale and distribution of products related thereto;

(f) "**Business Day**" means any day other than a Saturday, Sunday or any other day on which principal commercial banks are not open for business in Montreal, Quebec;

(g) "**Cause**" means:

- (i) fraud, misappropriation, embezzlement or destruction of property belonging to the Corporation or other similar behaviour by the Executive;
- (ii) violation by the Executive of applicable securities legislation or stock exchange rules;
- (iii) any neglect of duty or misconduct of the Executive in discharging any of the Executive's duties and responsibilities hereunder that is not cured within ten (10) Business Days of written notification thereof to the Executive by the Corporation;
- (iv) any conduct of the Executive which is prejudicial to the business of the Corporation;
- (v) any failure of, or refusal by the Executive to comply with the established policies, rules and regulations of the Corporation, that is not cured by the Executive within ten (10) Business Days of written notification thereof to the Executive by the Corporation;
- (vi) any breach of any statutory or civil law duty of loyalty to the Corporation;
- (vii) conviction of a crime (other than traffic violations and minor misdemeanors);
- (viii) inability of the Executive to perform his duties due to a legal impediment such as an injunction, restraining order or other type of judicial judgment, decree or order entered against the Executive; or

(ix) any other act or omission of the Executive which would in law permit an employer to without notice or payment in lieu of notice, terminate the employment of an employee;

(h) "**Change of Control**" means an event whereby (i) any Person, or group of Persons acting together, who is not, as of September 1, 2020, a beneficial owner, either directly or indirectly, of ten percent (10%) or more of the issued and outstanding common shares in the share capital of the Corporation, and who is at arm's length from both Herschel Segal and Rainy Day Investments Ltd., becomes the beneficial owner, directly or indirectly, of more than forty-six percent (46%) of either the issued and outstanding common shares in the share capital of the Corporation or the combined voting power of the Corporation's then outstanding voting securities entitled to vote generally; or (ii) the Corporation undergoes a sale of all or substantially all of its assets in an arm's-length transaction with an unrelated third party;

(i) "**Corporation**" means DTI and its subsidiaries, including without limitation DT USA;

(j) "**Confidential Information**" means all information in whatever form (oral, written, machine readable or otherwise) pertaining to the Corporation, the Business, customers, prospective customers, suppliers, brokers, or distributors and which has independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by other Persons. Some examples are any such information related to:

(i) special needs and characteristics of customers, prospective customers and suppliers of the Corporation (such as data concerning actual or projected customer requirements, preferences, market needs or habits, standards, specifications and methods of operation) and information about key personnel;

(ii) retail store expansion plans;

(iii) computer programs and controls;

(iv) existing and new or envisioned products, formulas, recipes, devices and production methods, processes and techniques;

(v) scientific studies and analysis, research and development projects and clinical and other test data;

(vi) sales, pricing, cost and other such financial data and projections;

(vii) marketing, promotional and advertising studies, programs and strategies; and

(viii) Intellectual Property Rights;

(k) "**Clients**" means any and all Persons, including clients (other than retail customers) and distributors, having purchased the Corporation's goods in connection with the Business at any time during the two (2) years preceding the Termination Date;

(l) "**DT USA**" means DAVIDsTEA (USA) Inc.;

(m) "**Employment End Date**" means, as the case may be; (i) the date on which the Corporation provides notice of termination of employment to the Executive; (ii) the date on which the Executive provides a notice of termination of employment to the Corporation; or (iii) the date of the Executive's death;

(n) "**HRCC**" means the Human Resources and Compensation Committee of the Board;

(o) "**Incapacity**" means any medical condition whatsoever (including physical or mental illness) which leads to the Executive's absence from his job function for a continuous period of three (3) months without the Executive being able to resume functions on a full-time basis at the expiration of such period and which, in light of the position held by the Executive, the parties agree would cause undue hardship to the Corporation; and unsuccessful attempts to return to work for periods of less than fifteen (15) days shall not interrupt the calculation of such three (3) month period;

(p) "**Intellectual Property Rights**" shall mean all registered and unregistered intellectual property rights including, without limiting the generality of the foregoing:

(i) rights to any inventions, whether patentable or not patentable, patents, trademarks, trade names, copyright, designs, industrial designs, trade secrets, integrated circuit and topographies; and

(ii) all domestic continuations, thereof; and foreign registrations, applications, continuations-in-part, re-examinations and divisions, renewals

(q) "**Person**" means an individual, partnership, unincorporated association, organization, syndicate, corporation, trustee, executor, administrator or other legal or personal representative;

(n) "**Supplier**" means any and all Persons having supplied the Corporation with goods or services in connection with the Business at any time during the two years preceding the Termination Date;

(o) "**Termination Date**" means the Employment End Date or, if the Executive continues in the employ of the Corporation after the Employment End Date, at the request of the Board and upon agreement by the Executive, on a full-time or part-time basis, the Termination Date shall be the Executive's last day of employment;

(p) "**Territory**" means Canada and the United States; and

(q) "**Works**" means all discoveries, inventions, improvements, innovations, processes, topographies, codes, software, know how, recipes, technology, formulas, drawings, specifications for products, materials and equipment, process development and ideas including all related documentation on whatever support it is, of which the Executive is solely or jointly, in whole or in part, an inventor, discoverer author, creator, conceiver or originator.

## ARTICLE 2 POSITION AND START DATE

### 2.1 Start Date and Term

(a) This Agreement shall be effective commencing on December 16, 2020 (the "**Start Date**"), notwithstanding the date of signature of this Agreement, and shall continue for an indeterminate period, subject to the termination provisions provided herein.

### 2.2 Title and Position

(a) The Corporation shall employ the Executive as its President, Chief Operating Officer ("COO") and Chief Financial Officer ("CFO").

(b) The Executive recognizes and agrees that the Corporation will appoint a new principal financial officer as soon as reasonably practicable. Following such appointment, the Executive hereby agrees to resign from the position of CFO when requested by the board of directors and agrees that such resignation shall not constitute a constructive dismissal by the Corporation.

(c) The Executive shall report to, and be subject to the control and direction of the Chief Executive Officer ("CEO") of the Corporation.

(d) The Executive's duties and responsibilities shall include, in addition to those inherent to the Executive's title and normally pertaining to such title, those compatible with the Executive's position and which the Chief Executive Officer may delegate to him from time to time.

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### 2.3 Full and Faithful Service

(a) During his employment with the Corporation, and except as otherwise contemplated herein, the Executive undertakes to act with diligence, loyalty and honesty, to devote his full business time, attention and skills as a full-time employee of the Corporation, to faithfully serve the Corporation and to use his best efforts to promote the interest thereof, and he shall not, on his own behalf or on behalf of any other Person, whether directly or indirectly, alone, through or in connection with any Person, undertake the pursuit of, or engage in, any employment or business other than his employment under this Agreement, regardless of whether such activity is to gain profit or not.

(b) The Executive shall comply with all applicable rules and policies of the Corporation, which may be amended or replaced from time to time at the Corporation's sole discretion.

### 2.4 Place of Employment

(a) The Executive shall work from the Corporation's head office in Montreal, Quebec. Notwithstanding the foregoing, it is hereby agreed and understood that the Executive shall travel from time to time to such locations as may be necessary or desirable in connection with his duties hereunder.

### 2.5 Work Permit

(a) If a work permit is required for the Executive to enter the territory of the United States for the purposes of discharging his duties as provided herein, such permit shall be obtained by the Executive, with the Corporation's support and at the Corporation's cost. The Executive hereby represents that he has no reason to believe that he will be denied a work permit to enter the territory of the United States, if necessary.

## ARTICLE 3 COMPENSATION AND BENEFITS

### 3.1 Base Salary

(a) The annual base salary of the Executive shall be four hundred twenty-five thousand dollars (CAD \$425,000) (the "**Base Salary**"), payable in accordance with the Corporation's normal payroll practices, less applicable deductions.

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### 3.2 Short-Term Incentive Plan

(a) Commencing with the fiscal year ending January 2022, for each fiscal year of the Corporation, the Executive shall be eligible to receive an annual cash performance bonus with a target amount representing 60.0% of the Executive's Base Salary (the "**Target Bonus**"), during each respective fiscal year. Subject to paragraph (c) below, the Target Bonus shall be payable to the Executive in the event that the HRCC determines, at its sole discretion, that the Executive has achieved performance objectives established by the HRCC in respect of the applicable fiscal year. The Executive's annual cash performance bonus may exceed the Target Bonus and be up to 100% of the Executive's Base Salary in the event that the HRCC determines, in its sole discretion, that the Executive has significantly exceeded the performance objectives determined by the HRCC for the applicable fiscal year.

(b) Commencing with the fiscal year ending January 2022, for each fiscal year of the Corporation, the Executive shall be eligible to receive an equity based performance bonus with a target amount representing 30.0% of the Executive's Base Salary (the "**Target Bonus**"), during each respective fiscal year. Subject to paragraph (c) below, the Target Bonus shall be payable to the Executive in the event that the HRCC determines, at its sole discretion, that the Executive has achieved performance objectives established by the HRCC in respect of the applicable fiscal year. The Executive's annual equity based performance bonus may exceed the Target Bonus and be up to 50% of the Executive's Base Salary in the event that the HRCC determines, in its sole discretion, that the Executive has significantly exceeded the performance objectives determined by the HRCC for the applicable fiscal year.

(c) The Executive hereby agrees that the bonus referred to in Section 3.2 (a) shall be payable provided the Executive is Actively Employed as the President and COO of the Corporation for the fiscal year to which the bonus relates.

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### 3.3 Long-Term Incentive Plan

(a) The Executive will be eligible to participate in the Corporation's Long-Term Incentive Award Program under the LTIP in a manner consistent with other senior executive officers of the Corporation and commensurate with the Executive's position, beginning with the fiscal year ending January 2022. Long-Term Incentive Awards are determined each fiscal year, typically in the first quarter. The Executive's annual Long-Term Incentive Award will have a grant date fair value of thirty percent (30%) of his then-current base salary, and vest 25% at the first anniversary, 25% at the second anniversary and 50% at the third anniversary. The parties acknowledge that past awards have consisted of restricted stock units.

### 3.4 Vacation

(a) The Executive shall be entitled to five (5) weeks of paid vacation per calendar year, to be taken at such times and intervals as shall be mutually agreed upon between the Executive and the CEO. The Executive shall be entitled to carry forward unused vacation days to the following calendar years.

### 3.5 Approved Business Expenses, Special Discretionary Travel and Expense Reimbursement and Transportation Allowance

(a) The Corporation shall reimburse the Executive for all approved expenses incurred by the Executive in the performance of his duties under this Agreement, upon presentation of supporting receipts or vouchers.

(b) The Executive shall be entitled to an annual allowance of \$7,200 to cover transportation related expenses. This transportation allowance will be paid to in twelve equal monthly installments on the first payroll of each month, less applicable deductions and withholdings.

### 3.6 Benefit Plans and D&O Liability Insurance

(a) Upon the Start Date, the Executive shall be eligible to participate in the Corporation's group insurance benefits programs generally made available to the Corporation's full-time employees, the whole in accordance with the terms and conditions set forth in the programs or plans that the Corporation may institute or amend from time to time.

(b) The Executive shall be eligible to participate in the Corporation's group RRSP, subject to legislative limits and, subject to the terms and conditions of the applicable plan; it being understood that the Corporation shall not match the Executive's contributions.

(c) The Executive shall be provided with directors' and officers' liability insurance on the same basis as is provided to all executive officers and members of the Board. Such insurance shall be effective as of the Executive's Start Date.

### 3.7 No Other Benefits

(a) The Executive is not entitled to any other benefit or perquisite other than as specifically set out in this Agreement or as agreed to in writing with the Corporation.

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## ARTICLE 4 CONFIDENTIALITY

### 4.1 Confidentiality

(a) Any document or work composed, created, assembled or produced by the Executive or the Corporation and containing Confidential Information (including, without limitation, all notes, extracts, text or references from which any Confidential Information can be implicitly or otherwise revealed or understood) shall be deemed to be Confidential Information within the meaning of this Agreement and shall be treated as such.

(b) Confidential Information and all embodiments thereof (including any reproduction) shall remain the sole property of the Corporation and shall be returned to the Corporation immediately upon request to this effect or immediately after the Termination Date.

(c) The Executive hereby agrees not to use, divulge, diffuse, sell, transfer, give, publish, circulate or otherwise distribute to any Person or otherwise make public, any Confidential Information.

(d) Notwithstanding Section (c) above, the Executive shall have the right to use Confidential Information as required in the performance of his duties, provided that he shall at all times take necessary, useful and desirable measures to prevent the unauthorized use or disclosure of Confidential Information.

(e) Except when required in the performance of his duties, under no circumstances shall the Executive reproduce any Confidential Information without the prior written consent of the Board. All reproductions of Confidential Information shall be governed by this Agreement and shall be treated as Confidential Information hereunder.

(f) Anything to the contrary herein notwithstanding, disclosure of Confidential Information shall not be precluded if such disclosure is in response to a valid order of a governmental body or is otherwise required by law; provided however that the Executive shall, if reasonably possible, first have given notice thereof to the Corporation and shall have, as reasonably as possible, fully cooperated in the Corporation's attempt if any, to obtain a "protective order" from the appropriate tribunal or governmental body.

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## ARTICLE 5 WORKS

### 5.1 Works

(a) In consideration of the Base Salary that the Executive receives from the Corporation, all Works (including all data and records pertaining thereto) that the Executive may invent, discover, author originate, create or conceive, whether individually or with others, during his employment with the Corporation and all Intellectual Property Rights relating thereto shall be the sole and exclusive property of the Corporation.

(b) With respect to Works invented, discovered, authored, originated, created or conceived by him during his employment with the Corporation for any reason, the Executive shall perform the following:

(i) promptly disclose and describe such Works in writing to the Corporation;

(ii) assign (and the Executive does hereby assign) to the Corporation or such Person designated by the Corporation, without further compensation (but at the Corporation's expense), upon request and in the manner prescribed by the Corporation, all his rights, title and interest in and to said Works and Intellectual Property Rights related thereto throughout the world and waive (and the Executive does hereby waive) any and all other rights that are non-assignable, including but not limited to moral rights in all Works or any non-economic rights;

(iii) deliver promptly to the Corporation, upon request and in the form and manner prescribed by the Corporation (without charge to the Corporation but at the Corporation's expense), all written instruments and documentation relating to said Works and Intellectual Property Rights and do such acts as deemed necessary by the Corporation to obtain, maintain and to transfer all rights and title thereto to the Corporation; and

(iv) give all assistance that may be required by the Corporation or the Person designated by the Corporation pursuant to subsection (b) to enable it to protect or exploit the Works and Intellectual Property Rights relating thereto in any country of the world.

(c) The Executive agrees that all Works that he invents, discovers, authors, creates, conceives or originates, alone and with others, will be original and will not to his knowledge infringe or violate any Intellectual Property Rights or confidential information of any of his former employers or of any other third party and will not constitute a breach of any of the Executive's contractual or legal obligations towards his former employers or any other third party.

## ARTICLE 6 OBLIGATION OF NON-COMPETITION

### 6.1 Obligation of Non-competition

(a) The Executive shall not, during his employment and for a period of twelve (12) months following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, carry on or be employed by, be engaged in, consult with or advise, permit his name to be used or employed by, own shares in the capital, lend money to or guarantee the debts of any business which is in competition with the Business in all or part of the Territory.

(b) The Executive shall not be in default under Section 6.1 by virtue of holding, strictly for portfolio purposes and as a passive investor, not more than 3% (including securities held by any Person acting jointly or in concert with the Executive) of the issued and outstanding shares of a corporation in competition with the Business, the shares of which are listed on a recognized stock exchange.

**ARTICLE 7**  
**OBLIGATION OF NON-SOLICITATION OF CLIENTS, SUPPLIERS AND NON- INTERFERENCE**

**7.1 Obligation of Non-solicitation of Clients, Suppliers and Non-interference**

(a) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, for any purpose which is in competition, in whole or in part, with the Business, solicit any Client, Supplier or tea broker, or procure or assist in the soliciting of any Client, Supplier or tea broker.

(b) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or in behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, for any purpose which is in competition, in all or in part, with the Business, accept or procure or assist in the acceptance of any business from any Client or supply or procure or assist the supply of any goods or services to any Client, in all or part of the Territory.

(c) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, interfere or attempt to interfere with the Business or persuade or attempt to persuade any Client or Supplier to discontinue or adversely alter such Person's relationship with the Corporation.

**ARTICLE 8**  
**OBLIGATION OF NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS**

**8.1 Obligation of Non-solicitation of Employees and Consultants**

(a) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, employ, offer employment to or solicit the employment or service of or otherwise entice away from the employment or service of the Corporation, any individual who is employed by the Corporation or any Person whose consulting services are retained by the Corporation at the time of the termination of the Executive's employment or who was employed by the Corporation or whose services were retained by the Corporation in the twelve (12) month period preceding the termination of the Executive's employment, whether or not such Person would commit any breach of his or her contract of employment or services agreement by reason of leaving the service of the Corporation.

The parties hereby agree that the foregoing shall not prohibit the Executive from placing an advertisement in publications of general circulation which are not targeted directly to or at the Corporation's employees and from employing any individual who has responded to such advertisement.

**ARTICLE 9**  
**ENFORCEMENT**

**9.1 Enforcement**

(a) The Executive acknowledges that the restrictions contained in Article 4, Article 5, Article 6, Article 7 and Article 8 of this Agreement, in view of the nature of the Business in which the Corporation is engaged, are reasonable and necessary in order to protect the legitimate interests of the Corporation and that any violation thereof would result in irreparable injuries to the Corporation and that damages alone would be an inadequate remedy for any violation of the aforementioned Articles. The Executive further acknowledges that in the event of a violation of any of these restrictions, the Corporation shall be entitled to obtain from any Court of competent jurisdiction temporary, interlocutory and permanent injunctive relief which rights shall be cumulative and in addition to any other rights or remedies to which the Corporation may be entitled.

(b) It is expressly agreed by the parties hereto that the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8 shall survive the termination of the Executive's employment.

**ARTICLE 10**  
**TERMINATION AND CHANGE OF CONTROL**

**10.1 Termination of Employment**

(a) The Executive's employment may be terminated by the Corporation at any time by written notice to the Executive, subject only to the termination entitlements provided in this Agreement.

## 10.2 Termination by the Corporation for Cause

- (a) The Corporation may immediately terminate the employment of the Executive at any time for Cause by written notice to the Executive.
- (b) If the Corporation terminates the employment of the Executive for Cause under this Section 10.2, the Corporation shall not be obligated to make any further payments under this Agreement, except for the Basic Payments up until the Termination Date.

## 10.3 Termination upon the Executive's Death or Incapacity

- (a) The Executive's employment shall immediately terminate upon the Executive's death or Incapacity, without notice or payment in lieu of notice or any indemnity whatsoever, except:
  - (i) the Basic Payments, payable (less applicable statutory deductions) within five (5) Business Days following the Termination Date; and
  - (ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within fifteen (15) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions;
  - (iii) Immediately upon the Executive's Death or Disability, the unvested portion of the issued and outstanding RSUs will immediately vest.
  - (iv) in each case payable to the Executive or, in the case of death, to his estate;

## 10.4 Termination by the Corporation Without Cause

- (a) Should the Executive's employment as President and Chief Operating Officer be terminated at any time by the Corporation without Cause, the Corporation shall provide the Executive with the following, subject to the Executive's execution of any and all documents requested by the Corporation to evidence the Executive's resignation as contemplated in Section 10.6(a), as well as a release and discharge agreement in favour of the Corporation in accordance with this Section 10.4 (b), in a form satisfactory to the Corporation (the "**Release**") no later than five (5) Business Days following the Termination Date and provided the Executive continues to fulfill his post-employment legal and contractual obligations:
  - (i) payment of the Basic Payments, payable (less applicable statutory deductions) within five (5) Business Days following the Termination Date;
  - (ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within five (5) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions;

(iii) if the Executive has less than ten (10) complete years of service with the Corporation as at the date on which a notice of termination is given pursuant to this Section 10.4(a), payment of an indemnity in lieu of notice equal to the twelve (12) months of the Executive's Base Salary plus an amount equal to the performance based bonus at 'Target', to be paid in a lump sum within five (5) business days following the Termination Date. If the Executive has more than ten (10) years of service with the Corporation and less than eighteen (18) complete years of service with the Corporation as at the date on which notice of termination is given pursuant to Section 10.4(a), the indemnity shall be equal to eighteen (18) months of the Executive's Base Salary plus an amount equal to 1.5 times the performance bonus at "Target", to be paid in a lump sum within five (5) business days following the Termination Date. If the Executive has at least eighteen (18) complete years of service with the Corporation as at the date on which a notice of termination is given, the indemnity shall be equal to twenty-four (24) months of the Executive's Base Salary plus an amount equal to two (2) times the performance bonus at "Target", to be paid in a lump sum within five (5) business days following the Termination Date.

(iv) Any stock options, RSUs, stock units or other long term incentive grants which are granted to the Executive prior to the Employment End Date, and which are unvested as of the Employment End Date, shall be deemed vested on the Termination Date, notwithstanding anything to the contrary in any applicable plan or award agreement;

(v) payment of any accrued and unused vacation pay.

(b) **Release.** The parties agree that the provisions of Section 10.4 are fair and reasonable and that the amounts payable by the Corporation to the Executive pursuant to Section 10.4 are reasonable estimates of the damages which will be suffered by the Executive in the event of the termination of her employment in the circumstances and shall not be construed as a penalty. The Executive acknowledges and agrees that the payments pursuant to Section 10.4 shall be in full satisfaction of all terms of termination of her employment.

## 10.5 Resignation by Executive

(a) The Executive shall provide the Corporation with thirty (30) days' advance written notice of the termination of his employment hereunder ("**Resignation Notice Period**") and, subject to the following, the Executive's employment shall terminate on the date specified in the notice. The Corporation may waive the Resignation Notice Period, in whole or in part, upon paying to the Executive those amounts that he would have received had he remained Actively Employed through the Resignation Notice Period and the Corporation shall have no further obligations hereunder in the event of such resignation of the Executive, except the following:

(i) payment of the Basic Payments, payable (less applicable statutory deductions) within five (5) Business Days following the Termination Date; and

(ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within five (5) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions.

(iii) subject to the conditions set out in Section 3.2 (a), payment of an amount equal to a prorated portion of the Bonus (if any) which becomes payable for the year during which the resignation by the Executive occurred, determined by the HRCC taking into account the final year end results for the applicable fiscal year and payable (if any) on a pro rata basis taking into account the number of days worked by the Executive in the applicable fiscal year up to the end of the Resignation Notice Period, and payable on the usual payout date of such Bonus, less applicable statutory deductions;

During the Resignation Notice Period, the Corporation may assign to the Executive any duties of a transitional nature which it deems appropriate.

(b) The Executive may resign for "Good Reason" in the following scenarios:

(i) *Changed Duties or Status*. The assignment to the Executive of any duties materially inconsistent with his status as President and Chief Operating Officer of the Corporation, it being understood that the Corporation is to undertake a search for a Chief Financial Officer of the Corporation, or a material diminution in the nature or status of his responsibilities as President and Chief Operating Officer;

(ii) *Reduced Compensation*. A reduction of ten percent (10%) or more by the Corporation in the Executive's base compensation or target bonus;

(iii) *Benefits and Perquisites*. The failure by the Corporation to continue to provide the Executive with benefits and perquisites substantially similar to those provided for in this Agreement or the taking by the Corporation of any action that would directly or indirectly materially reduce any such benefits or deprive the Executive of any material perquisite enjoyed by him, other than in the event that such modifications are also applied to other executives of the Corporation; or

(iv) *Relocation*. The Corporation's requiring the Executive to be based in a location which is more than twenty (20) kilometres from the Corporation's current executive head office in Town of Mount Royal, Quebec, provided that the Executive has not consented to such relocation.

(v) *New CEO*. Within a six (6) month period after the appointment of a CEO other than Sarah Segal, the Executive may resign for Good Reason at his discretion, and for clarity, be entitled to the termination benefits as set forth in Section 10.4.

In the event the Executive terminates his employment for Good Reason, the Executive shall receive the termination entitlements as set forth in Section 10.4.

## 10.6 Effect of Termination or Resignation

(a) Upon termination of his employment for any reason whatsoever (including for greater certainty, the Executive's resignation), the Executive shall thereupon be deemed to have immediately resigned from any position the Executive may have as an officer, director or employee of the Corporation together with any other office, position or directorship which the Executive may hold in the Corporation. In such event, the Executive shall, at the request of the Corporation, forthwith execute any and all documents appropriate to evidence such resignations. The Executive shall not be entitled to any payments in respect of such resignations in addition to those provided for herein.

(b) The Executive hereby undertakes to cooperate with the Corporation following the termination of his employment in all matters related to the conclusion of ongoing works or projects and to facilitate an orderly transfer of his responsibilities, functions and duties hereunder as may be required by the Corporation.

## 10.7 Return of Property

(a) Upon the termination of his employment with the Corporation, the Executive shall promptly deliver or cause to be delivered to the Corporation all books, documents (including all copies), money, securities or other property of the Corporation which are in the possession, charge, control or custody of the Executive.

## 10.8 No Further Entitlement upon Termination

(a) If the employment of the Executive is terminated, the Executive's employment with the Corporation shall cease and neither the Corporation nor any of its subsidiaries shall be obligated to make any payments to the Executive, other than as expressly provided for in this Article 10. The Executive recognizes and accepts that the Corporation shall not, in any case, be responsible for any additional amount, payment in lieu of notice, severance pay or other damages arising from the termination of his employment, except for those specifically provided for herein.

## 10.9 Change of Control

(a) Notwithstanding anything to the contrary herein, in the event of a Change of Control, the Executive shall receive the termination entitlements as set forth in Section 10.4, if the Executive remains in the full-time employ of the Corporation for a period of six (6) months following the Change of Control.

## **ARTICLE 11 REPRESENTATIONS AND WARRANTIES**

### **11.1 Representations and Warranties**

(a) The Executive hereby represents and warrants to the Corporation that he is not currently employed, and that he is not subject to any confidentiality, non- competition agreement or any other similar type of restriction that may affect his ability to devote full time and attention to his work at the Corporation. The Executive further represents and warrants that he has not used and will not use or disclose any trade secret or other proprietary right of any previous employer or any other party. In addition, the Executive represents that the Corporation does not owe him unpaid wages or compensation or any kind for services performed prior to the date of this Agreement.

(b) The Executive shall defend, indemnify and hold the Corporation and its subsidiaries harmless from any liability, expense or claim (including solicitors' fees incurred in respect thereof) by any Person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 11.1.

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## **ARTICLE 12 GENERAL CONTRACT PROVISIONS**

### **12.1 Privacy**

(a) The Executive acknowledges and agrees that the Corporation has the right to collect, use and disclose his personal information for purposes relating to his employment with the Corporation, including:

(i) ensuring that he is paid for his services to the Corporation and its subsidiaries;

(ii) administering any benefits to which he is or may become entitled, including bonuses, medical, dental, disability and life insurance benefits, pension, group RRSP and/or stock options. This shall include the disclosure of his personal information to any insurance company and/or broker or to any entity that manages or administers the Corporation's benefits on behalf of the Corporation;

(iii) compliance with any regulatory reporting and withholding requirements relating to his employment.

### **12.2 Governing Law and Jurisdiction**

(a) This Agreement shall be governed by and interpreted and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein. Any legal action or proceeding with respect with this Agreement shall be brought exclusively in the courts of the Province of Quebec sitting in the district of Montreal and, by execution and delivery of this Agreement, the Executive and the Corporation irrevocably consent to the jurisdiction of those courts.

### **12.3 Entire Agreement**

(a) This Agreement, together with the Corporation's 2015 Omnibus Equity Incentive Plan and the related award agreements and the other agreements to which the aforementioned agreements refer, constitute the entire agreement between the parties with respect to the matter herein and supersede all prior agreements relating to the subject matter hereof. The execution of this Agreement has not been induced by nor do any of the parties rely upon or regard as material, any representations, promises, agreements or statements whatsoever not incorporated herein and made a part hereof.

(b) This Agreement shall not be amended, altered or qualified except by a memorandum in writing signed by the parties. The Executive hereby agrees that the definition of "Territory" shall include any other jurisdiction within which the Corporation conducts business or has specific plans to conduct business at or prior to the Termination Date and the Executive shall agree, as necessary, to amend in writing the definition of Territory in order to reflect such geographical areas.

### **12.4 Independent Legal Advice**

(a) The Executive acknowledges that he has been afforded an opportunity to obtain independent legal advice with respect to this Agreement and that he understands the nature and the consequences of this Agreement.

### **12.5 Severability**

(a) Wherever possible, each provision of this Agreement and each related document shall be interpreted in such manner as to be effective and valid under applicable law, but if any word, phrase, clause, sentence, article or paragraph contained in this Agreement is deemed unenforceable by any court of competent jurisdiction, such word, phrase, clause, sentence, article or paragraph shall be severed from this Agreement and the remaining words, phrases, clauses, sentences, articles and paragraphs of this Agreement shall remain in full force and effect.

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## 12.6 Notice

(a) Any notice required to be given hereunder shall be deemed to have been properly given if delivered personally, by a nationally recognized courier service, or sent by prepaid registered mail or sent via facsimile transmissions as follows:

To the Executive:

5430 rue Ferrier  
Town of Mount Royal, Quebec  
H4P 1M2

To the Corporation:

5430 rue Ferrier  
Town of Mount Royal, Quebec  
H4P 1M2

Attention: Chief Executive Officer

(b) If delivered personally or by courier service, the notice shall be deemed to have been received on the date of delivery; if sent by registered mail, the notice shall be deemed to have been received on the fourth (4th) day of uninterrupted postal service following the date of mailing; or if sent by facsimile, the notice shall be deemed to have been received on the date of transmission, unless, in any such case, such day is not a Business Day, in which case the notice shall be deemed to have been received on the next following Business Day. Either party may change its address for notice at any time, by giving notice to the other party pursuant to this Section 12.6.

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## 12.7 Successors

(a) This Agreement may not be assigned by the Executive. This Agreement and the rights and obligations hereunder may, without the further express consent of the Executive, be assigned by the Corporation to any entity which succeeds to all or substantially all of the business, assets or property of the Corporation.

## 12.8 Currency and Taxes

(a) The Executive acknowledges and agrees that all payments, perquisites or benefits under this Agreement shall be payable in Canadian dollars and shall be subject to withholding of such amounts, if any, relating to tax or other payroll deductions as the Corporation may reasonably determine that it should withhold pursuant to any applicable law or regulation. Nothing in this Agreement shall be construed to obligate the Corporation to compensate the Executive for adverse tax consequences associated with his compensation.

## 12.9 Counterparts

(a) This Agreement, may be executed in counterparts (including by email or facsimile), each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

## 12.10 Language

(a) The parties have expressly requested that this Agreement and any related documents be drafted in the English language. *Les parties ont expressement requis que cette entente et tout document relies soient rediges en anglais seulement.*

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IN WITNESS WHEREOF the parties have duly executed this Agreement.

[Signature page to follow]

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IN WITNESS WHEREOF the parties have duly executed this Agreement.

DAVIDsTEA INC.

per: /s/ *Susan L. Burkman*

per: /s/ *Emilia Di Raddo*

/s/ *FRANK ZITELLA*  
**FRANK ZITELLA**

## EXECUTIVE EMPLOYMENT AGREEMENT

## BETWEEN:

DAVIDsTEA INC., having a place of business at 5430 Ferrier Street, Town of Mount Royal, Québec H4P 1M2, Canada;

(the “Corporation” or “DTI”);

- and -

Sarah Segal, residing in the City of Westmount, Québec, Canada;

(the “Executive”)

WHEREAS the Corporation wishes to employ the Executive on the terms set forth in this Agreement;

AND WHEREAS the Executive wishes to be so employed by the Corporation;

NOW THEREFORE for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

For the purposes of this Agreement, the following definitions shall apply unless the context or subject matter is inconsistent therewith:

(a) “**Actively Employed**” means the Executive actively performing her duties continuously and without interruption. For greater certainty, the Executive shall be deemed to be not actively performing her duties continuously and without interruption during any period of leave that exceeds 30 days for any reason whatsoever (except any period of leave for annual vacation). The Parties agree that the Executive shall be deemed Actively Employed for the purposes of this Agreement during any period in which the Executive is not actively performing her duties up to a maximum period of 52 weeks due to maternity leave;

(b) “**Agreement**” means this executive employment agreement, as amended, supplemented or modified by express written agreement of the parties from time to time;

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(c) “**Basic Payments**” means an amount equal to the aggregate of the Executive’s (i) earned but unpaid Base Salary; (ii) unpaid business expense reimbursement; and (iii) an amount payable for accrued but unused vacation days;

(d) “**Board**” means the board of directors of DTI, as constituted from time to time;

(e) “**Business**” means the activities undertaken by the Corporation as they exist at the date hereof, as they will exist at the Termination Date and the activities that Corporation will be actively developing at the time of the Termination Date. Without limiting the generality of the foregoing, the Business of the Corporation as of the date hereof includes the sale and distribution of tea, including but not limited to, loose leaf teas, teas or tea-based beverages, and the sale and distribution of products related thereto;

(f) “**Business Day**” means any day other than a Saturday, Sunday or any other day on which principal commercial banks are not open for business in Montreal, Québec;

(g) “**Cause**” means:

(i) fraud, misappropriation, embezzlement or destruction of property belonging to the Corporation or other similar behaviour by the Executive;

(ii) violation by the Executive of applicable securities legislation or stock exchange rules;

(iii) any neglect of duty or misconduct of the Executive in discharging any of the Executive’s duties and responsibilities hereunder that is not cured within ten (10) Business Days of written notification thereof to the Executive by the Corporation;

(iv) any conduct of the Executive which is materially prejudicial to the business of the Corporation ;

(v) any failure of, or refusal by the Executive to comply with the established policies, rules and regulations of the Corporation , that is not cured by the Executive within ten (10) Business Days of written notification thereof to the Executive by the Corporation;

(vi) any breach of any statutory or civil law duty of loyalty to the Corporation ;

(vii) conviction of a crime (other than traffic violations and minor misdemeanors);

(ix) any other act or omission of the Executive which would in law permit an employer to, without notice or payment in lieu of notice, terminate the employment of an employee;

(h) **“Change of Control”** means an event whereby (i) any Person, or group of Persons acting together, who is not, as of September 1, 2020, a beneficial owner, either directly or indirectly, of ten percent (10%) or more of the issued and outstanding common shares in the share capital of the Corporation, and who is at arms length from both Herschel Segal and Rainy Day Investments Ltd., becomes the beneficial owner, directly or indirectly, of more than forty-six percent (46%) of either the issued and outstanding common shares in the share capital of the Corporation or the combined voting power of the Corporations then outstanding voting securities entitled to vote generally; or (ii) the Corporation undergoes a sale of all or substantially all of its assets in an arm’s-length transaction with an unrelated third party” ”

(i) **“Clients”** means any and all Persons, including clients (other than retail customers) and distributors, having purchased the Corporation's goods in connection with the Business at any time during the two (2) years preceding the Termination Date;

(j) **“Confidential Information”** means all information in whatever form (oral, written, machine readable or otherwise) pertaining to the Corporation , the Business, customers, prospective customers, suppliers, brokers, or distributors and which has independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by other Persons. Some examples are any such information related to:

(i) special needs and characteristics of customers, prospective customers and suppliers of the Corporation (such as data concerning actual or projected customer requirements, preferences, market needs or habits, standards, specifications and methods of operation) and information about key personnel;

(ii) expansion plans;

(iii) computer programs and controls;

(iv) existing and new or envisioned products, formulas, recipes, devices and production methods, processes and techniques;

(v) scientific studies and analysis, research and development projects and clinical and other test data;

(vi) sales, pricing, cost and other such financial data and projections;

(vii) marketing, promotional and advertising studies, programs and strategies; and

(viii) Intellectual Property Rights;

(k) **“Corporation “** means DTI and its subsidiaries, including without limitation DT USA;

(l) **“DT USA”** means DAVIDsTEA (USA) Inc.;

(m) **“Employment End Date”** means, as the case may be, (i) the date on which the Corporation provides notice of termination of employment to the Executive; (ii) the date on which the Executive provides a notice of termination of employment to the Corporation; or (iii) the date of the Executive’s death;

(n) **“HRCC”** means the Human Resources and Compensation Committee of the Board;

(o) **“Incapacity”** means any medical condition whatsoever (including physical or mental illness) which leads to the Executive’s absence from her job function for a continuous period of three (3) months without the Executive being able to resume functions on a full-time basis at the expiration of such period and which, in light of the position held by the Executive, the parties agree would cause undue hardship to the Corporation; and unsuccessful attempts to return to work for periods of less than fifteen (15) days shall not interrupt the calculation of such three (3) month period;

(p) **“Intellectual Property Rights”** shall mean all registered and unregistered intellectual property rights including, without limiting the generality of the foregoing:

(i) rights to any inventions, whether patentable or not patentable, patents, trademarks, trade names, copyright, designs, industrial designs, trade secrets, integrated circuit and topographies; and

(ii) all domestic and foreign registrations, applications, divisions, continuations, continuations-in-part, re-examinations and renewals thereof;

(q) “**Person**” means an individual, partnership, unincorporated association, organization, syndicate, corporation, trustee, executor, administrator or other legal or personal representative;

(r) “**Supplier**” means any and all Persons having supplied the Corporation with goods or services in connection with the Business at any time during the two years preceding the Termination Date;

(s) “**Termination Date**” means the Employment End Date or, if the Executive continues in the employ of the Corporation after the Employment End Date, at the request of the Board and upon agreement by the Executive, on a full-time or part-time basis, the Termination Date shall be the Executive’s last day of employment;

(t) “**Territory**” means Canada and the United States; and

(u) “**Works**” means all discoveries, inventions, improvements, innovations, processes, topographies, codes, software, know how, recipes, technology, formulas, drawings, specifications for products, materials and equipment, process development and ideas including all related documentation on whatever support it is, of which the Executive is solely or jointly, in whole or in part, an inventor, discoverer, author, creator, conceiver or originator.

## **ARTICLE 2 POSITION AND START DATE**

### **2.1 Start Date and Term**

(a) This Agreement shall be effective commencing on December 16, 2020 (the “**Start Date**”), notwithstanding the date of signature of this Agreement, and shall continue for an indeterminate period, subject to the termination provisions provided herein.

### **2.2 Title and Position**

The Corporation shall employ the Executive as its Chief Executive Officer and Chief Brand Officer (“**CEO/CBO**”).

(a) The Executive shall report to, and be subject to the control and direction of the, Board of Directors of the Corporation.

(b) The Executive’s duties and responsibilities shall include, in addition to those inherent to the Executive’s title and normally pertaining to such title, those compatible with the Executive’s position and which the Board of Directors may assign to her from time to time.

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### **2.3 Full and Faithful Service**

(a) During her employment with the Corporation, and except as otherwise contemplated herein, the Executive undertakes to act with diligence, loyalty and honesty, to devote her full business time, attention and skills as a full-time employee of the Corporation, to faithfully serve the Corporation and to use her best efforts to promote the interest thereof, and she shall not, on her own behalf or on behalf of any other Person, whether directly or indirectly, alone, through or in connection with any Person, undertake the pursuit of, or engage in, any employment or business other than her employment under this Agreement, regardless of whether such activity is to gain profit or not.

(b) The Executive shall comply with all applicable rules and policies of the Corporation, which may be amended or replaced from time to time at the Corporation's sole discretion.

### **2.4 Place of Employment**

(a) The Executive shall work from the Corporation’s head office in Montreal, Québec. Notwithstanding the foregoing, it is hereby agreed and understood that the Executive shall travel from time to time to such locations as may be necessary or desirable in connection with her duties hereunder.

### **2.5 Work Permit**

(a) If a work permit is required for the Executive to enter the territory of the United States for the purposes of discharging her duties as provided herein, such permit shall be obtained by the Executive, with the Corporation’s support and at the Corporation’s cost. The Executive hereby represents that she has no reason to believe that she will be denied a work permit to enter the territory of the United States, if necessary.

## **ARTICLE 3 COMPENSATION AND BENEFITS**

### **3.1 Base Salary**

(a) The annual base salary of the Executive shall be four hundred and fifty thousand dollars (CAD \$450,000.00) (the “**Base Salary**”), payable in accordance with the Corporation’s normal payroll practices, less applicable deductions.

### **3.2 Short-Term Incentive Plan**

(a) Commencing with the fiscal year ending January 2022, for each fiscal year of the Corporation, the Executive shall be eligible to receive an annual cash performance bonus with a target amount representing 60.0% of the Executive’s Base Salary (the “**Target Bonus**”), during each

respective fiscal year. Subject to paragraph (c) below, the Target Bonus shall be payable to the Executive in the event that the HRCC determines, at its sole discretion, that the Executive has achieved performance objectives established by the HRCC in respect of the applicable fiscal year. The Executive's annual cash performance bonus may exceed the Target Bonus and be up to 100% of the Executive's Base Salary in the event that the HRCC determines, in its sole discretion, that the Executive has significantly exceeded the performance objectives determined by the HRCC for the applicable fiscal year.

(b) Commencing with the fiscal year ending January 2022, for each fiscal year of the Corporation, the Executive shall be eligible to receive an equity based performance bonus with a target amount representing 30.0% of the Executive's Base Salary (the "**Target Bonus**"), during each respective fiscal year. Subject to paragraph (c) below, the Target Bonus shall be payable to the Executive in the event that the HRCC determines, at its sole discretion, that the Executive has achieved performance objectives established by the HRCC in respect of the applicable fiscal year. The Executive's annual equity based performance bonus may exceed the Target Bonus and be up to 50% of the Executive's Base Salary in the event that the HRCC determines, in its sole discretion, that the Executive has significantly exceeded the performance objectives determined by the HRCC for the applicable fiscal year.

(c) The Executive hereby agrees that the Bonus shall be payable provided the Executive is Actively Employed as the CEO/CBO of the Corporation for the fiscal year to which the Bonus relates.

### **3.3 Long-Term Incentive Plan**

(a) The Executive will be eligible to participate in the Corporation's Long-Term Incentive Award Program under the LTIP in a manner consistent with other senior executive officers of the Corporation and commensurate with the Executive's position, beginning with the fiscal year ending January 2022. Long-Term Incentive Awards are determined each fiscal year, typically in the first quarter. The Executive's annual Long-Term Incentive Award will have a grant date fair value of thirty percent (30%) of his then-current base salary, and vest 25% at the first anniversary, 25% at the second anniversary and 50% at the third anniversary. The parties acknowledge that past awards have consisted of restricted stock units.

### **3.4 Vacation**

(a) The Executive shall be entitled to five (5) weeks of paid vacation per calendar year, to be taken at such times and intervals as at times that are appropriate to business needs. The Executive shall be entitled to carry forward unused vacation days to the following calendar years.

### **3.5 Transportation Allowance**

(a) The Executive shall be entitled to an annual allowance of \$7,200 to cover transportation related expenses. This transportation allowance will be paid to in twelve equal monthly installments on the first payroll of each month, less applicable deductions and withholdings.

### **3.6 Approved Business Expenses and Special Discretionary Travel and Expense Reimbursement**

(a) The Corporation shall reimburse the Executive for all approved expenses incurred by the Executive in the performance of her duties under this Agreement, upon presentation of supporting receipts or vouchers.

### **3.7 Benefit Plans and D&O Liability Insurance**

(a) Upon the Start Date, the Executive shall be eligible to participate in the Corporation's insurance benefits programs generally made available to the Corporation's full-time employees, the whole in accordance with the terms and conditions set forth in the programs or plans that the Corporation may institute or amend from time to time.

(b) The Executive shall be eligible to participate in the Corporation's RRSP, subject to legislative limits and, subject to the terms and conditions of the applicable plan; it being understood that the Corporation shall not match the Executive's contributions.

(c) The Executive shall be provided with directors' and officers' liability insurance on the same basis as is provided to all executive officers and members of the Board. Such insurance shall be effective as of the Executive's Start Date.

### **3.8 No Other Benefits**

(a) The Executive is not entitled to any other benefit or perquisite other than as specifically set out in this Agreement or as agreed to in writing with the Corporation.

## **ARTICLE 4 CONFIDENTIALITY**

### **4.1 Confidentiality**

(a) Any document or work composed, created, assembled or produced by the Executive or the Corporation and containing Confidential Information (including, without limitation, all notes, extracts, text or references from which any Confidential Information can be implicitly or otherwise revealed or understood) shall be deemed to be Confidential Information within the meaning of this Agreement and shall be treated as such.

(b) Confidential Information and all embodiments thereof (including any reproduction) shall remain the sole property of the Corporation and shall be returned to the Corporation immediately upon request to this effect or immediately after the Termination Date.

(c) The Executive hereby agrees not to use, divulge, diffuse, sell, transfer, give, publish, circulate or otherwise distribute to any Person or otherwise make public, any Confidential Information.

(d) Notwithstanding Section (c) above, the Executive shall have the right to use Confidential Information as required in the performance of her duties, provided that she shall at all times take necessary, useful and desirable measures to prevent the unauthorized use or disclosure of Confidential Information.

(e) Except when required in the performance of her duties, under no circumstances shall the Executive reproduce any Confidential Information without the prior written consent of the Board. All reproductions of Confidential Information shall be governed by this Agreement and shall be treated as Confidential Information hereunder.

(f) Anything to the contrary herein notwithstanding, disclosure of Confidential Information shall not be precluded if such disclosure is in response to a valid order of a governmental body or is otherwise required by law; provided however that the Executive shall, if reasonably possible, first have given notice thereof to the Corporation and shall have, as reasonably as possible, fully cooperated in the Corporation's attempt, if any, to obtain a "protective order" from the appropriate tribunal or governmental body.

## **ARTICLE 5 WORKS**

### **5.1 Works**

(a) In consideration of the Base Salary that the Executive receives from the Corporation, all Works (including all data and records pertaining thereto) that the Executive may invent, discover, author, originate, create or conceive, whether individually or with others, during her employment with the Corporation and all Intellectual Property Rights relating thereto shall be the sole and exclusive property of the Corporation.

(b) With respect to Works invented, discovered, authored, originated, created or conceived by her during her employment with the Corporation for any reason, the Executive shall perform the following:

(i) promptly disclose and describe such Works in writing to the Corporation;

(ii) assign (and the Executive does hereby assign) to the Corporation or such Person designated by the Corporation, without further compensation (but at the Corporation's expense), upon request and in the manner prescribed by the Corporation, all her rights, title and interest in and to said Works and Intellectual Property Rights related thereto throughout the world and waive (and the Executive does hereby waive) any and all other rights that are non-assignable, including but not limited to moral rights in all Works or any non-economic rights;

(iii) deliver promptly to the Corporation, upon request and in the form and manner prescribed by the Corporation (without charge to the Corporation but at the Corporation's expense), all written instruments and documentation relating to said Works and Intellectual Property Rights and do such acts as deemed necessary by the Corporation to obtain, maintain and to transfer all rights and title thereto to the Corporation; and

(iv) give all assistance that may be required by the Corporation or the Person designated by the Corporation pursuant to subsection (b) to enable it to protect or exploit the Works and Intellectual Property Rights relating thereto in any country of the world.

(c) The Executive agrees that all Works that she invents, discovers, authors, creates, conceives or originates, alone and with others, will be original and will not to her knowledge infringe or violate any Intellectual Property Rights or confidential information of any of her former employers or of any other third party and will not constitute a breach of any of the Executive's contractual or legal obligations towards her former employers or any other third party.

## **ARTICLE 6 OBLIGATION OF NON-COMPETITION**

### **6.1 Obligation of Non-competition**

(a) The Executive shall not, during her employment and for a period of twelve (12) months following the Termination Date, on her own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, carry on or be employed by, be engaged in, consult with or advise, permit her name to be used or employed by, own shares in the capital, lend money to or guarantee the debts of any business which is in competition with the Business in all or part of the Territory.

(b) The Executive shall not be in default under Section 6.1 by virtue of holding, strictly for portfolio purposes and as a passive investor, not more than 3% (including securities held by any Person acting jointly or in concert with the Executive) of the issued and outstanding shares of a corporation in competition with the Business, the shares of which are listed on a recognized stock exchange.

**ARTICLE 7**  
**OBLIGATION OF NON-SOLICITATION OF CLIENTS, SUPPLIERS AND NON-INTERFERENCE**

**7.1 Obligation of Non-solicitation of Clients, Suppliers and Non-interference**

(a) The Executive shall not, during her employment and for a period of two (2) years following the Termination Date, on her own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, for any purpose which is in competition, in whole or in part, with the Business, solicit any Client, Supplier or tea broker, or procure or assist in the soliciting of any Client, Supplier or tea broker.

(b) The Executive shall not, during her employment and for a period of two (2) years following the Termination Date, on her own behalf or in behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, for any purpose which is in competition, in all or in part, with the Business, accept or procure or assist in the acceptance of any business from any Client or supply or procure or assist the supply of any goods or services to any Client, in all or part of the Territory.

(c) The Executive shall not, during her employment and for a period of two (2) years following the Termination Date, on her own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, interfere or attempt to interfere with the Business or persuade or attempt to persuade any Client or Supplier to discontinue or adversely alter such Person's relationship with the Corporation.

**ARTICLE 8**  
**OBLIGATION OF NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS**

**8.1 Obligation of Non-solicitation of Employees and Consultants**

(a) The Executive shall not, during her employment and for a period of two (2) years following the Termination Date, on her own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, employ, offer employment to or solicit the employment or service of or otherwise entice away from the employment or service of the Corporation, any individual who is employed by the Corporation or any Person whose consulting services are retained by the Corporation at the time of the termination of the Executive's employment or who was employed by the Corporation or whose services were retained by the Corporation in the twelve (12) month period preceding the termination of the Executive's employment, whether or not such Person would commit any breach of her or her contract of employment or services agreement by reason of leaving the service of the Corporation.

(b) The parties hereby agree that the foregoing shall not prohibit the Executive from placing an advertisement in publications of general circulation which are not targeted directly to or at the Corporation's employees and from employing any individual who has responded to such advertisement.

**ARTICLE 9**  
**ENFORCEMENT**

**9.1 Enforcement**

(a) The Executive acknowledges that the restrictions contained in ARTICLE 4, ARTICLE 5, ARTICLE 6, ARTICLE 7 and ARTICLE 8 of this Agreement, in view of the nature of the Business in which the Corporation is engaged, are reasonable and necessary in order to protect the legitimate interests of the Corporation and that any violation thereof would result in irreparable injuries to the Corporation and that damages alone would be an inadequate remedy for any violation of the aforementioned Articles. The Executive further acknowledges that in the event of a violation of any of these restrictions, the Corporation shall be entitled to obtain from any Court of competent jurisdiction temporary, interlocutory and permanent injunctive relief which rights shall be cumulative and in addition to any other rights or remedies to which the Corporation may be entitled.

(b) It is expressly agreed by the parties hereto that the provisions of ARTICLE 4, ARTICLE 5, ARTICLE 6, ARTICLE 7 and ARTICLE 8 shall survive the termination of the Executive's employment.

**ARTICLE 10**  
**TERMINATION AND CHANGE OF CONTROL**

**10.1 Termination of Employment**

(a) The Executive's employment may be terminated by the Corporation at any time by written notice to the Executive, subject only to the termination entitlements provided in this Agreement.

**10.2 Termination by the Corporation for Cause**

(a) The Corporation may immediately terminate the employment of the Executive at any time for Cause by written notice to the Executive.

(b) If the Corporation terminates the employment of the Executive for Cause under this Section 10.2, the Corporation shall not be obligated to make any further payments under this Agreement, except for the Basic Payments up until the Termination Date.

### 10.3 Termination upon the Executive's Death or Incapacity

(a) The Executive's employment shall immediately terminate upon the Executive's death or Incapacity, without notice or payment in lieu of notice or any indemnity whatsoever, except:

- (i) the Basic Payments, payable (less applicable statutory deductions) within five (5) Business Days following the Termination Date; and
- (ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within fifteen (15) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions;
- (iii) Immediately upon the Executive's Death or Disability, the unvested portion of the issued and outstanding RSUs will immediately vest.
- (iv) in each case payable to the Executive or, in the case of death, to his estate;

### 10.4 Termination by the Corporation Without Cause

(a) Should the Executive's employment as CEO/CBO be terminated at any time by the Corporation without Cause, the Corporation shall provide the Executive with the following, subject to the Executive's execution of any and all documents requested by the Corporation to evidence the Executive's resignation as contemplated in Section 10.6(a), as well as a release and discharge agreement in favour of the Corporation in accordance with this Section 10.4(b), in a form satisfactory to the Corporation (the "**Release**") no later than five (5) Business Days following the Termination Date and provided the Executive continues to fulfill her post-employment legal and contractual obligations:

- (i) payment of the Basic Payments, payable (less applicable statutory deductions) within five (5) Business Days following the Termination Date;
- (ii) payment of any awarded but unpaid Bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within five (5) Business Days following the Termination Date, however, in no event before the usual payout date of such Bonus, less applicable statutory deductions;

(iii) subject to the conditions set out in Section 3.2(a), payment of an amount equal to a prorated portion of the Bonus (if any) which becomes payable for the year during which the termination of the Executive's employment occurs up to the Termination Date, determined by the HRCC taking into account the final year end results for the applicable fiscal year and payable (if any) on a *pro rata* basis taking into account the number of days worked by the Executive in the applicable fiscal year up to the Termination Date, and payable on the usual payout date of such Bonus, less applicable statutory deductions.

(iv) if the Executive has less than eighteen (18) complete years of service with the Corporation as at the date on which notice of termination is given pursuant to Section 10.4(a), payment of an indemnity in lieu of notice equal to eighteen (18) months of the Executive's Base Salary plus an amount equal to 1.5 times (1.5x) the performance based bonus at 'Target', to be paid in a lump sum within five (5) business days following the Termination Date. If the Executive has at least eighteen (18) complete years of service with the Corporation as at the date on which a notice of termination is given, the indemnity shall be equal to twenty-four (24) months of the Executive's Base Salary plus an amount equal to two (2) times the performance based bonus at 'Target', to be paid in a lump sum within five (5) business days following the Termination Date. Furthermore, any stock options, RSUs, stock units or other long-term incentive grants which are granted to the Executive prior to the Employment End Date, and which are unvested as of the Employment End Date, shall be deemed vested on the Termination Date, notwithstanding anything to the contrary in any applicable plan or award agreement. The foregoing indemnity shall be payable to the Executive within five (5) business days of executing the release referred to in Section 10.4(a), and;

(v) payment of any accrued and unused vacation pay.

(b) **Release.** The parties agree that the provisions of Section 10.4 are fair and reasonable and that the amounts payable by the Corporation to the Executive pursuant to Section 10.4 are reasonable estimates of the damages which will be suffered by the Executive in the event of the termination of her employment in the circumstances and shall not be construed as a penalty. The Executive acknowledges and agrees that the payments pursuant to Section 10.4 shall be in full satisfaction of all terms of termination of her employment.

### 10.5 Resignation by Executive

(a) The Executive shall provide the Corporation with thirty (30) days' advance written notice of the termination of her employment hereunder ("**Resignation Notice Period**") and, subject to the following, the Executive's employment shall terminate on the date specified in the notice. The Corporation may waive the Resignation Notice Period, in whole or in part, upon paying to the Executive those amounts that she would have

received had she remained Actively Employed through the Resignation Notice Period and the Corporation shall have no further obligations hereunder in the event of such resignation of the Executive, except the following:

(i) payment of the Basic Payments, payable (less applicable statutory deductions) within five (5) Business Days following the Termination Date; and

(ii) payment of any awarded but unpaid Bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within five (5) Business Days following the Termination Date, however, in no event before the usual payout date of such Bonus, less applicable statutory deductions.

(iii) subject to the conditions set out in Section 3.2(a), payment of an amount equal to a prorated portion of the Bonus (if any) which becomes payable for the year during which the resignation by the Executive occurred, determined by the HRCC taking into account the final year end results for the applicable fiscal year and payable (if any) on a *pro rata* basis taking into account the number of days worked by the Executive in the applicable fiscal year up to the end of the Resignation Notice Period, and payable on the usual payout date of such Bonus, less applicable statutory deductions;

During the Resignation Notice Period, the Corporation may assign to the Executive any duties of a transitional nature which it deems appropriate.

(b) The Executive may resign for "Good Reason" in the following cases:

(i) *Changed Duties or Status*. The assignment to the Executive of any duties materially inconsistent with her status as Chief Executive Officer of the Corporation or a material diminution in the nature or status of her responsibilities as Chief Executive Officer;

(ii) *Reduced Compensation*. An involuntary reduction of ten percent (10%) or more by the Corporation in the Executive's base compensation or target Bonus;

(iii) *Benefits and Perquisites*. The failure by the Corporation to continue to provide the Executive with benefits and perquisites substantially similar to those provided for in this Agreement or the taking by the Corporation of any action that would directly or indirectly materially reduce any such benefits or deprive the Executive of any material perquisite enjoyed by her, other than in the event that such modifications are also applied to other executives of the Corporation ; or

(iv) *Relocation*. The Corporation's requiring the Executive to be based in a location which is more than twenty (20) kilometres from the Corporation's current executive head office in Town of Mount Royal, Québec, provided that the Executive has not consented to such relocation.

In the event the Executive terminates her employment for Good Reason, the Executive shall receive the termination entitlements as set forth in Section 10.4, subject to the terms provided thereunder.

## **10.6 Effect of Termination or Resignation**

(a) Upon termination of her employment for any reason whatsoever (including for greater certainty, the Executive's resignation), the Executive shall thereupon be deemed to have immediately resigned from any position the Executive may have as an officer, director or employee of the Corporation together with any other office, position or directorship which the Executive may hold in the Corporation . In such event, the Executive shall, at the request of the Corporation, forthwith execute any and all documents appropriate to evidence such resignations. The Executive shall not be entitled to any payments in respect of such resignations in addition to those provided for herein.

(b) The Executive hereby undertakes to cooperate with the Corporation following the termination of her employment in all matters related to the conclusion of ongoing works or projects and to facilitate an orderly transfer of her responsibilities, functions and duties hereunder as may be required by the Corporation .

## **10.7 Return of Property**

(a) Upon the termination of her employment with the Corporation, the Executive shall promptly deliver or cause to be delivered to the Corporation all books, documents (including all copies), money, securities or other property of the Corporation which are in the possession, charge, control or custody of the Executive.

## **10.8 No Further Entitlement upon Termination**

(a) If the employment of the Executive is terminated, the Executive's employment with the Corporation shall cease and neither the Corporation nor any of its subsidiaries shall be obligated to make any payments to the Executive, other than as expressly provided for in this ARTICLE 10. The Executive recognizes and accepts that the Corporation shall not, in any case, be responsible for any additional amount, payment in lieu of notice, severance pay or other damages arising from the termination of her employment, except for those specifically provided for herein.

## **10.9 Change of Control**

(a) Notwithstanding anything to the contrary herein, in the event of a Change of Control, the Executive shall receive the termination entitlements as set forth in Section 10.4, if the Executive remains in the full-time employ of the Corporation for a period of six (6) months following the Change of Control.

**ARTICLE 11**  
**REPRESENTATIONS AND WARRANTIES**

**11.1 Representations and Warranties**

(a) The Executive hereby represents and warrants to the Corporation that she is not subject to any confidentiality, non-competition agreement or any other similar type of restriction that may affect her ability to devote full time and attention to her work at the Corporation. The Executive further represents and warrants that she has not used and will not use or disclose any trade secret or other proprietary right of any previous employer or any other party. In addition, the Executive represents that the Corporation does not owe her unpaid wages or compensation or any kind for services performed prior to the date of this Agreement.

(b) The Executive shall defend, indemnify and hold the Corporation and its subsidiaries harmless from any liability, expense or claim (including solicitors' fees incurred in respect thereof) by any Person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 11.1.

**ARTICLE 12**  
**GENERAL CONTRACT PROVISIONS**

**12.1 Privacy**

(a) The Executive acknowledges and agrees that the Corporation has the right to collect, use and disclose her personal information for purposes relating to her employment with the Corporation, including:

(i) ensuring that she is paid for her services to the Corporation and its subsidiaries;

(ii) administering any benefits to which she is or may become entitled, including bonuses, medical, dental, disability and life insurance benefits, pension, RRSP and/or stock options. This shall include the disclosure of her personal information to any insurance company and/or broker or to any entity that manages or administers the Corporation's benefits on behalf of the Corporation; and

(iii) compliance with any regulatory reporting and withholding requirements relating to her employment.

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**12.2 Governing Law and Jurisdiction**

(a) This Agreement shall be governed by and interpreted and construed in accordance with the laws of the Province of Québec and the laws of Canada applicable therein. Any legal action or proceeding with respect with this Agreement shall be brought exclusively in the courts of the Province of Québec sitting in the district of Montreal and, by execution and delivery of this Agreement, the Executive and the Corporation irrevocably consent to the jurisdiction of those courts.

**12.3 Entire Agreement**

(a) This Agreement, together with the Corporation's 2015 Omnibus Equity Incentive Plan and the related award agreements and the other agreements to which the aforementioned agreements refer, constitute the entire agreement between the parties with respect to the matter herein and supersede all prior agreements relating to the subject matter hereof. The execution of this Agreement has not been induced by, nor do any of the parties rely upon or regard as material, any representations, promises, agreements or statements whatsoever not incorporated herein and made a part hereof.

(b) This Agreement shall not be amended, altered or qualified except by a memorandum in writing signed by the parties. The Executive hereby agrees that the definition of "Territory" shall include any other jurisdiction within which the Corporation conducts business or has specific plans to conduct business at or prior to the Termination Date and the Executive shall agree, as necessary, to amend in writing the definition of Territory in order to reflect such geographical areas.

**12.4 Independent Legal Advice**

(a) The Executive acknowledges that she has been afforded an opportunity to obtain independent legal advice with respect to this Agreement and that she understands the nature and the consequences of this Agreement.

**12.5 Severability**

(a) Wherever possible, each provision of this Agreement and each related document shall be interpreted in such manner as to be effective and valid under applicable law, but if any word, phrase, clause, sentence, article or paragraph contained in this Agreement is deemed unenforceable by any court of competent jurisdiction, such word, phrase, clause, sentence, article or paragraph shall be severed from this Agreement and the remaining words, phrases, clauses, sentences, articles and paragraphs of this Agreement shall remain in full force and effect.

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**12.6 Notice**

(a) Any notice required to be given hereunder shall be deemed to have been properly given if delivered personally, by a nationally recognized courier service, or sent by prepaid registered mail or sent via facsimile transmissions as follows:

(i) To the Executive: 523 Prince Albert Avenue  
Westmount, Québec H3Y 2P9

(ii) To the Corporation: 5430 rue Ferrier  
Town of Mount Royal, Québec H4P 1M2  
Attention: Chairman

(b) If delivered personally or by courier service, the notice shall be deemed to have been received on the date of delivery; if sent by registered mail, the notice shall be deemed to have been received on the fourth (4<sup>th</sup>) day of uninterrupted postal service following the date of mailing; or if sent by facsimile, the notice shall be deemed to have been received on the date of transmission, unless, in any such case, such day is not a Business Day, in which case the notice shall be deemed to have been received on the next following Business Day. Either party may change its address for notice at any time, by giving notice to the other party pursuant to this Section 12.6.

#### 12.7 Successors

(a) This Agreement may not be assigned by the Executive. This Agreement and the rights and obligations hereunder may, without the further express consent of the Executive, be assigned by the Corporation to any entity which succeeds to all or substantially all of the business, assets or property of the Corporation, subject to and in accordance with the terms and conditions of this Agreement, including the terms of Section 10.5(c).

#### 12.8 Currency and Taxes

(a) The Executive acknowledges and agrees that all payments, perquisites or benefits under this Agreement shall be payable in Canadian dollars unless otherwise stated hereunder, and shall be subject to withholding of such amounts, if any, relating to tax or other payroll deductions as the Corporation may reasonably determine that it should withhold pursuant to any applicable law or regulation. Nothing in this Agreement shall be construed to obligate the Corporation to compensate the Executive for adverse tax consequences associated with her compensation.

#### 12.9 Counterparts

(a) This Agreement, may be executed in counterparts (including by email or facsimile), each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

#### 12.10 Language

(a) The parties have expressly requested that this Agreement and any related documents be drafted in the English language. *Les parties ont expressément requis que cette entente et tout document reliés soient rédigés en anglais seulement.*

**IN WITNESS WHEREOF** the parties have duly executed this Agreement.

**DAVIDsTEA INC.**

per: /s/ Susan L. Burkman

per: /s/ Emilia Di Raddo

/s/ SARAH SEGAL  
**SARAH SEGAL**



## DAVIDsTEA Reports Third Quarter Fiscal 2020 Financial Results

### Announces Executive Appointments

- > 145.5% increase in e-commerce and wholesale sales to \$22.1 million
- > Gross profit of \$10.8 million
- > Adjusted EBITDA of \$3.3 million
- > Cash of \$21.9 million at quarter-end
- > Restructuring activities ongoing and Court order extended until March 19, 2021

**MONTREAL, December 15, 2020** - DAVIDsTEA Inc. (Nasdaq:DTEA) (“DAVIDsTEA” or the “Company”), a leading tea merchant in North America, announces its third quarter results for the period ended October 31, 2020. DAVIDsTEA also announces the appointment of Sarah Segal as Chief Executive Officer (CEO), in addition to her position as Chief Brand Officer, and Frank Zitella as President, in addition to his position as Chief Operating Officer and Chief Financial Officer (CFO). Herschel Segal will be stepping down as interim CEO and will remain Chairman of the Board of Directors. Frank Zitella will remain CFO pending the appointment of a new CFO. The appointments of Sarah Segal and Frank Zitella will be effective December 16, 2020.

“Sarah and Frank have demonstrated strong leadership and know-how in the face of the ongoing challenges DAVIDsTEA has faced and have both been instrumental in setting the strategic vision and executing our ongoing transformation into a digital-first organization, better adapted to evolving consumer behaviour. On behalf of the Board, I congratulate them on their well-deserved appointments as DAVIDsTEA embarks on a new and exciting chapter,” stated Herschel Segal, DAVIDsTEA’s Chairman and Founder.

“As one of the leading tea merchants in North America, DAVIDsTEA is on a new path, squarely focused on becoming a more agile organization. I look forward to continuing to work with our talented team as we build a stronger and more focused DAVIDsTEA, and solidify our position as a digital-first, industry leading provider of on-trend, high-quality loose-leaf tea, tea accessories and gifts. Our shift towards e-commerce and wholesale continues to progress above our expectations and our latest results clearly indicate that we are making good progress,” said Sarah Segal.

“With the continued solid momentum in our e-commerce and wholesale channels, combined with the benefits of our restructuring process, Adjusted EBITDA was in positive territory for a second consecutive quarter and reached \$3.3 million. Sales traction for both channels during the quarter remained strong, translating to more than 145% growth over the prior year. I look forward to continuing to work closely with the management team in place as we position the Company for a sustainable future,” said Frank Zitella.

### Operating Results for the Third Quarter of Fiscal 2020

*Three Months Ended October 31, 2020 compared to Three Months Ended November 2, 2019*

**Sales.** Sales for the three months ended October 31, 2020 decreased 33.6%, or \$13.3 million, to \$26.2 million from \$39.5 million in the prior year quarter. On March 17, 2020, in response to the COVID-19 pandemic, the Company temporarily closed all its retail stores in Canada and the United States, and subsequently, as part of its formal Restructuring Plan, exited all of its brick and mortar stores except for 18 Canadian stores which were reopened on August 21, 2020. Accordingly, brick and mortar sales for the quarter declined when compared to the prior year quarter by \$26.4 million or 86.5% to \$4.1 million. Sales from e-commerce and wholesale channels increased by \$13.1 million or 145.5% to \$22.1 million, from \$9.0 million in the prior year quarter. E-commerce and wholesale sales represented 84.3% of sales compared to 22.8% of sales in the prior year quarter.

**Gross profit.** Gross profit of \$10.8 million for the three months ended October 31, 2020 decreased by \$10.5 million or 49.3% from the prior year quarter due primarily to a decline in sales during the period. As the Company pivots to a digital-first strategy, the cost of delivery and distribution that is included in arriving at gross profit will compare unfavorably to prior periods that were predominantly focused on retail sales distribution. The significant increase in e-commerce sales resulted in an increase of \$4.2 million in delivery and distribution costs, thereby negatively impacting gross profit percentage. As a result, gross profit as a percentage of sales declined to 41.3% for the three-month period ended October 31, 2020 from 54.1% in the prior year quarter. We expect that the increased cost to deliver online purchases will be less than the selling expenses incurred in a brick and mortar environment that have been historically included as part of Selling, general and administration expenses.

**Selling, general and administration expenses.** Selling, general and administration expenses (SG&A) decreased by \$23.6 million or 76.8% to \$7.1 million in the three months ended October 31, 2020 from the prior year quarter. Excluding the impact of the \$1.4 million wage subsidy received under the Canadian government COVID-19 Economic Response Plan in Fiscal 2020, and the impact in Fiscal 2019 of the impairment of property and equipment and right-of-use assets amounting to \$2.1 million, Adjusted SG&A decreased by \$20.1 million. In connection with our Restructuring Plan, we terminated the leases for all of our stores in North America except for 18 Canadian stores which reopened on August 21, 2020. As a result, wages, salaries and employee benefits were reduced by \$12.2 million, and we realized a reduction of \$3.8 million in amortization expenses due to a lower right-of-use asset value at the beginning of the period. Adjusted SG&A as a percentage of sales in the quarter decreased to 32.7% from 72.5% in the prior year quarter.

**Results from operating activities.** Income from operating activities was \$14.4 million compared to a loss of \$9.3 million in the prior year quarter. Excluding the impact of the Restructuring Plan announced on July 8, 2020, the wage subsidy received from the Canadian government under the COVID-19 Economic Response Plan, the impact of the impairment of property and equipment and right-of-use assets and the loss on disposal of property and equipment, Adjusted results from operating activities amounted to \$2.3 million in the three-month period ended October 31, 2020 compared to a loss of \$7.3 million in the prior year quarter. This resulting improvement of \$9.6 million is explained by a reduction in wages, salaries and employee benefits from

stores and head office, amounting to \$12.2 million, a reduction of \$3.8 million in amortization expense due to a lower right-of-use asset value at the beginning of the period, and a reduction of other brick and mortar selling expenses of \$3.5 million, partially offset by the reduction of gross profit of \$10.5 million.

*Finance costs.* Finance costs amounted to almost nil in the three months ended October 31, 2020, a decrease of \$1.7 million from the prior year quarter. The interest expense relates to lease liabilities and has decreased slightly from the prior year quarter.

*Finance income.* Finance income of \$0.1 million is derived mainly from interest on cash on hand and has decreased slightly from the prior year quarter.

*EBITDA.* EBITDA was \$15.3 million in the quarter ended October 31, 2020 compared to a negative \$4.5 million in the prior year quarter, representing an increase of \$19.8 million over the prior year quarter. Adjusted EBITDA for the quarter ended October 31, 2020, which excludes the impact of stock-based compensation expense, Restructuring plan activities, the subsidy received from the Canadian government under the COVID-19 Economic Response Plan, and the impairment of property and equipment and right-of-use assets amounted to \$3.3 million compared to negative \$2.2 million in the prior year quarter. As the Company pivots to a digital-first strategy, we are seeing an improvement in EBITDA driven from our focus on e-commerce and wholesale channels. In this quarter, EBITDA also improved as a result of a reduced general and administrative infrastructure to support the on-going business.

*Net income (loss).* Net income was \$14.5 million in the quarter ended October 31, 2020 compared to a Net loss of \$10.8 million in the prior year quarter. Adjusted net loss, which excludes the Restructuring plan activities, the subsidy received from the Canadian Government under the COVID-19 Economic Response Plan, and the impairment of property and equipment and right-of-use assets amounted to \$2.3 million compared to a loss of \$8.8 million in the prior year quarter. This \$11.1 million improvement is driven by the same reasons mentioned above in “Results from operating activities”.

*Fully diluted income (loss) per common share.* Fully diluted income per common share was \$0.54 compared to a loss of \$0.42 in the third quarter of Fiscal 2019. Adjusted fully diluted income per common share, which is adjusted net income (loss) on a fully diluted weighted average shares outstanding basis, was \$0.09 per share compared to a loss of \$0.34 per share.

## **Liquidity and Capital Resources**

As at October 31, 2020 we had \$21.9 million of cash primarily held by major Canadian financial institutions. Working capital was negative \$12.2 million as at October 31, 2020, compared to \$36.4 million as at February 1, 2020.

Our primary source of liquidity is cash on hand as we have no access to any form of debt financing. Our primary cash needs are to finance working capital and capital expenditures in connection with enhancing the functions and features of our online store. Our working capital requirements are for the purchase of inventory and payment of payroll and other operating costs. Furthermore, in light of implementing the Restructuring Plan, the Company expects to use cash on hand to pay for professional fees and for the settlement of obligations upon acceptance, if any, of a plan of arrangement that will be presented to creditors. Our working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter. We fund our capital expenditures and working capital requirements from a combination of cash on hand and cash provided by operating activities.

## **New Executive Appointment Biographies**

### *Sarah Segal – Chief Executive Officer and Chief Brand Officer*

Sarah Segal has most recently served as DAVIDsTEA’s Chief Brand Officer responsible for tea and product development, spearheading the digital transformation and development of new sales channels. From 2012 to 2017, Ms. Segal was a member of the Board of Directors of DAVIDsTEA. Since 2013 and up until her appointment as CEO of DAVIDsTEA, Ms. Segal served as CEO of artisanal candy retailer SQUISH Candy, based in Montreal, Quebec, a company she founded. Ms. Segal has a B.A. in Environmental Health from McGill University and a M.Sc. in Water Science, Policy and Management from Oxford University.

### *Frank Zitella- President and Chief Operating Officer*

Frank Zitella has nearly 30 years of experience in finance, strategic planning and governance. Mr. Zitella joined DAVIDsTEA as CFO in December 2018 and was subsequently promoted to the position of Chief Operating Officer in May 2019. Prior to joining DAVIDsTEA, he was CFO of Loop Industries, Inc. (Nasdaq:LOOP). Prior to that and for more than a decade, he served as CFO of DST Health Solutions, a subsidiary of SS&C Technologies Holdings, Inc. (Nasdaq:SSNC). From 1998 to 2006, he was CFO of International Financial Data Services, a joint-venture between SS&C and State Street Bank, where he successfully maximized profitability and top-line growth. Earlier in his career, Frank gained M&A and transaction experience as a senior manager with PricewaterhouseCoopers. He also previously worked as a senior internal auditor for Coca-Cola.

## **DAVIDsTEA Obtains Amended Court Order under CCAA**

On December 15, 2020, the Québec Superior Court extended the previously-announced stay of all proceedings against the Company to March 19, 2021 under the *Companies’ Creditors Arrangement Act (Canada)*.

## **Condensed Consolidated Financial Data**

(Canadian dollars, in thousands, except per share information)

	For the three months ended		For the nine months ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Sales	\$ 26,225	\$ 39,493	\$ 81,497	\$ 122,925
Cost of sales	15,399	18,139	47,409	53,430
Gross profit	10,826	21,354	34,088	69,495
SG&A expenses	7,120	30,670	35,883	90,254
Restructuring plan activities, net	(10,743)	—	24,017	—
Operating income (loss)	14,449	(9,316)	(25,812)	(20,759)
Finance costs	35	1,699	3,260	5,305
Finance income	(53)	(185)	(361)	(570)
Net income (loss)	\$ 14,467	\$ (10,830)	\$ (28,711)	\$ (25,494)
EBITDA <sup>1</sup>	\$ 15,295	\$ (4,548)	\$ (19,646)	\$ (6,237)
Adjusted EBITDA <sup>1</sup>	3,304	(2,241)	4,265	1,387
Adjusted SG&A expenses <sup>1</sup>	8,566	28,619	36,767	83,178
Adjusted operating income (loss) <sup>1</sup>	2,260	(7,265)	(2,679)	(13,661)
Adjusted net income (loss) <sup>1</sup>	\$ 2,278	\$ (8,779)	\$ (5,578)	\$ (18,396)
Basic income (loss) per common share	\$ 0.55	\$ (0.42)	\$ (1.10)	\$ (0.98)
Fully diluted income (loss) per common share	0.54	(0.42)	(1.10)	(0.98)
Adjusted fully diluted income (loss) per common share <sup>1</sup>	\$ 0.09	\$ (0.34)	\$ (0.21)	\$ (0.71)
Gross profit as a percentage of sales	41.3%	54.1%	41.8%	56.5%
SG&A as a percentage of sales	27.1%	77.7%	44.0%	73.4%
Adjusted SG&A as a percentage of sales <sup>1</sup>	32.7%	72.5%	45.1%	67.7%
Cash (used in) provided by operating activities	\$ (12,016)	\$ 4,786	\$ (19,896)	\$ 8,229
Cash used in financing activities	(250)	(5,711)	(5,821)	(17,333)
Cash (used in) provided by investing activities	(94)	(756)	1,304	(4,926)
Decrease in cash during the period	(12,360)	(1,681)	(24,413)	(14,030)
Cash, end of period	\$ 21,925	\$ 28,044	\$ 21,925	\$ 28,044
<b>As at</b>	<b>October 31, 2020</b>	<b>August 1, 2020</b>	<b>February 1, 2020</b>	<b>November 2, 2019</b>
Cash	\$ 21,925	\$ 34,285	\$ 46,338	\$ 28,044
Accounts receivable	7,669	6,757	6,062	5,430
Prepaid expenses and deposits	13,400	8,476	4,542	6,906
Inventories	26,176	24,354	22,363	32,638
Trade and other payables	\$ 3,621	\$ 5,441	\$ 20,794	\$ 21,155

<sup>1</sup> Please refer to “Use of Non-IFRS Financial Measures” in this press release.

## Use of Non-IFRS Financial Measures

This press release includes “non-IFRS financial measures” defined as including: 1) EBITDA and Adjusted EBITDA, 2) Adjusted operating income (loss), 3) Adjusted SG&A expenses, 4) Adjusted net income (loss), 5) Adjusted fully diluted income (loss) per share and 6) Adjusted SG&A expenses as a percentage of sales. These non-IFRS financial measures are not defined by or in accordance with IFRS and may differ from similar measures reported by other companies. We believe that these non-IFRS financial measures provide knowledgeable investors with useful information with respect to our historical operations. We present these non-IFRS financial measures as supplemental performance measures because we believe they facilitate a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that vary from period-to-period but not in substitution to IFRS financial measures.

Please refer to the non-IFRS financial measures section in the Management’s Discussion and Analysis section of our Form 10-Q for a reconciliation to IFRS financial measures.

## Note

This release should be read in conjunction with the Company’s Management’s Discussion and Analysis, which will be filed by the Company with the Canadian securities regulatory authorities on [www.sedar.com](http://www.sedar.com) and with the U.S. Securities and Exchange Commission on [www.sec.gov](http://www.sec.gov) and will also be available in the Investor Relations section of the Company’s website at [www.davidstea.com](http://www.davidstea.com).

## Caution Regarding Forward-Looking Statements

This press release includes statements that express our opinions, expectations, beliefs, plans or assumptions regarding future events or future results and there are, or may be deemed to be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the “safe harbor” provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms

“believes”, “expects”, “may”, “will”, “should”, “approximately”, “intends”, “plans”, “estimates” or “anticipates” or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our Restructuring Plan, the COVID-19 pandemic, our strategy of transitioning to e-commerce and wholesale sales, future sales through our e-commerce and wholesale channels, future lease liabilities, our results of operations, financial condition, liquidity and prospects, the impact of the COVID-19 pandemic on the global macroeconomic environment, and our ability to avoid the delisting of the Company’s common stock by Nasdaq due to the restructuring or our inability to maintain compliance with Nasdaq listing requirements.

While we believe these opinions and expectations are based on reasonable assumptions, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about us, including the risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended February 1, 2020, and Part II, “Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarterly periods ended May 2, 2020, August 1, 2020 and October 31, 2020, respectively, filed with both the United States Securities and Exchange Commission and with the Autorité des marchés financiers, which could materially affect our business, financial condition or future results.

### **About DAVIDsTEA**

DAVIDsTEA is a leading branded retailer and growing wholesaler of specialty loose-leaf tea, offering a differentiated selection of proprietary signature blends, single-origin teas, pre-packaged teas, tea sachets and tea-related gifts and accessories primarily through its e-commerce platform at [www.davidstea.com](http://www.davidstea.com). With a focus on innovative flavours, wellness-driven ingredients and organic tea, the Company launches seasonally driven “collections” with a mission of making tea accessible to a wide audience. A selection of DAVIDsTEA products is available in more than 2,500 grocery stores and pharmacies across Canada. The Company also operates 18 retail stores in Canada. The Company is headquartered in Montréal, Canada.

#### **Investor Contact**

Maison Brison Communications  
Pierre Boucher  
514-731-0000  
[investors@davidstea.com](mailto:investors@davidstea.com)

#### **Media Contact**

PELICAN PR  
Lyla Radmanovich  
514-845-8763  
[media@rppelican.ca](mailto:media@rppelican.ca)